

**SAF Tehnika**  
**Consolidated Interim Report**  
**for Q3 and 9 months**  
**of financial year 2014/15**  
(July 1, 2014 – March 31, 2015)

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## KEY DATA

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

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

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

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

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## Share and Shareholdings

### SAF Tehnika shareholders (over 5%) as of 06.05.2015

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

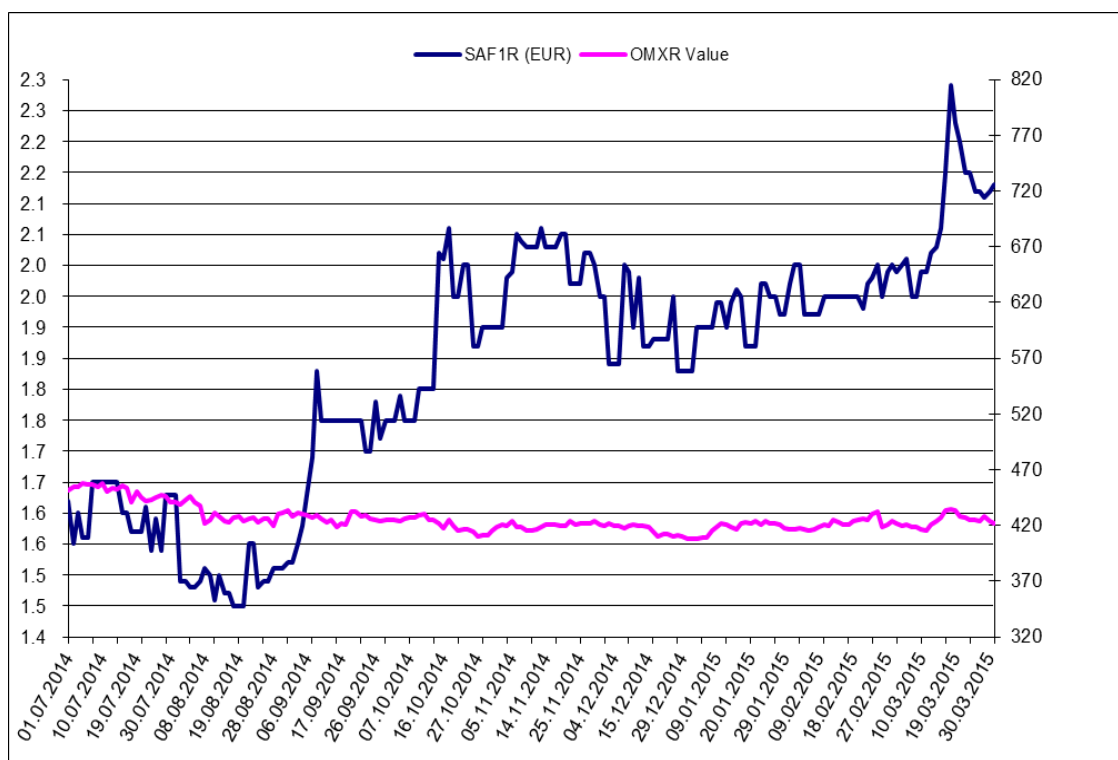
### SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2014 – March 31, 2015

Currency: EUR

Marketplace: NASDAQ OMX 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
Aira Loite	Member	owns 0.26% of shares

### SAF Tehnika Supervisory Board:

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

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

### **Normunds Bergs**

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

### **Didzis Liepkalns**

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

### **Aira Loite**

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

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

### **Vents Lācars,**

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

### **Juris 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 Didzis Liepkalns private enterprise SAF. From 1987 to 1999 J. Zieme worked as an engineer at the Institute of Electronic Engineering and Computer Sciences. J. 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. A. Grisans is one of the co-founders of SAF Tehnika. Prior to joining the Company, he owned and managed a private company specializing in electronic equipment engineering, production and distribution. From 1992 to 1999 A. Grisans was involved in entrepreneurial activities in the field of radio engineering. He worked as an engineer-constructor at the Institute of Polymer Mechanics from 1984 to 1992 and in the constructing bureau Orbita from 1980 to 1984. A. Grisans has graduated Riga Technical University with a degree in radio engineering in 1980.

