

SAF Tehnika A/S
Consolidated Interim Report
for Q2 and 6 month of financial year 2022/2023
(July 1, 2022 – December 31, 2022)

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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 255 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 subsidiary “SAF North America” LLC wholly owned by the Parent company. SAF North America is established in the US and operates 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.

Legal address:	Ganību dambis 24a Rīga, LV-1005 Latvija
Commercial Registry Nr.:	40003474109
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Beginning of financial year:	01.07.2022
End of financial year:	30.06.2023
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Share and Shareholdings

SAF Tehnika shareholders (over 5%) as of 30.06.2022.

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

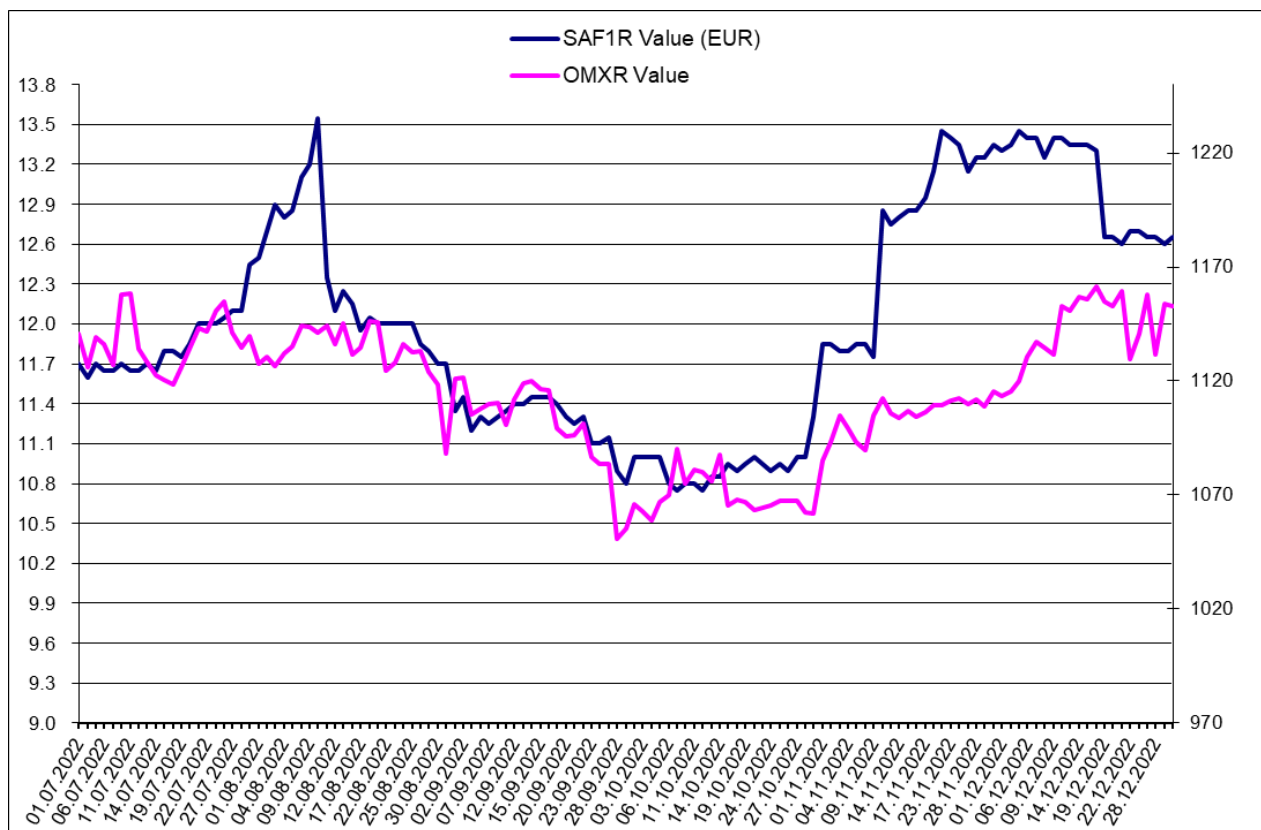
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2022– December 31, 2022

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 no 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 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, 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 “Forever” 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 Šalma, 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 31 December, 2022 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, 2022.

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 second quarter (Q2) of the financial year 2022/2023 was EUR 10.5 million, which is an increase of 15% compared to the second quarter of the financial year 2021/2022.

