

SAF Tehnika A/S
Consolidated Interim Report
for Q1 of financial year 2023/2024
(July 1, 2023 – September 30, 2023)

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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 270 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 TEHNIKA ASIA PTE.LTD wholly owned by the Parent company. 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.

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Beginning of financial year:	01.07.2023
End of financial year:	30.06.2024
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Share and Shareholdings

SAF Tehnika shareholders (over 5%) as of 30.06.2023.

Shareholder	Ownership interest (%)
Didzis Liepkalns	17.05%
SIA „Koka zirgs”	11.59%
Andrejs Grišāns	10.03%
Normunds Bergs	9.74%
Juris Zieme	8.71%

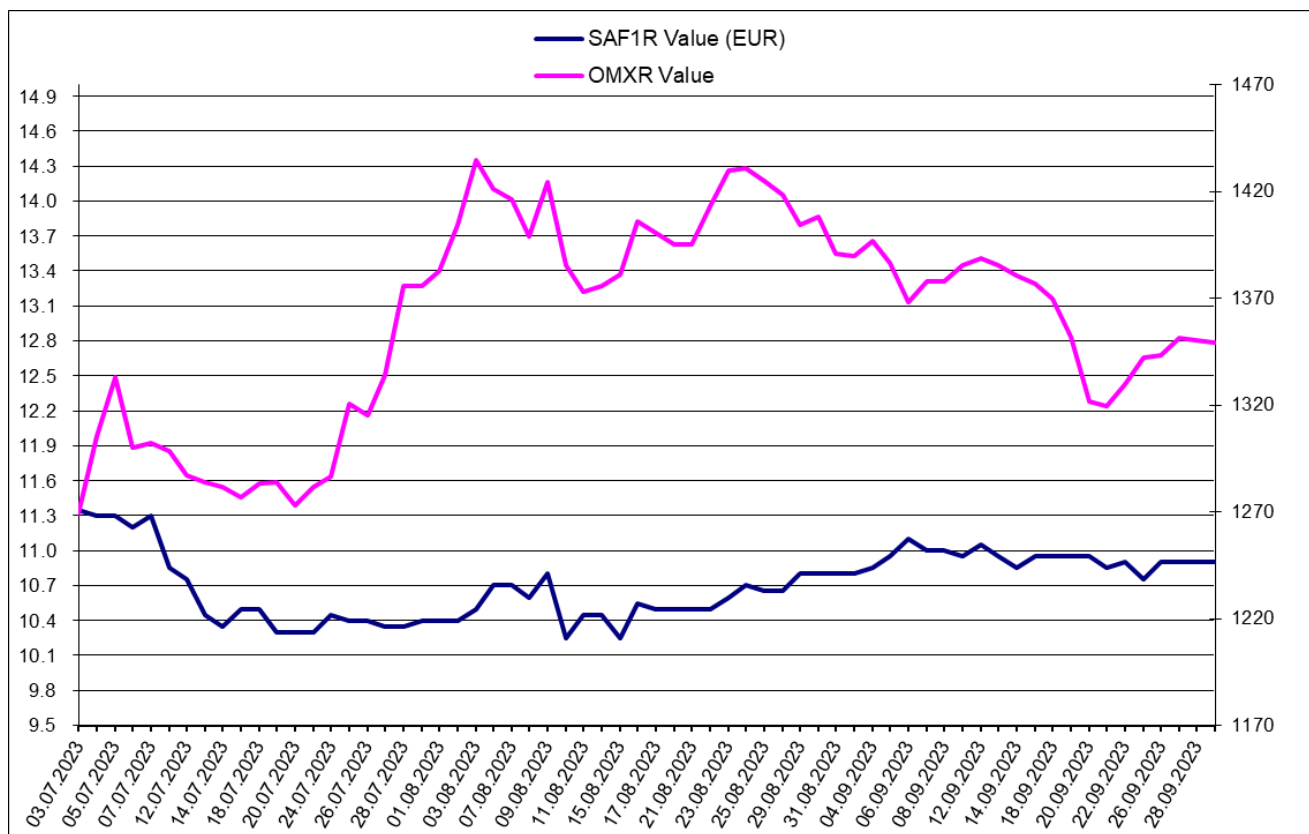
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2023– September 30, 2023

