

SAF Tehnika A/S
Consolidated Interim Report
for Q3 and 9 month of financial year 2022/2023
(July 1, 2022 – March 31, 2023)

TABLE OF CONTENTS

KEY DATA	3
Share and Shareholdings.....	4
Information on Management and Supervisory Board members	5
Information on professional and educational background of the management board members	6
Information on professional and educational background of the supervisory council members	8
Statement of Board’s Responsibilities.....	10
Management Report.....	11
Consolidated Statement of Financial Position	16
Consolidated Statement of Profit or Loss for 9 month of the financial year 2022/2023	18
Consolidated Statement of Profit or Loss for Q3 of the financial year 2022/2023	19
Consolidated cash flow statement for 9 months of the financial year 2022/2023	20
Statement of changes in consolidated equity for the 9 month period ended March 31, 2023	20
Notes for interim report	21
Note 1 Customer receivables	21
Note 2 Other current receivables	21
Note 3 Inventories.....	21
Note 4 Non-current, intangible assets	22
Note 5 Short-term loans from financial institutions	22
Note 6 Operating lease liabilities.....	22
Note 7 Salary-related accrued expenses	23
Note 8 Segment information.....	23
Note 9 Bad receivables	26
Note 10 Salaries, bonuses and social expenses.....	26

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 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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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 Zieme	8.71%

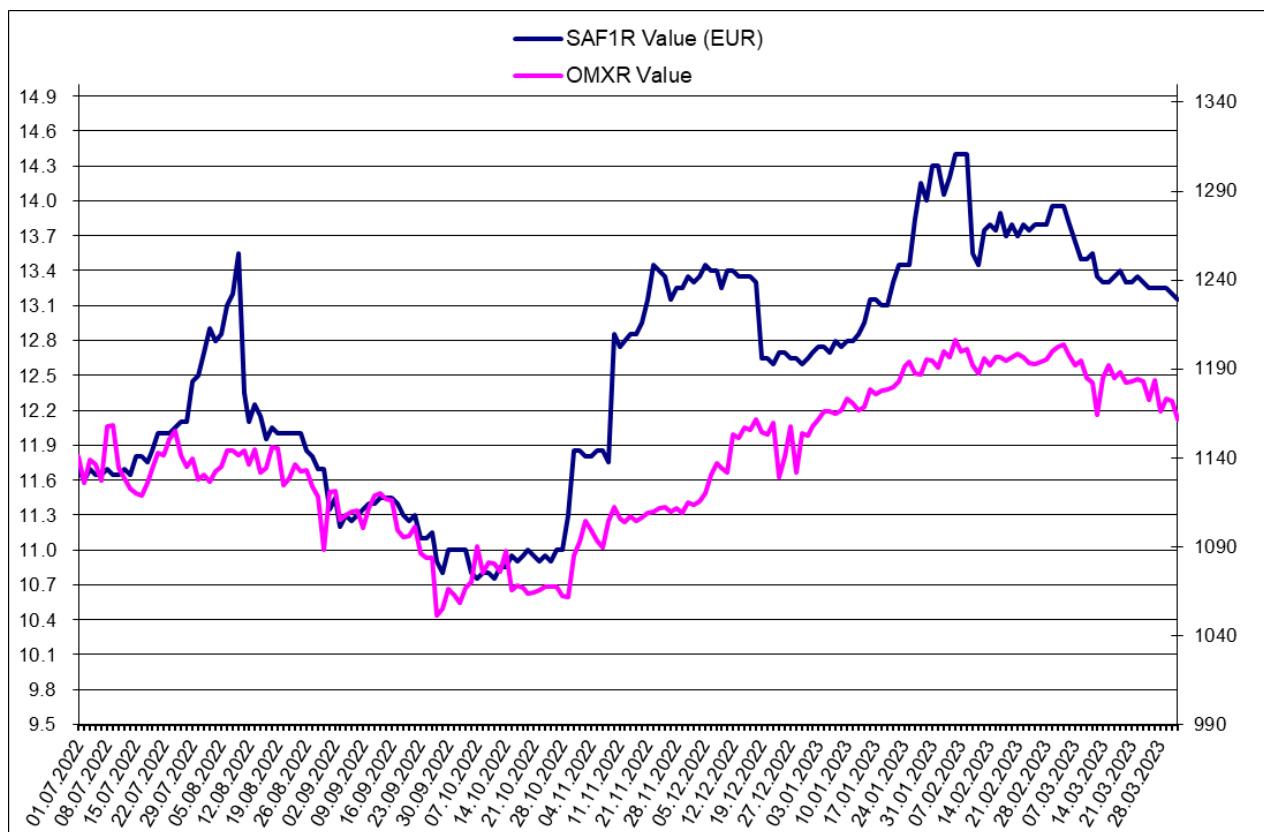
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2022– March 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 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 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 March, 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, 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 third quarter (Q3) of the financial year 2022/2023 was EUR 6.6 million, which is 23% less compared to the third quarter of the financial year 2021/2022.