### **Ivars Šenbergs,**

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

### **Aivis Olsteins,**

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

## Statement of Board's Responsibilities

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

The consolidated financial statements are prepared in accordance with the source documents and present fairly the consolidated financial position of the Group as of 31 March 2015 and the consolidated results of its financial performance and cash flows for the quarter then ended.

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

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

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

The interim financial statements have been prepared in Euro.



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Aira Loite

COO, Member of the Management Board



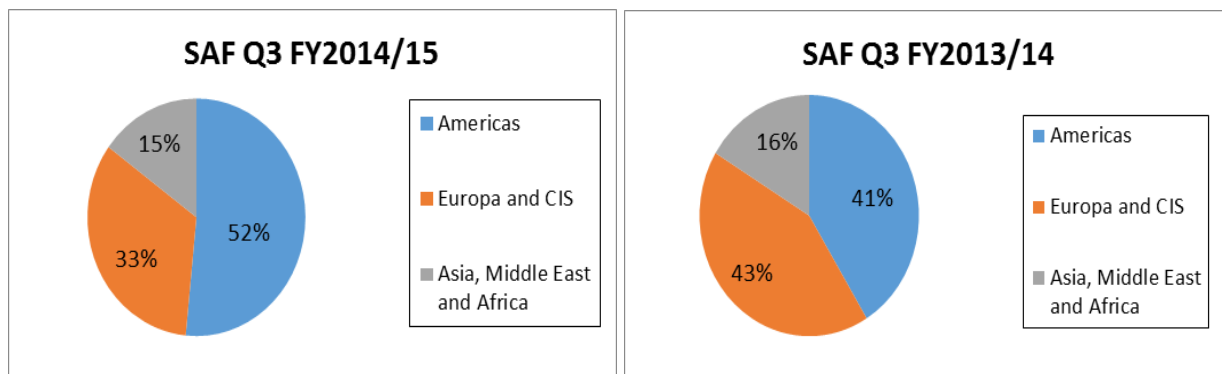
## Management Report

The Group's non-audited consolidated net sales for the third quarter of financial year 2014/15 were 2.75 million EUR, increasing by 19% or 0.4 million EUR compared to the third quarter of the previous financial year and being by 25% less than sales in the previous quarter – Q2 of FY 2014/2015.

Sales in the North and Latin America formed the biggest part of total sales (52%) in the reporting quarter being by 49% or 0.46 million EUR more than in the same quarter of the last financial year. Sales in Europe and CIS region represented 33% of the 3<sup>rd</sup> quarter's turnover. Sales there declined by 6% compared with the same quarter of the last financial and were by 45% or 0.77 million EUR less than in Q2 of the current financial year. The reason for decrease – were no similar scale orders for Europe customers as were in the Q2 FY 2014/15. Sales in Asia Pacific, Africa and Middle East was 15% of quarterly sales and was by 9% more than in the 3<sup>rd</sup> quarter of the previous financial year and slightly more than in the Q2 of current financial year.

The Group invests a lot of resources in order to develop its customer base, keep customers informed about the Groups products and applications. Substantial developments were implemented in the Group's customer resources management (CRM) software. The Group continued participation in international exhibitions and conferences during Q3 – such as “WISPAmerica 2015” and “NATE Unite 2015” in USA, “Mobile World Congress 2015” in Barcelona, Spain and "CeBIT 2015” Hanover, Germany where Integra and CFIP product lines of SAF Tehnika, as well as microwave Spectrum analyzer Spectrum Compact, Spectrum generator product lines were presented.