Currency: EUR

Marketplace: Nasdaq 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
Zane Jozepa	Member	owns no shares
Janis Bergs	Member	owns 387 shares

SAF Tehnika Supervisory Board:

Name	Position	Ownership interest (%)
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 8000 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 Zieme, 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. 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, 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, has resumed working in SAF Tehnika in a position of a Director of Digital Transformation in September 2021. She has extensive experience in management, finance, administration and IT, gained in companies operating in local and international markets. She worked as an Administrative Director (2019-2020) in a food production company “Forevers” Ltd.), metal processing company group “Torgy Mek” as Finance Director (2016-2019) and as a Director of Torgy Baltic SIA (2018-2019). Aira Loite has been a member of the Board of SAF Tehnika, Finance and Administrative Director (2007-2011), Managing Director (2011-2015). From 2006 to 2007, she worked as the director of the Business Information and Control Department of SIA Lattelecom. From 2000 to 2006, she was a member of the Board and Chief Financial Officer of SIA Microlink Latvia. A. Loite has graduated the University of Latvia in

1988 and holds Masters degree in Mathematics and MBA from Salford University, GB, obtained in 2009.

Sanda Reiharde, Member of the Supervisory Council, currently leading Microsoft Azure business in Small and Medium segment in CEE (Central and Eastern Europe) 30+ countries. Almost 15 years spent in the information technology industry in various business development and sales leader roles in the Baltic and European markets. Previous experience in banking (Parex Bank, 2006-2008) and sales account management in a Danish and Swedish owned logistics company Baltic Transshipment Center (2000-2006). She graduated from Salford University in 2009 with MBA, as well as Riga Stradins University in 2021, and holds a Master degree in Clinical Psychology.

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 September, 2023 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, 2023.

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

The Group's unaudited consolidated net turnover for the first quarter (Q1) of the financial year 2023/2024 was EUR 5.3 million, which is a decline of 53% compared to the first quarter of the financial year 2022/2023.

The turnover of the North and Latin America region amounted to 58%, or EUR 3.15 million. Compared to the same quarter of the previous financial year, the turnover decreased by 60%.

The European region gave 28% of the turnover, or EUR 2.25 million, which is 27% less than in the Q1 of the previous financial year. The turnover in Asia, Africa and the Middle East region was two times lower compared to the corresponding quarter of the previous financial year, and makes up 14% of the total quarterly turnover (or EUR 746 thousand).

The decline in revenue for the quarter in all regions is due to the implementation of large-scale projects and sales volume in the first quarter of the previous financial year, when one of the highest quarterly turnovers in history was achieved.

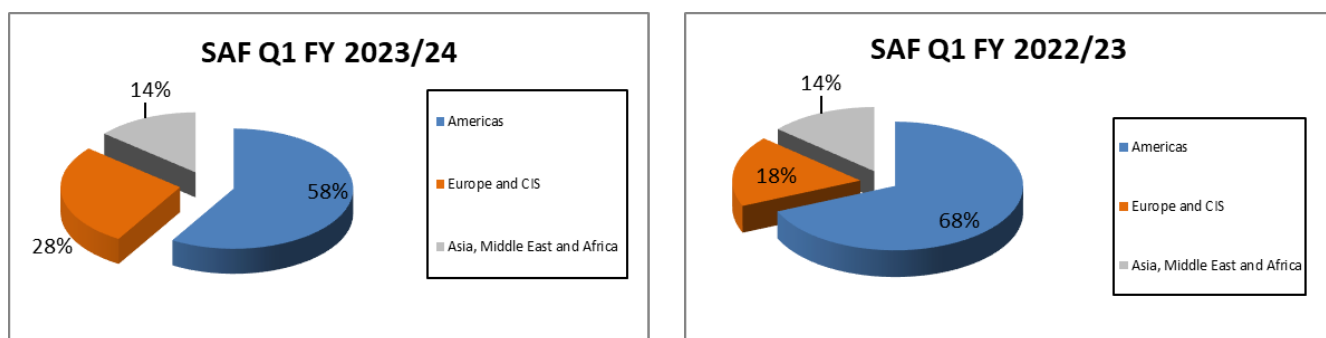
The Group started the financial year by setting both new goals and creating new sales and marketing strategies, which provide for the acquisition of both new markets, industries and sales channels. At the same time, the quarter was marked by the strengthening of relations with the Investment and Development Agency of Latvia and other entrepreneurs by introducing and educating Latvian exporters about export and business opportunities in the American market. The Spotlight Latvia conference should be noted as one of the most important export promotion events – it took place in September in Boston, USA, and brought together Latvian entrepreneurs, exporters, ministries. This event was also honored by the President of Latvia Edgars Rinkēvičs.