The turnover of the region of the countries of North and Latin America amounted to 71%, or EUR 4.7 million. Compared to the same quarterly turnover last financial year, the turnover has increased by 11%.

The turnover of the European region is 24%, or EUR 1.6 million, which is 50% less than in the 3rd 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 5% of the total quarterly turnover (or EUR 351 thousand). Fluctuations in quarterly turnover are explained by the implementation of some more large-scale projects.

In the third 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 and Europe. Exhibitions like Distributech (USA), NATE (USA), ISH Frankfurt (Germany) and Euroshop (Germany) are considered the most important shows for business development.

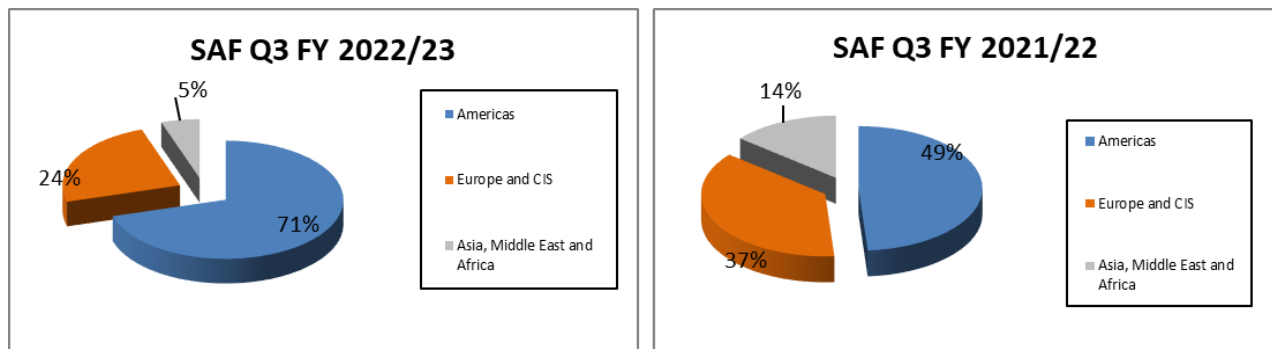
Aranet4 continues to be one of the most recognized air quality monitors in the world and is distinguished by many world-class scientists, industry experts and specialists. Therefore, educating the public about the importance of air quality and the impact on human health is and remains a very important marketing focus in everyday work. In order to promote business development directly among consumers, and to promote the Aranet brand in the newly developed Asian market, where a subsidiary of SAF Tehnika was also opened last quarter, we have launched sales on the largest e-commerce platform Amazon Singapore.

Spectrum Compact/Signal Generator by SAF Tehnika – this line of business was developed to address the needs of new industries, for instance, work on market research in the military field and public sector security. Both through participation in exhibitions and direct work with representatives of these industries, the product was successfully adapted, training was conducted, and it was possible to strengthen the role of this product in the U.S., Europe, the Middle East, and Southeast Asia. This is evidenced by sales figures and marketing data reflected in daily results.

In the microwave radio product group, a new and improved Marathon series radio was introduced this quarter, designed for such consumer segments as Broadcasting and Utilities. At the

same time, work was underway to develop new products that will complement the existing product range in future quarters.