Chart 1. Quarter 3 revenue breakdown comparative charts:

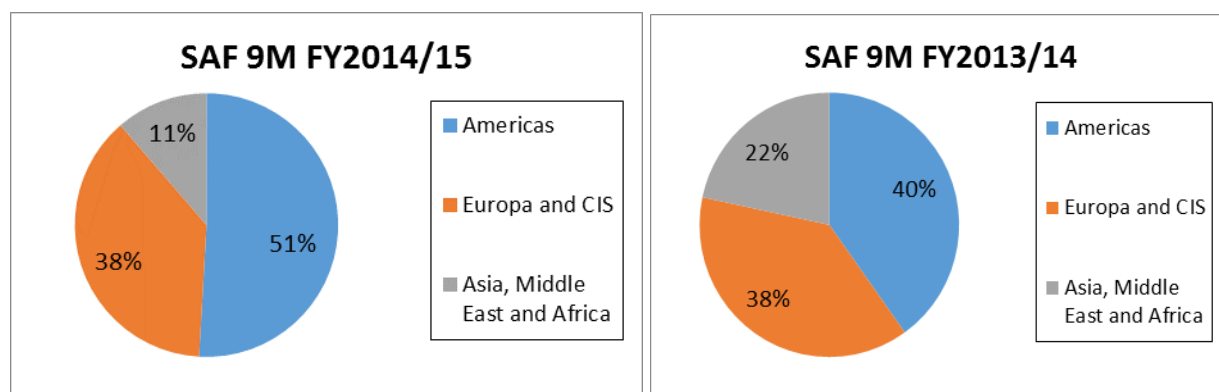


The Group's products were sold in 56 countries during the reporting quarter.

The Group's 2014/15 financial year's 9 month unaudited consolidated net turnover was 9.6 million EUR, which represented 12% increase comparing with the revenues generated in the respective period of the previous financial year. The revenues reduced by 41% in Asia, Africa and Middle East region, whereas the Americas region has shown a significant positive trend (42% year

to year increase) with total 9 month turnover rise to 4.86 million EUR, comprising 51% of the total the Group's 9 months turnover. Sales to European and CIS countries gave 3.62 million EUR or 38% from the total revenue presenting growth quarter by quarter.

Chart 2. 9 months revenue breakdown comparative charts:



The Group's expenses did not exceed planned levels. SAF Tehnika has increased salaries for part of employees as of January, 2015 thus apprising and investing in employees retention and also made accrual for bonuses. Similarly as in the previous months of this financial year Q3 result was significantly impacted by favorable EUR/ USD exchange rate. Gain from foreign exchange amounted to 188 thousand EUR in Q3, but 427 thousand EUR in 9 months of this financial year.

The consolidated non-audited net result of the Group for the third quarter of 2014/15 financial year was profit 743 thousand EUR.

The consolidated non-audited net result of the Group for the 9 months of 2014/15 financial year was profit 932 thousand EUR which is good result comparing with 580 thousand consolidated loss the Group ended 9 months period of previous financial year 2013/2014.

The Group's net cash flow for the 9 month period of the financial year was positive – 1.74 million EUR. As of March 31, 2015, the Group carried a net cash balance (excluding interest bearing liabilities) of 5.8 million EUR. It should be noted that SAF Tehnika has received financing from EU funds amounting to 0.3 million EUR for product development and support for marketing, 0.36 million EUR were spent for purchase of non-current assets during this financial year.

### Market overview

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

that recently developed Integra products corresponds to expectations of current and potential customers.

### Guidance

SAF Tehnika will keep its previously announced main focus on developing excellent quality microwave data transmission equipment with competitive price and functionality balance, will continue looking for new niches to explore its microwave competence. Sales resources will be targeted to regions with highest potential. The Group is financially stable. The goal is to regain sales levels which ensures positive net result in a long-term. Due to intense competitive pressure the Board of the SAF Tehnika cannot provide certain prognosis for sales figures and operational results.

On March 31, 2015 the Group employed 172 people (169 people on March 31, 2014).