In cooperation with LETERA, the business experience exchange cycle has been launched, which includes member exchange visits, sharing experience, knowledge and recommendations on how Latvian producers can achieve more and be successful not only in the domestic market.

In the microwave radio segment, 2 new products have been introduced: Marathon III and Integra E3, which are very important products for many critical communication network operators and managers.

The Aranet brand continues on a growth path – it is now available on the Amazon trading platform in Canada and Singapore, as well as work is underway to develop new sales channels.

Comparative charts of Q1 sales volumes by regions:



In the reporting quarter, the Group's products were sold in 62 countries.

The Group's expenditures did not exceed the planned volumes and were generally lower than in the same period a year earlier, which is due to lower sales and associated costs. The Group continues to invest in the development of new products and product modifications in existing and emerging market segments.

The Group closed the 1st quarter of the financial year 2023/2024 with loss of EUR 1.47 million (unaudited). The result of Q1 of the previous year was profit of EUR 2.56 million.

The Group's operations were long affected by the global shortage of various electronic components. By regularly reviewing procurement volumes and deadlines, the company accumulated material reserves during the previous periods to be able to fulfil most of the orders within normal lead times. Following the precautionary principle, the Group does not change its policy on slow-moving stocks (the stocks that over the period of 12, 9 or 6 months, respectively, have moved by less than 30% of their amount at the beginning of the period are recognized as slow-moving inventory). Total provisions for slow-moving stocks in the quarter (compared to the volume at the end of the previous financial year) increased by EUR 1.4 million and account for EUR 4.7 million.

The Group has a negative net cash flow for the 3-month period of the financial year – EUR 912 thousand. The Group's cash balance on the balance sheet at the end of the period was EUR 2.6 million. The dividends of the subsidiary SAF North America in the amount of EUR 923 thousand were paid to the Parent Company.

To ensure liquidity, the Parent Company continues the Credit Line Agreement with Luminor Bank AS for the total amount of EUR 4.95 million. At the end of the reporting period, the use of the credit line was EUR 1.9 million.

In the 1st quarter of the financial year 2023/2024, EUR 698 thousand were invested in the acquisition of fixed assets – mainly to ensure production and testing processes, as well as for the purchase of office equipment. Investments in office and industrial premises renovation continue.

Market Overview

There were no major changes in the microwave radio market this quarter. We believe that significant changes in the microwave radio market are not expected in the near term, but, in the longer term, there may be certain customer segments that could reconsider investment volumes in network construction. SAF regularly works with all clients to identify and minimize risks in a timely manner.

The Group does not have significant customers and suppliers in the region involved in military operations (Russia, Ukraine or Belarus), so there is no direct impact on the volume of orders.

Guidelines

SAF Tehnika is a company with long-accumulated experience and knowledge in the development and production of microwave links.

Although hostilities in Ukraine do not have a direct impact on the Group's activities, the general uncertainty in the business environment remains. The Group continues to monitor forecasts of possible cost increases and assess potential risks. The company regularly reviews procurement volumes and deadlines, and continues to provide material reserves in order to be able to fulfil most of the orders within normal lead times. This applies to all SAF product families – microwave links, Spectrum Compact and Aranet.