Comparative charts of Q3 sales volumes by regions:

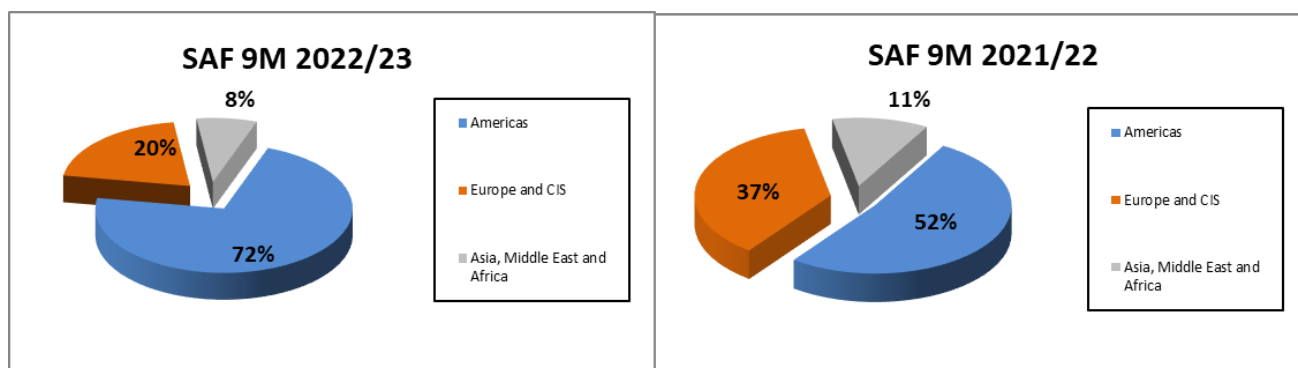


In the reporting quarter, the Group’s products were sold in 62 countries.

The Group’s unaudited consolidated net turnover for 9 months of the financial year 2022/2023 was EUR 28.59 million, which is a 12% increase compared to the volume of revenues in the last financial year.

Over a 9-month period, revenues in North and Latin Americas represented 72% of the total turnover of the Group and amounted to EUR 20.6 million, thus showing a 55% increase against the result of the 9 months of the previous financial year. 20% of the total turnover is made up of revenues from European countries, which have decreased by 38% in relation to 9 months of the previous year, and amount to EUR 5.8 million. Revenue from Asia, Africa and the Middle East region decreased by 26% or EUR 756 thousand, accounting for 8% of the Group’s total turnover.

Comparative charts of 9-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 ended the 3rd quarter of the financial year 2022/2023 with a loss of EUR 974 thousand (unaudited). The result of the 3rd quarter of the previous year was profit of EUR 1.65 million.

The consolidated unaudited result of 9 months of the financial year 2022/2023 is profit EUR 2.59 million. The Group's profit for the 9 months of the previous financial year 2021/2022 was EUR 5.14 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 (inventories) to be able to fulfil most of the orders within normal lead times. Following the precautionary principle, the Group maintains its current policy on slow-moving stocks. 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 savings on slow-moving inventory (compared to the volume at the end of the third quarter of the previous financial year) increased by EUR 1.76 million.

The Group's net cash flow for the 9 months of the financial year is EUR 245 thousand. The Group's net cash balance at the end of the period was EUR 3 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 2.4 million.

In the 3rd quarter of the financial year 2022/2023, EUR 301 thousand were invested in the acquisition of fixed assets – mainly, for the provision of production and testing processes, as well as for the purchase of office equipment. Investments in office and industrial premises renovation continue.

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. 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 business environment uncertainty continues. Although its direct impact on the Group's activities is relatively limited, the Group continues to assess possible cost growth forecasts and potential risks. 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 March 31, 2023, the Group had 272 employees (238 employees as of March 31, 2022).

KEY indicators

	Q3 2022/23	Q3 2021/22	Q3 2020/21
	EUR	EUR	EUR
Net Sales	6,633,835	8,606,684	5,890,611
Earnings before interest, taxes and depreciation (EBITDA)	-752,826	1,819,693	1,127,709
<i>share of the turnover %</i>	-11%	21%	19.1%
Profit/loss before interest and taxes (EBIT)	-1,056,462	1,611,490	929,439
<i>share of the turnover %</i>	-16%	19%	16%
Net Profit	-973,664	1,648,673	967,059
<i>share of the turnover %</i>	-15%	19%	16%
Total assets	28,314,421	24,227,360	19,189,675
Total Owners equity	17,891,820	16,374,680	11,401,824
Return on equity (ROE) %	-3.31%	7.15%	5.39%
Return on assets (ROA) %	-5.29%	10.61%	8.86%
Liquidity ratio			
Quick ratio %	38%	71%	104%
Current ratio %	62%	103%	140%
Earnings per share	-0.33	0.56	0.33
Last share price at the end of period	13.15	11.65	6.15
P/E	11.43	4.81	9.18
Number of employees at the end of reporting period	272	238	222