### KEY indicators

	Q2 2014/15	Q3 2013/14	Q3 2012/13
	EUR	EUR	EUR
Net Sales	2 749 836	2 311 882	3 659 219
Earnings before interest, taxes and depreciation (EBITDA)	615 639	-209 213	173 745
<i>share of the turnover %</i>	22%	-9%	4.7%
Profit/loss before interest and taxes (EBIT)	516 368	-317 313	276 895
<i>share of the turnover %</i>	19%	-14%	8%
Net Profit	743 584	-352 558	384 208
<i>share of the turnover %</i>	27%	-15%	10%
Total assets	12 755 872	11 271 163	12 364 669
Total Owners equity	11 036 919	9 624 778	10 225 034
Return on equity (ROE) %	5.75%	-3.13%	3.11%
Return on assets (ROA) %	6.96%	-3.66%	3.76%
Liquidity ratio			
<i>Quick ratio %</i>	339%	215%	108%
<i>Current ratio %</i>	408%	313%	308%
	172		
Earnings per share	0.25	-0.12	0.13
Last share price at the end of period	2.13	1.90	1.47
P/E	0.25	-16.01	11.33
Number of employees at the end of reporting period	172	169	163

## Consolidated Statement of Financial Position

As of March 31, 2015

	Note	31.03.2015	31.03.2014
<b>CURRENT ASSETS</b>		<b>EUR</b>	<b>EUR</b>
<b>Cash and bank</b>		<b>5 826 690</b>	<b>3 545 001</b>
<b>Customer receivables</b>	<b>1</b>		
Accounts receivable		1 132 476	1 824 464
Due from joint venture		0	45 063
Allowance for uncollectible receivables		-62 802	-461 377
<b>Total</b>		<b>1 069 674</b>	<b>1 408 150</b>
<b>Other receivables</b>			
Other current receivables	<b>2</b>	114 889	164
Short-term loans	<b>3</b>	0	200 000
<b>Total</b>		<b>114 889</b>	<b>200 164</b>
<b>Prepaid expenses</b>			
Prepaid taxes		26 815	80 657
Other prepaid expenses		66 543	109 757
<b>Total</b>		<b>93 358</b>	<b>190 414</b>
<b>Inventories</b>	<b>4</b>		
Raw materials		1 358 372	1 205 387
Work-in-progress		2 019 975	1 867 642
Finished goods		1 266 963	1 878 439
Prepayments to suppliers		32 020	26 739
<b>Total</b>		<b>4 677 330</b>	<b>4 978 207</b>
<b>TOTAL CURRENT ASSETS</b>		<b>11 781 941</b>	<b>10 321 936</b>
<b>NON-CURRENT ASSETS</b>			
<b>Long-term financial assets</b>			
Equity-accounted investments		1 767	26 725
Investments in other companies		1 188	1 188
Long-term receivables	<b>1</b>	23 615	0
Deferred income tax		98 683	123 194
<b>Total</b>		<b>125 253</b>	<b>151 107</b>
<b>NON-CURRENT physical assets</b>	<b>5</b>		
Plant and equipment		3 485 346	3 246 537
Other equipment and fixtures		1 865 013	1 878 410
Accumulated depreciation		-4 716 182	-4 558 524
Other long-term assets		12 555	324
<b>Total</b>		<b>646 732</b>	<b>566 747</b>
<b>Intangible assets</b>	<b>5</b>		
Purchased licenses, trademarks etc.		201 946	223 349
Other long-term intangible assets		0	8 024
<b>Total</b>		<b>201 946</b>	<b>231 373</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>973 931</b>	<b>949 227</b>
<b>TOTAL ASSETS</b>		<b>12 755 872</b>	<b>11 271 163</b>