Despite the modernization of the telecommunications market in the direction of fiber-optic communications, there is still a market demand for radio systems that provide enhanced data rates. Consequently, the Group continues to actively explore the market and problematic issues in order to be able to offer the necessary product modifications and create prototypes for next generation technologies. At the same time, the Group also develops IoT segment solutions in business and consumer segments to diversify, to create higher added value for SAF Tehnika product offering, as well as to increase the Group's revenue.

The goal of the company is to stabilize the turnover level, which ensures a positive net result in the long run. The Board of SAF Tehnika remains cautious and refrains from providing specific sales and performance forecasts.

As of September 30, 2023, the Group had 267 employees (255 employees as of September 30, 2022).

KEY indicators

	Q1 2023/24	Q1 2022/23	Q1 2021/22
	EUR	EUR	EUR
Net Sales	5,385,244	11,415,883	7,804,133
Earnings before interest, taxes and depreciation (EBITDA)	-1,107,392	2,970,215	1,749,368
<i>(EBITDA %)</i>	-21%	26%	22.4%
Profit/loss before interest and taxes (EBIT)	-1,472,285	2,700,148	1,570,035
<i>(EBIT %)</i>	-27%	24%	20%
Net Profit	-1,473,477	2,561,918	1,519,081
<i>share of the turnover %</i>	-27%	22%	19%
Total assets	26,005,758	29,969,721	21,672,499
Total Owners equity	16,403,075	20,050,647	14,708,262
Return on equity (ROE) %	-5.42%	8.95%	7.21%
Return on assets (ROA) %	-8.39%	13.73%	10.80%
Liquidity ratio			
<i>Quick ratio %</i>	35%	43%	123%
<i>Current ratio %</i>	49%	106%	161%
Earnings per share	-0.50	0.86	0.51
Last share price at the end of period	10.90	11.00	11.15
P/E	-49.55	4.66	6.26
Number of employees at the end of reporting period	267	255	244

Consolidated Statement of Financial Position

	Note	30.09.2023	30.09.2022
CURRENT ASSETS		EUR	EUR
Cash and bank		2 552 178	3 125 267
Customer receivables	1		
Accounts receivable		1 042 549	4 495 452
Allowance for uncollectible receivables		-67 509	-21 543
Total		975 039	4 473 909
Other receivables			
Other current receivables	2	20 223	90 829
Total		20 223	90 829
Prepaid expenses			
Prepaid taxes		65 106	141 261
Other prepaid expenses		292 461	282 564
Total		357 567	423 825
Inventories	3		
Raw materials		4 870 850	6 139 116
Work-in-progress		3 592 948	4 094 266
Finished goods		7 558 152	6 175 954
Prepayments to suppliers		38 133	254 231
Total		16 060 083	16 663 567
TOTAL CURRENT ASSETS		19 965 090	24 777 396
NON-CURRENT ASSETS			
Long-term financial assets			
Investments in other companies		209 328	209 044
Total		350 089	209 044
NON-CURRENT physical assets	4		
Plant and equipment		5 547 255	4 672 654
Other equipment and fixtures		3 440 318	2 323 990
Accumulated depreciation		-5 778 803	-5 240 139
Prepayments for noncurrent physical assets		33 323	81 353
Unfinished renovation works		27 650	401 040
Long-term investment - lease		1 881 519	2 282 426
Total		5 151 261	4 521 325
Intangible assets	4		
Purchased licenses, trademarks etc.		506 280	426 051
Other long-term intangible assets		33 038	35 905
Total		539 318	461 956
TOTAL NON-CURRENT ASSETS		6 040 668	5 192 325
TOTAL ASSETS		26 005 758	29 969 721