The turnover of the region of the countries of North and Latin America amounted to 77%, or EUR 8.1 million. Compared to the same quarterly turnover last financial year, the turnover increased by 97%.

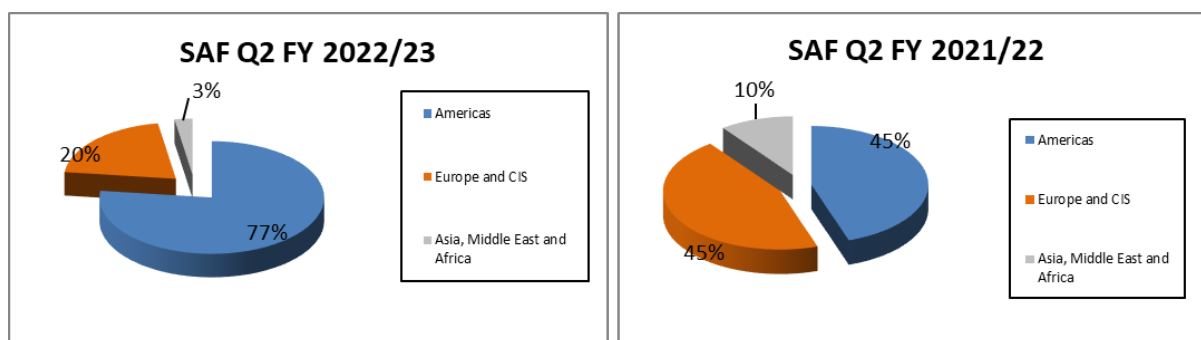
The turnover of the European region is 21%, or EUR 2.1 million, which is 48% less than in the 2nd quarter of the previous financial year. Compared to the corresponding quarter of the last financial year, the turnover of Asia, Africa and the Middle East region is three times less and accounts for 3% of the total quarterly turnover (or EUR 272 thousand). Fluctuations in quarterly turnover are explained by the implementation of some more large-scale projects.

In the second quarter of the financial year 2022/2023, in order to strengthen its position in the international market and promote brand and product recognition, SAF Tehnika participated in 9 international exhibitions, covering industries of different scale in the USA, Europe and in the Middle East. Exhibitions such as AUSA (USA), Wispaloosa (USA) and Gitex global (UAE) are considered the most important shows for business development. At the same time, great emphasis was placed on digital marketing activities and e-commerce, promoting both brand awareness and increasing sales figures.

The company's brand and product line Aranet continues to play a priority role in business development, the rapid growth rates are due to the development of more and more new industries, as well as strengthening positions in existing segments. Aranet4 experienced the highest sales in the US during the world-popular Black Friday sales week. A number of school projects were successfully implemented. Aranet4 is now also located at the Latvian Embassy in the UK, and several other public benefit projects are planned in the near future.

The Spectrum Compact product vertical has undergone changes in marketing management and, with a new approach, is increasingly promoting product recognition in global markets. Now, on the LinkedIn platform, it is possible to follow all the latest developments directly related to the TM product vertical. On the vertical of microwave products, a webinar training course was released in the second quarter, consisting of seven series that give an insight into the product characteristics, functionality, linking them to the needs of the industry. All episodes are available on SAF YouTube channel.

Comparative charts of Q2 sales volumes by regions:

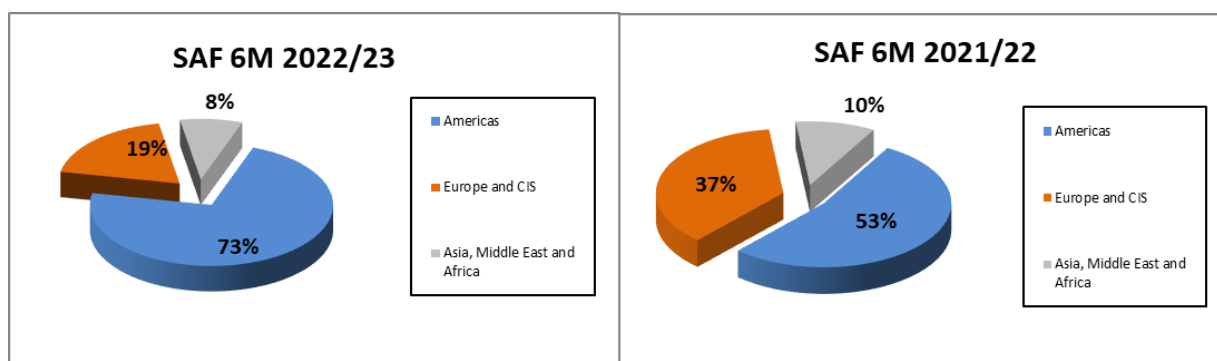


In the reporting quarter, the Group's products were sold in 60 countries.