<b>LIABILITIES AND OWNERS' EQUITY</b>	<b>Note</b>	<b>31.03.2015</b>	<b>31.03.2014</b>
<b>CURRENT LIABILITIES</b>		<b>EUR</b>	<b>EUR</b>
<b>Debt obligations</b>			
Short-term loans from financial institutons		9 400	14 919
Customer prepayments for goods and services		121 984	328 758
Accounts payable		629 672	797 813
Tax liabilities	<b>6</b>	291 322	111 301
Salary-related accrued expenses	<b>7</b>	515 283	355 596
Provisions for guarantees		66 297	36 603
Prepaid revenue		84 995	1 395
<b>TOTAL CURRENT LIABILITIES</b>		<b>1 718 953</b>	<b>1 646 385</b>
<b>OWNERS' EQUITY</b>			
Share capital		4 158 252	4 226 185
Paid in capital over par		2 851 725	2 851 725
Other reserves		8 530	0
Retained earnings		3 133 841	3 125 600
Net profit for the financial year		931 938	-580 478
Currency translation reserve		-47 367	1 746
<b>TOTAL OWNERS' EQUITY</b>		<b>11 036 919</b>	<b>9 624 778</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>12 755 872</b>	<b>11 271 163</b>

### Consolidated Statement of Profit or Loss for 9 month of the financial year 2014/2015

	<b>Note</b>	<b>31.03.2015</b>	<b>31.03.2014</b>
		<b>EUR</b>	<b>EUR</b>
Net sales	<b>8</b>	9 597 467	8 565 412
Other operating income		198 633	17 577
<b>Total income</b>		<b>9 796 100</b>	<b>8 582 989</b>
Direct cost of goods sold or services rendered		-4 801 441	-4 798 487
Marketing, advertising and public relations expenses		-358 388	-371 619
Bad receivables	<b>9</b>	312 492	45 213
Operating expenses		-799 937	-909 010
Salaries and social expenses	<b>10</b>	-2 543 575	-2 411 464
Bonuses and social expenses	<b>10</b>	-236 760	-104 460
Depreciation expense		-279 529	-316 416
Other expenses	<b>9</b>	-384 356	-132 601
<b>Operating expenses</b>		<b>-9 091 494</b>	<b>-8 998 844</b>
<b>EBIT</b>		<b>704 606</b>	<b>-415 855</b>
Financial income (except ForEx rate difference)		2 802	19 271
Financial costs (except ForEx rate difference)		-32	0
Foreign exchange +gain/(loss)		427 226	-168 651
<b>Financial items</b>		<b>429 996</b>	<b>-149 380</b>
Share of profit/(loss) of equity-accounted investees		-971	-15 243
<b>EBT</b>		<b>1 133 631</b>	<b>-580 478</b>
Corporate income tax		-201 693	0
<b>Profit after taxes</b>		<b>931 938</b>	<b>-580 478</b>
<b>Net profit/(loss)</b>		<b>931 938</b>	<b>-580 478</b>

\*Earnings per share

EPS 31.03.2015. = 0.31 EUR

EPS 31.03.2014. = -0.20 EUR

### Consolidated Statement of Profit or Loss for Q3 of the financial year 2014/2015

	31.03.2015	31.03.2014
	EUR	EUR
Net sales	2 749 836	2 311 882
Other operating income	81 904	6 318
<b>Total income</b>	<b>2 831 740</b>	<b>2 318 200</b>
Direct cost of goods sold or services rendered	-978 955	-1 269 689
Consolidation difference Q2 - Direct cost of goods sold or services rendered	250 549	0
Marketing, advertising and public relations expenses	-135 382	-103 782
Bad receivables	367 695	71 370
Operating expenses	-308 701	-301 617
Salaries and social expenses	-934 042	-835 363
Bonuses and social expenses	-112 039	-10 314
Depreciation expense	-99 271	-108 100
Other expenses	-365 226	-78 018
<b>Operating expenses</b>	<b>-2 315 372</b>	<b>-2 635 513</b>
<b>EBIT</b>	<b>516 368</b>	<b>-317 313</b>
Financial income (except ForEx rate difference)	2 242	11 323
Financial costs (except ForEx rate difference)	-32	0
Foreign exchange +gain/(loss)	188 585	-40 300
<b>Financial items</b>	<b>190 795</b>	<b>-28 977</b>
Share of profit/(loss) of equity-accounted investees	45	-6 268
<b>EBT</b>	<b>707 208</b>	<b>-352 558</b>
<b>Corporate income tax</b>	<b>36 376</b>	<b>0</b>
<b>Net profit/(loss)</b>	<b>743 584</b>	<b>-352 558</b>