LIABILITIES AND OWNERS' EQUITY	Note	30.09.2023	30.09.2022
CURRENT LIABILITIES		EUR	EUR
Debt obligations			
Short-term loans from financial institutions	5	1 918 691	0
Customer prepayments for goods and services		1 217 282	1 871 143
Accounts payable		1 125 000	1 695 339
Accrued short-term operating lease liabilities	6	389 895	394 300
Tax liabilities		472 632	695 332
Salary-related accrued expenses	7	1 710 738	2 172 633
Provisions for guarantees		55 658	45 636
Deffered income		416 706	405 559
TOTAL CURRENT LIABILITIES		7 306 604	7 279 942
NON-CURRENT LIABILITIES			
Long-term liabilities			
Long-term deffered income		716 777	706 374
Accrues long-term operating lease liabilities	6	1 579 302	1 932 758
TOTAL LONG-TERM LIABILITIES		2 296 079	2 639 132
TOTAL LIABILITIES		9 602 683	9 919 074
OWNERS' EQUITY			
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		10 754 629	10 233 237
Net profit for the financial year		-1 473 477	2 561 918
Currency translation reserve		103 415	236 984
TOTAL OWNERS' EQUITY		16 403 075	20 050 647
TOTAL LIABILITIES AND OWNERS' EQUITY		26 005 758	29 969 721

Consolidated Statement of Profit or Loss for 3 month of the financial year 2023/2024

	Note	30.09.2023	30.09.2022
		EUR	EUR
Net sales	8	5 385 244	11 415 883
Other operating income		928 359	10 617
Total income		6 313 603	11 426 500
Direct cost of goods sold or services rendered		-3 639 186	-4 261 831
Marketing, advertising and public relations expenses		-357 929	-260 110
Bad receivables	9	-49 696	1 239
Operating expenses		-485 082	-542 490
Salaries and social expenses	10	-2 521 059	-2 245 341
Bonuses and social expenses	10	-333 163	-1 133 893
Depreciation expense		-267 757	-171 932
Amortization of operating lease		-97 136	-98 135
Other expenses		-34 878	-13 858
Operating expenses		-7 785 887	-8 726 352
EBIT		-1 472 285	2 700 148
Financial income (except ForEx rate difference)		2 622	248
Financial costs (except ForEx rate difference)		-43 617	-15 591
Foreign exchange +gain/(loss)		39 802	652
Financial items		-1 193	-14 691
EBT		-1 473 477	2 685 456
Corporate income tax		0	-123 538
Profit after taxes		-1 473 477	2 561 918
Net profit/(loss)		-1 473 477	2 561 918

*Earnings per share

EPS 30.09.2023. = -0.50 EUR

EPS 30.09.2022. = 0.86 EUR

Consolidated cash flow statement for 3 months of the financial year 2023/2024

	30.09.2023	30.09.2022
	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	-933 099	1 148 820
Cash received from customers	6 297 045	10 339 968
Cash paid to suppliers and employees	-7 416 258	-9 415 310
Paid/Received VAT	186 114	224 162
NET CASH USED IN INVESTING ACTIVITIES (of which)	236 637	-877 430
Cash paid for purchasing shares in subsidiary	0	-201 898
Cash paid for purchasing non-current physical assets	-688 388	-675 532
Interest received	2 516	0
Dividends received	922 509	0
NET CASH USED IN FINANCING ACTIVITIES (of which)	-222 805	70 800
Repayment of short-term loans	710 718	0
Paid interest	-28 123	0
Cash received from EU funds	38 531	70 800
Dividends paid	-943 931	0
Effects of exchange rate changes	7 005	1 910
TOTAL CASH FLOW:	-912 261	344 100
Cash and cash equivalents as at the beginning of period	3 464 439	2 781 167
Cash and cash equivalents as at the end of period	2 552 178	3 125 267
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	-912 261	344 100

Statement of changes in consolidated equity for the 3 month period ended September 30, 2023

	Share capital	Share premium	Other reserves	Currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
As at 30 June 2022	4 158 252	2 851 726	8 530	145 805	10 233 237	17 397 550
Dividends	-	-	-	-	-2 019 722	-2 019 722
Currency translation difference	-	-	-	-69 014	-	-69 014
Profit for the year	-	-	-	-	3 534 725	3 534 725
As at 30 June 2023	4 158 252	2 851 726	8 530	76 791	11 748 240	18 843 539
Dividends	-	-	-	-	-993 611	-993 611
Currency translation difference	-	-	-	26 624	-	26 624
Profit for the year	-	-	-	-	-1 473 477	-1 473 477
As at 30 September 2023	4 158 252	2 851 726	8 530	103 415	9 281 152	16 403 075