The Group's unaudited consolidated net turnover for 6 months of the financial year 2022/2023 was EUR 21.95 million, which is a 29% increase compared to the volume of revenues in the last financial year.

Over a 6-month period, revenues in North and Latin Americas represented 73% of the total turnover of the Group and amounted to EUR 15.93 million, thus showing a 76% increase against the result of the 6 months of the previous financial year. 19% of the total turnover is made up of revenues from European countries, which have decreased by 32% in relation to 6 months of the previous year, and amount to EUR 4.2 million. Revenue from Asia, Africa and the Middle East region grew by 6%, or EUR 105 thousand, accounting for 8% of the Group's total turnover.

Comparative charts of 6-month sales volumes by region:



The Group's expenditures did not exceed the planned volumes and were generally higher than in the same period a year earlier, which is due to the increase in the number of employees, investment in sales promotion in existing and new market segments. The Group continues to invest in the development of new products and modification of existing products.

The Group completed the 2nd quarter of the financial year 2022/2023 with a profit of EUR 1 million (unaudited). The result of the 2nd quarter of the previous year was profit of EUR 1.97 million.

The consolidated unaudited result of 6 months of the financial year 2022/2023 is profit of EUR 3.56 million. The Group's profit for the 6 months of the previous financial year 2021/2022 was EUR 3.49 million.

The Group's net cash flow for the 6 months of the financial year is EUR 897 thousand. In December 2022, dividends were paid in the amount of EUR 0.68 (sixty-eight cents) per share, or total EUR 2.02 million. The Group's net cash balance at the end of the period was EUR 3.7 million.

To ensure liquidity, in August of the financial year 2022/2023, the Parent Company entered into a 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 1.87 million.

In the 2nd quarter of the financial year 2022/2023, EUR 532 thousand were invested in the acquisition of fixed assets.

Market Overview

There has been no rapid change in the microwave radio market over the last 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, as well as works with IoT segment solutions in order to continue the development and diversify SAF Tehnika's product offering. 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.

There is still an increase in demand for radio links that provide increased data transfer rates.

Guidelines

SAF Tehnika is a company with long-accumulated experience and knowledge in the development and production of microwave links. During the second quarter, the manufacturing facility of SAF Tehnika operated in its normal mode, the company manufactured and shipped its products worldwide. At the manufacturing facility, the work is organized paying special attention to ventilation and air quality.

Since the outbreak of hostilities in Ukraine by Russia, the overall uncertainty of the business environment has increased. Although its direct impact on the Group's activities is relatively limited, the Group carefully assesses possible cost growth forecasts and potential risks. The Group's operations are affected by the global shortage of various electronic components. Supply chains

remain difficult – alternative transportation options increase delivery times and costs. The company regularly reviews procurement volumes and deadlines, and continues to accumulate inventory 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.

The Group continues to study market demand and problematic issues in order to be able to offer the necessary product modifications both on a daily basis and in the context of changing global circumstances. Investment in product development continues.

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 December 31, 2022, the Group had 257 employees (258 employees as of December 31, 2021).

KEY indicators

	Q2 2022/23	Q2 2021/22	Q2 2020/21
	EUR	EUR	EUR
Net Sales	10,538,867	9,163,076	6,707,178
Earnings before interest, taxes and depreciation (EBITDA)	1,961,062	2,185,497	1,178,451
<i>share of the turnover %</i>	19%	24%	18%
Profit/loss before interest and taxes (EBIT)	1,675,808	2,000,556	988,008
<i>share of the turnover %</i>	16%	22%	15%
Net Profit	1,001,070	1,971,918	766,142
<i>share of the turnover %</i>	9%	0%	11%
Total assets	30,436,140	21,860,936	16,675,446
Total Owners equity	18,885,695	14,710,788	10,418,745
Return on equity (ROE) %	3.31%	9.06%	4.77%
Return on assets (ROA) %	5.14%	13.41%	7.40%
Liquidity ratio			
Quick ratio %	41%	84%	118%
Current ratio %	77%	124%	144%
Earnings per share	0.34	0.66	0.26
Last share price at the end of period	12.65	12.05	4.66
P/E	6.23	5.50	11.95
Number of employees at the end of reporting period	257	258	222