\*Earnings per share

EPS 31.03.2015. = 0.25 EUR

EPS 31.03.2014. = -0.12 EUR

An error was discovered in the consolidated reports for Q2 of FY 2014/15 during preparation of Q3 reports, where incorrect product cost value in Q2 reports were excluded for intragroup sales transactions. The value of Direct cost of goods sold and services rendered had to be by 250 549 EUR less in Q2 Income statement reports, thus Net result for Q2 had to be by this difference higher. The error was corrected in Q3 Income Statement (see included line with above described corrections).

## Consolidated cash flow statement for 9 months of the financial year 2014/2015

	31.03.2015	31.03.2014
	EUR	EUR
<b>CASH GENERATED FROM OPERATIONS (of which)</b>	<b>1 773 572</b>	<b>402 969</b>
Cash received from customers	11 372 621	9 986 070
Cash paid to suppliers and employees	-9 727 880	-9 734 856
Paid/Received VAT, corporate income tax	128 831	151 755
<b>NET CASH USED IN INVESTING ACTIVITIES (of which)</b>	<b>-358 441</b>	<b>125 070</b>
Investment in equity-accounted investees	-132	-27 589
Cash paid/received for short-term investments	0	415 063
Cash paid for purchasing non-current physical assets	-358 869	-272 544
Interest received	560	10 140
<b>NET CASH USED IN FINANCING ACTIVITIES (of which)</b>	<b>367 170</b>	<b>212 294</b>
Repayment of short-term loans	182 619	165 023
Paid interest	-95	0
Cash received from EU funds	303 453	47 271
Dividends paid	-118 807	0
<b>Effects of exchange rate changes</b>	<b>-38 167</b>	<b>-4 629</b>
<b>TOTAL CASH FLOW:</b>	<b>1 744 135</b>	<b>735 704</b>
Cash and cash equivalents as at the beginning of period	4 082 555	2 809 297
Cash and cash equivalents as at the end of period	5 826 690	3 545 001
<b>NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1 744 135</b>	<b>735 704</b>

## Statement of changes in consolidated equity for the 9 months period ended March 31 2015

	Share capital	Share premium	Other reserves	Currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
<b>As at 30 June 2013</b>	<b>4 226 185</b>	<b>2 851 725</b>	<b>0</b>	<b>-50</b>	<b>3 125 599</b>	<b>10 203 459</b>
Currency translation difference	-	-	-	-512	-	-512
Profit for the year	-	-	-	-	127 049	127 049
<b>As at 30 June 2014</b>	<b>4 226 185</b>	<b>2 851 725</b>	<b>0</b>	<b>-562</b>	<b>3 252 648</b>	<b>10 329 996</b>
Dividend relating to 2013/2014	-	-	-	-	-118 807	-118 807
The denomination of the shares from LVL to EUR	-67 933	-	8 530	-	-	-59 403
Currency translation difference	-	-	-	-46 805	-	-46 805
Profit for the period	-	-	-	-	931 938	931 938
<b>As at 31 March 2015</b>	<b>4 158 252</b>	<b>2 851 725</b>	<b>8 530</b>	<b>-47 367</b>	<b>4 065 779</b>	<b>11 036 919</b>

## Notes for interim report

### Note 1 Customer receivables

	31.03.2015 EUR	31.03.2014 EUR
<b>Long-term receivables</b>	23 615	-
Accounts receivable	1 132 476	1 824 464
Due from joint venture	-	45 063
Provisions for bad and doubtful accounts receivable	(62 802)	(461 377)
<b>Total short term accounts receivable</b>	<b>1 069 674</b>	<b>1 408 150</b>
<b>Total receivables</b>	<b>1 093 289</b>	<b>1 408 150</b>

Total receivables decreased by 22% although sales increased in Q2 comparing with the previous financial year. The Group managed to agree most favorable payment terms with most of customers. Provisions for doubtful accounts receivable decreased by 398 thousand EUR. The Group has written down as non-recoverable long overdue debts for several debtors. Calculations of provisions for bad and doubtful accounts and writing off debts decisions were done according to the Group's provision calculation and debt reevaluation policy.