Notes for interim report

Note 1 Customer receivables

	30.09.2023	30.09.2022
	EUR	EUR
Accounts receivable	1 042 549	4 495 452
Provisions for bad and doubtful accounts receivable	(67 509)	(21 543)
Total receivables	975 039	4 473 909

As compared to the same balance sheet date of the previous financial year the total receivables have decreased.

Note 2 Other current receivables

	30.09.2023	30.09.2022
	EUR	EUR
Other current receivables	20 223	90 829

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

	30.09.2023	30.09.2022
	EUR	EUR
Raw materials	9 543 733	7 560 986
Allowance for slow-moving items	(4 672 883)	(1 421 870)
Work-in-progress	3 592 948	4 094 266
Finished goods	7 558 152	6 175 954
Prepayments to suppliers	38 133	254 231
	16 060 083	16 663 567

Compared to September 30, 2022, total inventory volumes decreased by 3%.

The Group maintains a certain level of raw materials and consumables in order to be able to deliver all products that are currently included in the Group’s product portfolio within competitive deadlines.

The Group’s inventory must include components of previously manufactured and sold equipment in order to be able to provide them with repair services.

Following the precautionary principle and the Group’s policy on slow-moving stocks – the stocks that over the period of 12, 9 or 6 months, respectively, have moved by less than 30% of their amount at the beginning of the period are recognized as slow-moving inventory.

Note 4 Non-current, intangible assets

	30.09.2023	30.09.2022
	EUR	EUR
Plant and equipment	5 547 255	4 672 654
Other equipment and fixtures	3 440 318	2 323 990
Accumulated depreciation	(5 778 803)	(5 240 139)
Prepayments for noncurrent physical assets	33 323	81 353
Unfinished renovation works	27 650	401 040
Long-term investment lease*	1 881 519	2 282 426
	5 151 261	4 521 325
Purchased licenses, trademarks etc.	506 280	426 051
Other long-term intangible assets	33 038	35 905
	539 318	461 956
Total non-current, intangible assets	5 690 579	4 983 281

*See Note 6 Operating lease liabilities

During Q1, the Group acquired fixed assets and intangible assets in the amount of 698 thousand euros – mainly, in order to ensure production and testing processes, as well as to acquire office equipment. Investments in office and industrial premises renovation continue.

Note 5 Short-term loans from financial institutions

	30.09.2023	30.09.2022
	EUR	EUR
Short-term loans from financial institutions	1 918 691	-

To ensure liquidity, the Parent Company continues the Credit Line Agreement with Luminor Bank AS for the total amount of EUR 4.95 million. At the end of the reporting period, the use of the credit line was EUR 1.9 million.

Note 6 Operating lease liabilities

	30.09.2023	30.09.2022
	EUR	EUR
Accrued short-term operating lease liabilities	389 895	394 300
Accrued long-term operating lease liabilities	1 579 302	1 932 758
	1 969 197	2 327 058

As a result of the introduction of IFRS 16 “Leases”, the Group has made estimates in respect of concluded operating leases, assuming that over the next 5 (five) years, it will continue to lease premises in accordance with the concluded lease agreements. In addition, the volume of leased premises has also increased.

Note 7 Salary-related accrued expenses

	30.09.2023 EUR	30.09.2022 EUR
Salary-related accrued expenses	<u>1 710 738</u>	<u>2 172 633</u>

The decrease in the balance sheet is due to fluctuations in the amounts of vacation accruals and bonuses between periods.

Note 8 Segment information

a) The Group's (Parent company's) operations are divided into two major structural units:

- SAF branded equipment designed and produced in-house - as one of the structural units containing CFIP, Integra (Integrated carrier-grade Ethernet microwave radio), Spectrum Compact (measurement tools for radio engineers) and Aranet (environmental monitoring solutions).