Consolidated Statement of Financial Position

	Note	31.12.2022	31.12.2021
CURRENT ASSETS		EUR	EUR
Cash and bank		3 677 672	4 823 526
Customer receivables	1		
Accounts receivable		3 198 883	2 462 825
Allowance for uncollectible receivables		-20 671	-219 852
Total		3 178 212	2 242 973
Other receivables			
Other current receivables	2	18 673	34 941
Total		18 673	34 941
Prepaid expenses			
Prepaid taxes		155 489	130 081
Other prepaid expenses		262 699	186 419
Total		418 187	316 500
Inventories	3		
Raw materials		6 418 337	4 445 814
Work-in-progress		3 275 215	3 441 077
Finished goods		7 625 018	3 539 736
Prepayments to suppliers		288 080	235 040
Total		17 606 650	11 661 667
TOTAL CURRENT ASSETS		24 899 394	19 079 607
NON-CURRENT ASSETS			
Long-term financial assets			
Investments in other companies		209 044	7 146
Total		209 044	7 146
NON-CURRENT physical assets	4		
Plant and equipment		4 887 513	4 854 410
Other equipment and fixtures		2 584 718	2 095 911
Accumulated depreciation		-5 367 835	-5 956 406
Prepayments for noncurrent physical assets		257 685	41 582
Unfinished renovation works		344 094	111 363
Long-term investment - lease		2 173 169	1 173 967
Total		4 879 344	2 320 826
Intangible assets	4		
Purchased licenses, trademarks etc.		415 544	420 014
Other long-term intangible assets		32 815	33 342
Total		448 359	453 356
TOTAL NON-CURRENT ASSETS		5 536 747	2 781 329
TOTAL ASSETS		30 436 140	21 860 936

LIABILITIES AND OWNERS' EQUITY	Note	31.12.2022	31.12.2021
CURRENT LIABILITIES		EUR	EUR
Debt obligations			
Short-term loans from financial institutions	5	1 872 346	454
Customer prepayments for goods and services		1 510 674	981 339
Accounts payable		1 824 010	1 984 292
Accrued short-term operating lease liabilities	6	389 553	317 630
Tax liabilities		1 010 199	290 091
Salary-related accrued expenses	7	1 900 635	1 824 446
Provisions for guarantees		45 636	45 636
Deffered income		413 927	305 781
TOTAL CURRENT LIABILITIES		8 966 981	5 749 669
NON-CURRENT LIABILITIES			
Long-term liabilities			
Long-term deffered income		744 545	563 109
Accrues long-term operating lease liabilities	6	1 838 919	837 370
TOTAL LONG-TERM LIABILITIES		2 583 464	1 400 479
TOTAL LIABILITIES		11 550 445	7 150 148
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		8 213 515	4 143 257
Net profit for the financial year		3 562 989	3 491 000
Currency translation reserve		90 683	58 023
TOTAL OWNERS' EQUITY		18 885 695	14 710 788
TOTAL LIABILITIES AND OWNERS' EQUITY		30 436 140	21 860 936

Consolidated Statement of Profit or Loss for 6 month of the financial year 2022/2023

	Note	31.12.2022	31.12.2021
		EUR	EUR
Net sales	8	21 954 750	16 967 209
Other operating income		60 003	59 590
Total income		22 014 753	17 026 799
Direct cost of goods sold or services rendered		-8 570 028	-6 358 861
Marketing, advertising and public relations expenses		-717 326	-527 497
Bad receivables	9	215	5 669
Operating expenses		-1 092 125	-688 792
Salaries and social expenses	10	-4 663 282	-3 701 559
Bonuses and social expenses	10	-2 017 742	-1 805 289
Depreciation expense		-359 229	-213 662
Amortization of operating lease		-196 092	-150 612
Other expenses		-23 188	-15 604
Operating expenses		-17 638 797	-13 456 206
EBIT		4 375 956	3 570 593
Financial income (except ForEx rate difference)		389	297
Financial costs (except ForEx rate difference)		-33 015	-13 844
Foreign exchange +gain/(loss)		-115 881	118 286
Financial items		-148 508	104 739
EBT		4 227 448	3 675 332
Corporate income tax		-664 459	-184 332
Profit after taxes		3 562 989	3 491 000
Net profit/(loss)		3 562 989	3 491 000