Consolidated Statement of Financial Position

	Note	31.03.2023	31.03.2022
CURRENT ASSETS		EUR	EUR
Cash and bank		3 025 922	4 593 245
Customer receivables	1		
Accounts receivable		1 891 714	2 102 738
Allowance for uncollectible receivables		-22 682	-23 689
Total		1 869 031	2 079 049
Other receivables			
Other current receivables	2	29 662	35 467
Total		29 662	35 467
Prepaid expenses			
Prepaid taxes		59 500	273 242
Other prepaid expenses		251 455	262 231
Total		310 955	535 473
Inventories	3		
Raw materials		5 440 646	5 346 389
Work-in-progress		3 385 646	3 453 510
Finished goods		8 507 640	4 845 463
Prepayments to suppliers		86 941	178 028
Total		17 420 873	13 823 390
TOTAL CURRENT ASSETS		22 656 444	21 066 624
NON-CURRENT ASSETS			
Long-term financial assets			
Investments in other companies		209 328	7 146
Total		209 328	7 146
NON-CURRENT physical assets	4		
Plant and equipment		5 137 936	4 858 276
Other equipment and fixtures		2 599 558	2 129 870
Accumulated depreciation		-5 525 243	-5 928 697
Prepayments for noncurrent physical assets		227 742	327 656
Unfinished renovation works		500 334	202 637
Long-term investment - lease		2 073 843	1 101 255
Total		5 014 169	2 690 997
Intangible assets	4		
Purchased licenses, trademarks etc.		402 296	422 404
Other long-term intangible assets		32 184	40 189
Total		434 480	462 593
TOTAL NON-CURRENT ASSETS		5 657 977	3 160 736
TOTAL ASSETS		28 314 421	24 227 360

LIABILITIES AND OWNERS' EQUITY	Note	31.03.2023	31.03.2022
CURRENT LIABILITIES		EUR	EUR
Debt obligations			
Short-term loans from financial institutions	5	2 406 024	0
Customer prepayments for goods and services		1 270 759	1 509 388
Accounts payable		1 162 826	2 000 665
Accrued short-term operating lease liabilities	6	388 584	318 592
Tax liabilities		423 425	320 428
Salary-related accrued expenses	7	1 828 080	1 965 514
Provisions for guarantees		45 636	45 636
Deffered income		430 619	336 801
TOTAL CURRENT LIABILITIES		7 955 953	6 497 023
NON-CURRENT LIABILITIES			
Long-term liabilities			
Long-term deffered income		715 206	616 461
Accrues long-term operating lease liabilities	6	1 751 442	739 196
TOTAL LONG-TERM LIABILITIES		2 466 648	1 355 657
TOTAL LIABILITIES		10 422 601	7 852 680
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		2 589 326	5 139 673
Currency translation reserve		70 471	73 242
TOTAL OWNERS' EQUITY		17 891 820	16 374 680
TOTAL LIABILITIES AND OWNERS' EQUITY		28 314 421	24 227 360

Consolidated Statement of Profit or Loss for 9 month of the financial year 2022/2023

	Note	31.03.2023	31.03.2022
		EUR	EUR
Net sales	8	28 588 585	25 573 893
Other operating income		152 305	128 618
Total income		28 740 889	25 702 511
Direct cost of goods sold or services rendered		-11 725 163	-9 723 088
Marketing, advertising and public relations expenses		-1 162 405	-941 554
Bad receivables	9	-2 303	202 076
Operating expenses		-1 698 725	-1 116 607
Salaries and social expenses	10	-7 199 675	-5 754 632
Bonuses and social expenses	10	-2 739 515	-2 576 992
Depreciation expense		-565 580	-346 168
Amortization of operating lease		-293 378	-226 309
Other expenses		-34 651	-37 156
Operating expenses		-25 421 394	-20 520 430
EBIT		3 319 495	5 182 081
Financial income (except ForEx rate difference)		2 408	513
Financial costs (except ForEx rate difference)		-63 501	-20 796
Foreign exchange +gain/(loss)		-22 402	140 479
Financial items		-83 495	120 196
EBT		3 236 000	5 302 277
Corporate income tax		-646 673	-162 604
Profit after taxes		2 589 326	5 139 673
Net profit/(loss)		2 589 326	5 139 673