CFIP – product line is represented by:

- Phoenix, a split mount (IDU+ODU) PhoeniX hybrid radio system with Gigabit Ethernet and 20E1 interfaces;
- Lumina high capacity Full Outdoor all-in-one radio with Gigabit Ethernet traffic interface;
- Marathon FIDU low frequency low capacity system for industrial applications, energy companies and rural telecom use.

All CFIP radios are offered in most widely used frequency bands from 1.4GHz to 38 GHz, thus enabling the use of CFIP radios all across the globe.

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.

Aranet- the latest SAF product line for environmental monitoring, consisting of various wireless sensors, base stations and Aranet cloud solution for data collection, aggregation and analysis.

- operations related to sales of products purchased from other suppliers, like antennas, cables, SAF renamed (OEMed) products and different accessories - as the second unit.

b) This note provides information about division of the Group's turnover and balance items by structural units by product type for 3 month of the financial year 2023/24 and financial year 2022/23.

	CFIP, Integra, Spectrum		Other		Total	
	Compact, Aranet					
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	EUR	EUR	EUR	EUR	EUR	EUR
Segment assets	21 300 855	22 527 908	1 686 128	1 260 065	22 986 983	23 787 973
Undivided assets					3 018 775	6 181 748
Total assets					26 005 758	29 969 721
Segment liabilities	2 848 817	4 273 120	89 874	83 540	2 938 691	4 356 660
Undivided liabilities					6 663 992	5 562 414
Total liabilities					9 602 683	9 919 074
Net sales	4 848 710	11 314 790	536 534	101 093	5 385 244	11 415 883
Segment results	326 891	5 887 652	286 740	249 188	613 631	6 136 840
Undivided expenses					-3 014 274	-3 447 310
Profit from operations					-2 400 643	2 689 530
Other income					928 359	10 617
Financial income (except ForEx rate difference)					2 622	248
Financial costs (except ForEx rate difference)					-43 617	-15 591
Foreign exchange +gain/(loss)					39 802	652
Profit before taxes					-1 473 477	2 685 456
Corporate income tax					0	-123 538
Profit after taxes					-1 473 477	2 561 918
Net profit					-1 473 477	2 561 918
Other information						
Additions of property plant and equipment and intangible assets	143 351	47 925	0	0	143 351	47 925
Undivided additions					221 541	116 993
Total additions of property plant and equipment and intangible assets					364 892	164 918
Depreciation and amortization	178 025	160 732	0	0	178 025	160 732
Undivided depreciation					495 079	109 335
Total depreciation and amortization					673 104	270 067

c) This note provides information about division of the Group's turnover and assets by geographical regions (customer location) for 3 month of the financial year 2023/24 compared to the same period of financial year 2022/23.

	Net sales		Assets	
	2023/24	2022/23	30.09.2023	30.09.2022
	EUR	EUR	EUR	EUR
Americas	3 153 796	7 822 501	641 473	3 345 387
Europe, CIS	1 485 900	2 041 573	210 372	977 679
Asia, Africa, Middle East	745 547	1 551 810	123 194	150 843
	5 385 244	11 415 883	975 039	4 473 909
Unallocated assets	-	-	25 030 718	25 495 812
	5 385 244	11 415 883	26 005 758	29 969 721

Note 9 Bad receivables

	30.09.2023	30.09.2022
	EUR	EUR
Bad receivables	(49 696)	1 239

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 were probability not to receive payment is high, although agreed payment term has not come yet. Assessing the risks of receivables, additional provision for insecure debts has been made.

Note 10 Salaries, bonuses and social expenses

	30.09.2023	30.09.2022
	EUR	EUR
Salaries and social expenses	2 521 059	2 245 341
Bonuses and social expenses	333 163	1 133 893
	2 854 222	3 379 234

Compared to the previous first quarter of the financial year 2022/2023, the amount of wages and relevant social costs decreased by 13%. It reflects the change in the amount of accruals for performance bonuses.