*Earnings per share

EPS 31.12.2023. = 1.20 EUR

EPS 31.12.2022. = 1.18 EUR

Consolidated Statement of Profit or Loss for Q2 of the financial year 2022/2023

	31.12.2022	31.12.2021
	EUR	EUR
Net sales	10 538 867	9 163 076
Other operating income	49 386	52 803
Total income	10 588 253	9 215 879
Direct cost of goods sold or services rendered	-4 308 197	-3 279 280
Marketing, advertising and public relations expenses	-457 216	-337 130
Bad receivables	-1 024	-989
Operating expenses	-549 634	-432 404
Salaries and social expenses	-2 417 941	-1 942 585
Bonuses and social expenses	-883 849	-1 032 264
Depreciation expense	-187 297	-109 462
Amortization of operating lease	-97 957	-75 479
Other expenses	-9 330	-5 730
Operating expenses	-8 912 445	-7 215 323
EBIT	1 675 808	2 000 556
Financial income (except ForEx rate difference)	140	115
Financial costs (except ForEx rate difference)	-17 424	-6 947
Foreign exchange +gain/(loss)	-116 533	45 154
Financial items	-133 817	38 322
EBT	1 541 991	2 038 878
Corporate income tax	-540 921	-66 960
Net profit/(loss)	1 001 070	1 971 918

*Earnings per share

EPS 31.12.2023. = 0.34 EUR

EPS 31.12.2022. = 0.66 EUR

Consolidated cash flow statement for 6 months of the financial year 2022/2023

	31.12.2022	31.12.2021
	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	2 014 435	-313 682
Cash received from customers	21 101 071	16 481 387
Cash paid to suppliers and employees	-19 556 991	-16 990 212
Paid/Received VAT	470 355	195 143
NET CASH USED IN INVESTING ACTIVITIES (of which)	-1 520 871	-796 562
Cash paid for purchasing shares in subsidiary	-201 898	0
Cash paid for purchasing non-current physical assets	-1 318 973	-796 562
NET CASH USED IN FINANCING ACTIVITIES (of which)	4 074	-1 813 067
Repayment of short-term loans	1 872 346	0
Paid interest	-1 856	0
Cash received from EU funds	153 306	176 954
Dividends paid	-2 019 722	-1 990 021
Effects of exchange rate changes	398 867	57 089
TOTAL CASH FLOW:	896 505	-2 866 222
Cash and cash equivalents as at the beginning of period	2 781 167	7 689 748
Cash and cash equivalents as at the end of period	3 677 672	4 823 526
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	896 505	-2 866 222

Statement of changes in consolidated equity for the 6 month period ended December 31, 2022

	Share capital	Share premium	Other reserves	Currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
As at 30 June 2021	4 158 252	2 851 726	8 530	10 324	6 133 278	13 162 110
Dividend relating to 2016/2020	-	-	-	-	-1 990 021	-1 990 021
Currency translation difference	-	-	-	135 481	-	135 481
Profit for the year	-	-	-	-	6 089 980	6 089 980
As at 30 June 2022	4 158 252	2 851 726	8 530	145 805	10 233 237	17 397 550
Dividend relating to 2020/2021	-	-	-	-	-2 019 722	-2 019 722
Currency translation difference	-	-	-	-55 122	-	-55 122
Profit for the year	-	-	-	-	3 562 989	3 562 989
As at 31 December 2022	4 158 252	2 851 726	8 530	90 683	11 776 504	18 885 695

Notes for interim report

Note 1 Customer receivables

	31.12.2022	31.12.2021
	EUR	EUR
Accounts receivable	3 198 883	2 462 825
Provisions for bad and doubtful accounts receivable	(20 671)	(219 852)
Total receivables	3 178 212	2 242 973

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

Note 2 Other current receivables

	31.12.2022	31.12.2021
	EUR	EUR
Other current receivables	18 673	34 941

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

	31.12.2022	31.12.2021
	EUR	EUR
Raw materials	8 508 729	5 374 937
Allowance for slow-moving items	(2 090 392)	(929 123)
Work-in-progress	3 275 215	3 441 077
Finished goods	7 625 018	3 539 736
Prepayments to suppliers	288 080	235 040
	17 606 650	11 661 667

As compared to 31 December 2021, total inventories increased by 50%.