*Earnings per share

EPS 31.03.2023. = 0.87 EUR

EPS 31.03.2022. = 1.73 EUR

Consolidated Statement of Profit or Loss for Q3 of the financial year 2022/2023

	31.03.2023	31.03.2022
	EUR	EUR
Net sales	6 633 835	8 606 684
Other operating income	92 302	69 029
Total income	6 726 137	8 675 713
Direct cost of goods sold or services rendered	-3 155 135	-3 364 226
Marketing, advertising and public relations expenses	-445 080	-414 057
Bad receivables	-2 518	196 406
Operating expenses	-606 600	-427 815
Salaries and social expenses	-2 536 394	-2 053 072
Bonuses and social expenses	-721 773	-771 704
Depreciation expense	-206 351	-132 506
Amortization of operating lease	-97 285	-75 697
Other expenses	-11 463	-21 552
Operating expenses	-7 782 599	-7 064 223
EBIT	-1 056 462	1 611 490
Financial income (except ForEx rate difference)	2 019	216
Financial costs (except ForEx rate difference)	-30 486	-6 952
Foreign exchange +gain/(loss)	93 479	22 191
Financial items	65 012	15 455
EBT	-991 450	1 626 945
Corporate income tax	17 786	21 728
Net profit/(loss)	-973 664	1 648 673

*Earnings per share

EPS 31.03.2023. = -0.33 EUR

EPS 31.03.2022. = 0.56 EUR

Consolidated cash flow statement for 9 months of the financial year 2022/2023

	31.03.2023	31.03.2022
	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	1 018 393	215 606
Cash received from customers	28 692 016	26 314 254
Cash paid to suppliers and employees	-28 360 725	-26 477 445
Paid/Received VAT	687 101	378 797
NET CASH USED IN INVESTING ACTIVITIES (of which)	-1 968 298	-1 367 988
Cash paid for purchasing shares in subsidiary	-223 195	0
Cash paid for purchasing non-current physical assets	-1 745 103	-1 367 988
NET CASH USED IN FINANCING ACTIVITIES (of which)	600 505	-1 798 662
Repayment of short-term loans	2 406 024	0
Paid interest	-16 834	0
Cash received from EU funds	231 037	191 359
Dividends paid	-2 019 722	-1 990 021
Effects of exchange rate changes	594 155	-145 459
TOTAL CASH FLOW:	244 755	-3 096 503
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	3 025 922	4 593 245
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	244 755	-3 096 503

Statement of changes in consolidated equity for the 9 month period ended March 31, 2023

	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	-	-	-	-75 334	-	-75 334
Profit for the year	-	-	-	-	2 589 326	2 589 326
As at 31 March 2023	4 158 252	2 851 726	8 530	70 471	10 802 841	17 891 820

Notes for interim report

Note 1 Customer receivables

	31.03.2023	31.03.2022
	EUR	EUR
Accounts receivable	1 891 714	2 102 738
Provisions for bad and doubtful accounts receivable	(22 682)	(23 689)
Total receivables	1 869 031	2 079 049

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

Note 2 Other current receivables

	31.03.2023	31.03.2022
	EUR	EUR
Other current receivables	29 662	35 467

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

	31.03.2023	31.03.2022
	EUR	EUR
Raw materials	8 151 446	6 297 419
Allowance for slow-moving items	(2 710 800)	(951 030)
Work-in-progress	3 385 646	3 453 510
Finished goods	8 507 640	4 845 463
Prepayments to suppliers	86 941	178 028
	17 420 873	13 823 390

As compared to 31 March 2022, total inventories increased by 26%.

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.

Following the precautionary principle, the Group maintains its current policy on slow-moving stocks. 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 savings on slow-moving inventory (compared to the volume at the end of the third quarter of the previous financial year) increased by EUR 1.76 million.