### Note 2 Other current receivables

	31.03.2015 EUR	31.03.2014 EUR
Other current receivables	<b>114 889</b>	<b>164</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 Loans

	31.03.2015 EUR	31.03.2014 EUR
Short-term loans	-	<b>200 000</b>

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

### Note 4 Inventories

	31.03.2015 EUR	31.03.2014 EUR
Raw materials	1 901 508	1 799 155
Allowance for slow-moving items	(543 136)	(593 768)
Work-in-progress	2 019 975	1 867 642
Finished goods	1 266 963	1 878 439
Prepayments to suppliers	32 020	26 739
	<b>4 677 330</b>	<b>4 978 207</b>



Inventories in comparison with March 31, 2014 decreased by 6% comparing with the last year. The main decrease is in finished goods stock. There are much less produced orders were shipments are postponed due to various reasons this year. The Group keeps inventory reserves to be able to provide competitive lead times for all products currently being in the Group's portfolio.

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

**Note 5 Non-current assets**

	<b>31.03.2015</b>	<b>31.03.2014</b>
	<b>EUR</b>	<b>EUR</b>
Plant and equipment	3 485 346	3 246 537
Other equipment and fixtures	1 865 013	1 878 410
Accumulated depreciation	(4 716 182)	(4 558 524)
Other long term assets	12 555	324
	<b>646 732</b>	<b>566 747</b>
Purchased licenses, trademarks etc.	201 946	223 349
Other long term intangible assets	-	8 024
	<b>201 946</b>	<b>231 373</b>

The Group acquired non-current assets - production and testing equipment and SW, product development SW investing in total 259 thousand EUR in 9 months of FY 2014/2015.

**Note 6 Tax liabilities**

	<b>31.03.2015</b>	<b>31.03.2014</b>
	<b>EUR</b>	<b>EUR</b>
Tax liabilities	<b>291 322</b>	<b>111 301</b>

As the Group's financial result was profit the respective Corporate Income tax liability was accrued.

**Note 7 Salary-related accrued expenses**

	<b>31.03.2015</b>	<b>31.03.2014</b>
	<b>EUR</b>	<b>EUR</b>
Salary-related accrued expenses	<b>515 283</b>	<b>355 596</b>

Salary related accrued expenses increased by 45% comparing year-on-year. SAF Tehnika has increased salaries for part of employees as of January, 2015 appricing their input and made accruals for bonus.

## **Note 8 Segment information**

a) The Group's operations are divided into two major structural units – SAF branded equipment designed and produced in-house - CFIP and Freemile (Ethernet/Hybrid/ superPDH systems), **Integra** (Integrated carrier-grade Ethernet microwave radio), **Spectrum Compact** (measurement tools for radio engineers) as the first structural unit and 3<sup>rd</sup> 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 9 month of the financial year 2014/15 and financial year 2013/14.