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

	31.12.2022	31.12.2021
	EUR	EUR
Plant and equipment	4 887 513	4 854 410
Other equipment and fixtures	2 584 718	2 095 911
Accumulated depreciation	(5 367 835)	(5 956 406)
Prepayments for noncurrent physical assets	257 685	41 582
Unfinished renovation works	344 094	111 363
Long-term investment lease*	2 173 169	1 173 967
	4 879 344	2 320 826
Purchased licenses, trademarks etc.	415 544	420 01422
Other long-term intangible assets	32 815	33 342
	448 359	453 356
Total non-current, intangible assets	5 327 703	2 774 182

*See Note 6 Operating lease liabilities

During Q2, the Group acquired fixed assets and intangible assets in the amount of 532 thousand euros – mainly, in order to ensure production and testing processes, as well as to acquire office equipment.

Note 5 Short-term loans from financial institutions

	31.12.2022	31.12.2021
	EUR	EUR
Short-term loans from financial institutions	1 872 346	454

To ensure liquidity, in August of the financial year 2022/2023, the Parent Company entered into a 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 1.87 million.

Note 6 Operating lease liabilities

	31.12.2022	31.12.2021
	EUR	EUR
Accrued short-term operating lease liabilities	389 553	317 630
Accrued long-term operating lease liabilities	1 838 919	837 370
	2 228 471	1 155 000

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

	31.12.2022	31.12.2021
	EUR	EUR

Salary-related accrued expenses

	1 900 635	1 824 446
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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 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.

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 2022/23 and financial year 2021/22.

	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	22 753 532	14 580 102	1 436 543	1 046 320	24 190 075	15 626 422
Undivided assets					6 246 065	6 234 514
Total assets					30 436 140	21 860 936
Segment liabilities	3 750 434	3 271 615	69 888	61 209	3 820 322	3 332 824
Undivided liabilities					7 730 123	3 817 324
Total liabilities					11 550 445	7 150 148
Net sales	20 998 908	16 680 921	955 842	286 288	21 954 750	16 967 209
Segment results	10 006 824	7 771 568	1 487 410	439 972	11 494 234	8 211 540
Undivided expenses					-7 178 282	-4 700 536
Profit from operations					4 315 952	3 511 004
Other income					60 003	59 590
Financial income (except ForEx rate difference)					389	297
Financial costs (except ForEx rate difference)					-33 015	-13 844
Foreign exchange +gain/(loss)					-115 881	118 286
Profit before taxes					4 227 448	3 675 333
Corporate income tax					-664 459	-184 332
Profit after taxes					3 562 989	3 491 001
Net profit					3 562 989	3 491 001
Other information						
Additions of property plant and equipment and intangible assets	207 988	133 375	0	0	207 988	133 375
Undivided additions					488 114	486 581
Total additions of property plant and equipment and intangible assets					696 102	619 956
Depreciation and amortization	331 819	212 276	0	0	331 819	212 276
Undivided depreciation					223 502	151 998
Total depreciation and amortization					555 321	364 274

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 2022/23 compared to the same period of financial year 2021/22.

	Net sales		Assets	
	2022/23	2021/22	31.12.2022	31.12.2021
	EUR	EUR	EUR	EUR
Americas	15 928 028	9 064 210	2 624 308	1 575 440
Europe, CIS	4 202 563	6 184 000	402 040	596 363
Asia, Africa, Middle East	1 824 158	1 718 999	151 864	71 170
	21 954 750	16 967 209	3 178 212	2 242 973
Unallocated assets	-	-	27 257 928	19 617 963
	21 954 750	16 967 209	30 436 140	21 860 936

Note 9 Bad receivables

	31.12.2022	31.12.2021
	EUR	EUR
Bad receivables	<u>215</u>	<u>5 669</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. Assessing the risks of receivables, additional provision for insecure debts has been made.

Note 10 Salaries, bonuses and social expenses

	31.12.2022	31.12.2021
	EUR	EUR
Salaries and social expenses	4 663 282	3 701 559
Bonuses and social expenses	2 017 742	1 805 289
	<u>6 681 024</u>	<u>5 506 848</u>

Compared to the second quarter of the previous financial year 2021/2022, the amount of salary costs and related social costs increased by 21%. This reflects changes in the number and composition of the staff (employees with critical competencies), as well as provisions for performance bonuses.