Note 4 Non-current, intangible assets

	31.03.2023	31.03.2022
	EUR	EUR
Plant and equipment	5 137 936	4 858 276
Other equipment and fixtures	2 599 558	2 129 870
Accumulated depreciation	(5 525 243)	(5 928 697)
Prepayments for noncurrent physical assets	227 742	327 656
Unfinished renovation works	500 334	202 637
Long-term investment lease*	2 073 843	1 101 255
	5 014 169	2 690 997
Purchased licenses, trademarks etc.	402 296	422 404
Other long-term intangible assets	32 814	40 189
	434 480	462 593
Total non-current, intangible assets	5 448 649	3 153 590

*See Note 6 Operating lease liabilities

During Q3, the Group acquired fixed assets and intangible assets in the amount of 301 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

	31.03.2023	31.03.2022
	EUR	EUR
Short-term loans from financial institutions	2 406 024	-

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 2.41 million.

Note 6 Operating lease liabilities

	31.03.2023	31.03.2022
	EUR	EUR
Accrued short-term operating lease liabilities	388 584	318 592
Accrued long-term operating lease liabilities	1 751 442	739 196
	2 140 026	1 057 788

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

31.03.2023	31.03.2022
EUR	EUR

Salary-related accrued expenses

1 828 080	1 965 514
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The decrease in the balance sheet is due to fluctuations in vacation and bonus savings 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.

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 2022/23 and financial year 2021/22.

	CFIP, Integra, Spectrum					
	Compact, Aranet		Other		Total	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	EUR	EUR	EUR	EUR	EUR	EUR
Segment assets	21 740 508	16 585 636	1 405 879	1 275 121	23 146 387	17 860 757
Undivided assets					5 168 034	6 366 603
Total assets					28 314 421	24 227 360
Segment liabilities	2 927 343	3 842 916	57 779	78 271	2 985 122	3 921 187
Undivided liabilities					7 437 479	3 931 493
Total liabilities					10 422 601	7 852 680
Net sales	27 322 482	23 357 461	1 266 103	216 432	28 588 585	23 573 893
Segment results	11 582 838	11 835 207	1 927 034	656 671	13 509 872	12 491 878
Undivided expenses					-10 342 683	-7 438 415
Profit from operations					3 167 189	5 053 463
Other income					152 305	128 618
Financial income (except ForEx rate difference)					2 408	513
Financial costs (except ForEx rate difference)					-63 501	-20 796
Foreign exchange +gain/(loss)					-22 402	140 479
Profit before taxes					3 235 999	5 302 277
Corporate income tax					-646 673	-162 604
Profit after taxes					2 589 326	5 139 673
Net profit					2 589 326	5 139 673
Other information						
Additions of property plant and equipment and intangible assets	221 520	173 172	0	0	221 520	173 172
Undivided additions					776 496	647 660
Total additions of property plant and equipment and intangible assets					998 016	820 832
Depreciation and amortization	510 396	330 958	0	0	510 396	330 958
Undivided depreciation					348 561	241 519
Total depreciation and amortization					858 957	572 477

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

	Net sales		Assets	
	2022/23	2021/22	31.03.2023	31.03.2022
	EUR	EUR	EUR	EUR
Americas	20 604 890	13 265 178	1 291 159	1 202 196
Europe, CIS	5 808 647	9 377 687	367 440	662 542
Asia, Africa, Middle East	2 175 047	2 931 028	210 433	214 311
	28 588 584	25 573 893	1 869 032	2 079 049
Unallocated assets	-	-	26 445 389	22 148 311
	28 588 584	25 573 893	28 314 421	24 227 360

Note 9 Bad receivables

	31.03.2023	31.03.2022
	EUR	EUR
Bad receivables	<u>(2 303)</u>	<u>202 076</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

	31.03.2023	31.03.2022
	EUR	EUR
Salaries and social expenses	7 199 675	5 754 632
Bonuses and social expenses	2 739 515	2 576 992
	<u>9 939 190</u>	<u>8 331 624</u>

Compared to the third quarter of the previous financial year 2021/2022, the amount of salary costs and related social costs increased by 19%. This reflects changes in the number and composition of the staff (employees with critical competencies), as well as provisions for performance bonuses.