	CFM; CFIP; FreeMile		Citi		Kopā	
	2014/15 EUR	2013/14 EUR	2014/15 EUR	2013/14 EUR	2014/15 EUR	2013/14 EUR
<b>Segment assets</b>	<b>5 341 089</b>	<b>5 425 708</b>	<b>1 384 870</b>	<b>1 795 110</b>	<b>6 725 959</b>	<b>7 220 818</b>
Undivided assets					6 029 913	4 050 345
<b>Total assets</b>					<b>12 755 872</b>	<b>11 271 163</b>
<b>Segment liabilities</b>	<b>889 728</b>	<b>1 107 628</b>	<b>143 008</b>	<b>335 335</b>	<b>1 032 736</b>	<b>1 442 963</b>
Undivided liabilities					686 217	203 422
<b>Total liabilities</b>					<b>1 718 953</b>	<b>1 646 385</b>
<b>Net sales</b>	<b>6 652 767</b>	<b>6 650 070</b>	<b>2 944 700</b>	<b>1 915 342</b>	<b>9 597 467</b>	<b>8 565 412</b>
<b>Segment results</b>	<b>2 135 663</b>	<b>1 593 857</b>	<b>808 542</b>	<b>557 836</b>	<b>2 944 205</b>	<b>2 151 693</b>
Undivided expenses					-2 239 599	-2 567 547
<b>Profit from operations</b>					<b>704 606</b>	<b>-415 854</b>
Other income					2 802	19 271
Other expenses					-32	0
Financial income/expenses, net					427 226	-168 652
Share of profit/(loss) of equity-accounted investees					-971	-15 243
<b>Profit before taxes</b>					<b>1 133 631</b>	<b>-580 478</b>
Corporate income tax					-201 693	0
<b>Profit after taxes</b>					<b>931 938</b>	<b>-580 478</b>
<b>Net profit</b>					<b>931 938</b>	<b>-580 478</b>
<b>Other information</b>						
Additions of property plant and equipment and intangible assets	130 136	66 355	0	0	130 136	66 355
Undivided additions					247 322	164 573
<b>Total additions of property plant and equipment and intangible assets</b>					<b>377 458</b>	<b>230 928</b>
Depreciation and amortization	116 525	134 176	93	839	116 618	135 015
Undivided depreciation					162 911	181 401
<b>Total depreciation and amortization</b>					<b>279 529</b>	<b>316 416</b>

b) This note provides information about division of the Group's turnover and assets by geographical regions (customer location) for 9 month of the financial year 2014/15 and financial year 2013/14.

	Net sales		Assets	
	2014/15 EUR	2013/14 EUR	31.03.2015 EUR	31.03.2014 EUR
Americas	4 885 638	3 437 048	578 327	559 594
Europe, CIS	3 624 650	3 273 426	361 175	593 713
Asia, Africa, Middle East	1 087 179	1 854 938	153 787	254 843
	<b>9 597 467</b>	<b>8 565 412</b>	<b>1 093 289</b>	<b>1 408 150</b>
Unallocated assets	-	-	11 662 583	9 863 013
	<b>9 597 467</b>	<b>8 565 412</b>	<b>12 755 872</b>	<b>11 271 163</b>

**Note 9 Bad receivables and other expenses**

	<b>31.03.2015</b>	<b>31.03.2014</b>
	<b>EUR</b>	<b>EUR</b>
Bad receivables	<u>312 492</u>	<u>45 213</u>
	<b>31.03.2015</b>	<b>31.03.2014</b>
	<b>EUR</b>	<b>EUR</b>
Other expenses	<u>(384 356)</u>	<u>(132 601)</u>

Provisions for doubtful and bad accounts receivable were calculated according to Group's provision calculation policy. The Group starts to calculate provisions for customers who delays payment terms more than 3 months. Additional provisions were calculated for debts where probability not to receive payment is high, although agreed payment term has not come yet. The Group has managed to regain some customer's debts who were substantially delayed thus decreasing calculated provisions, but 341 thousand EUR were written off as non-recoverable. The written off overdue debt sum decreases expenses for Bad receivables, but increases other expenses position.

**Note 10 Salaries, bonuses and social expenses**

	<b>31.03.2015</b>	<b>31.03.2014</b>
	<b>EUR</b>	<b>EUR</b>
Salaries and social expenses	2 543 575	2 411 464
Bonuses and social expenses	236 760	104 460
	<u>2 780 335</u>	<u>2 515 924</u>

Salaries and social expenses, in comparison with the 9 months period of the previous financial year increased by 10,5% reflecting increase in fixed salaries for employees as of January, 2015, increased headcount and accrued expenses for bonuses. Bonuses are paid as specific financial and development targets are reached.