

SAF Tehnika A/S
Consolidated Interim Report
for Q2 and 6 month of financial year 2023/2024
(July 1, 2023 – December 31, 2023)

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KEY DATA

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

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

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

SAF Tehnika products are found in more than 130 countries worldwide. The company has a total of 270 employees, most of them are considered to be leading experts in their field not only locally, but also globally.

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

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

Currently, the Group consists of the joint stock company registered in Latvia – AS SAF Tehnika (hereinafter – the Parent company), and subsidiaries “SAF North America” LLC and SAF TEHNIKA ASIA PTE.LTD wholly owned by the Parent company. AS SAF Tehnika is a public joint stock company established under applicable law of the Republic of Latvia. Shares of AS SAF Tehnika are listed on Nasdaq Riga Stock Exchange.

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Commercial Registry Nr.:	40003474109
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Beginning of financial year:	01.07.2023
End of financial year:	30.06.2024
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Share and Shareholdings

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

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

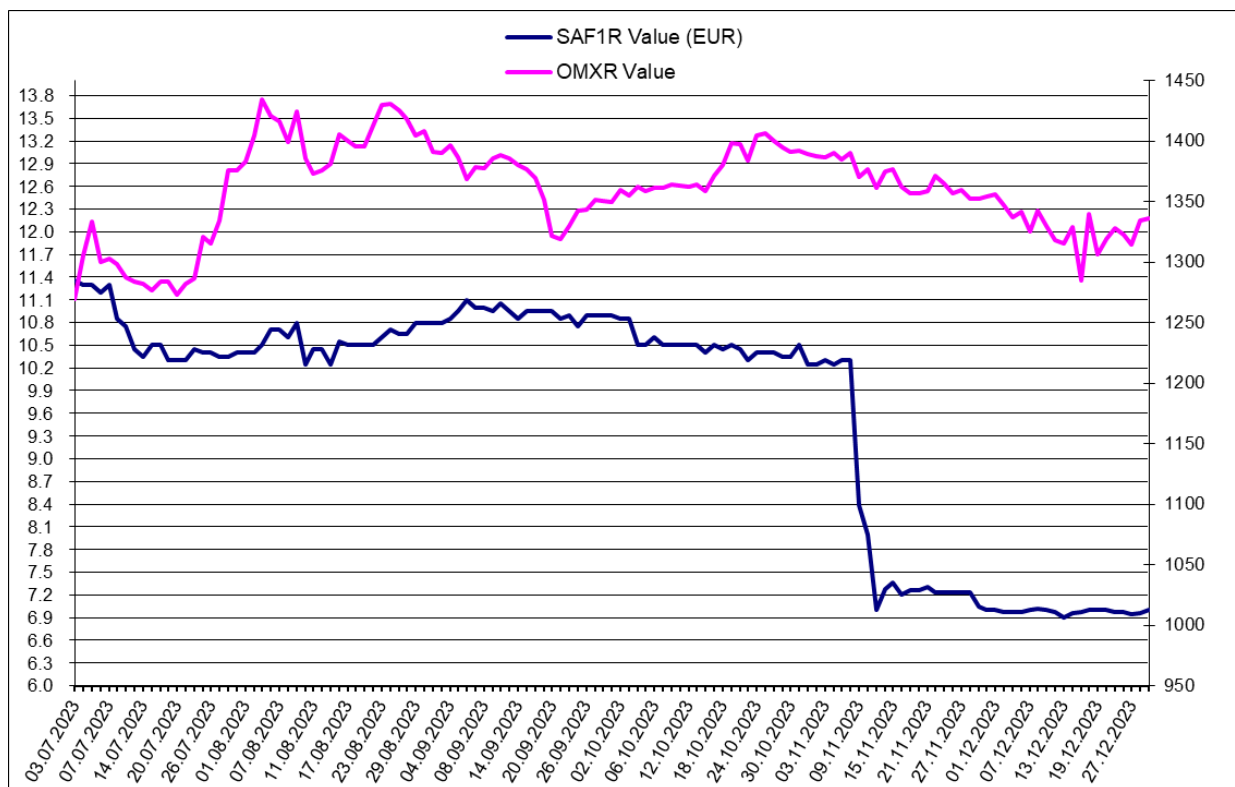
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2023– December 31, 2023

Currency: EUR

Marketplace: Nasdaq Riga



Information on Management and Supervisory Board members

SAF Tehnika Management Board:

Name	Position	Ownership interest (%)
Normunds Bergs	Chairman	owns 9.74% of shares
Didzis Liepkalns	Member	owns 17.05% of shares
Zane Jozepa	Member	owns no shares
Janis Bergs	Member	owns 387 shares

SAF Tehnika Supervisory Board:

Name	Position	Ownership interest (%)
Juris Zieme	Chairman	owns 8.71% of shares
Andrejs Grisans	Vice-Chairman	owns 10.03% of shares
Ivars Senbergs	Member	owns 2 shares
Aira Loite	Member	owns 8000 shares
Sanda Reiharde	Member	owns no shares

Information on professional and educational background of the management board members

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

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

Zane Jozepa, is Member of the Board and Chief Financial Officer. Prior to her employment with SAF Tehnika, Ms. Jozepa has been working in the leading IT and telecommunication services provider in Latvia – SIA Lattelecom, which is a subsidiary company of SIA Citrus Solutions that provides design, construction and maintenance of the engineering and technical systems and infrastructure. Ms. Jozepa has been working as a Business Controller for the first two years. She became Head of Finance in 2008, and a Board Member in 2012. Ms. Jozepa gained her professional experience in finance while working for SIA Coca Cola HBC Latvia during 2001-2006. She has graduated the BA School of Business and Finance (Banku Augstskola) and has a BA degree in finance management.

Jānis Bergs, is Member of the Board, Vice President of Sales and Marketing, and the President of "SAF North America". From 2000 till 2006 Mr. Bergs was a Member of the Board and later CEO of AS Microlink. When Microlink was sold to the TeliaSonera group in 2006, Jānis became a shareholder and CEO of SIA FMS, where he worked until January 2015. Mr. Bergs was a Member of AS SAF Tehnika Council from November 2006 till August 2010, and for more than 10 years he has been managing the Latvian IT and Telecommunications Association (LIKTA) and the ICT cluster,

as well as giving lectures in business studies in Riga Business School. Mr.Bergs has graduated Riga Technical University as radio engineer and has an MBA degree from Riga Business School.

Information on professional and educational background of the supervisory council members

Juris Zieme, co-founder of the Company, is Chairman of the Supervisory Council and Production Department Director. From 1998 to 1999 he worked as an engineer at Mr. Liepkalns private enterprise SAF. From 1987 to 1999 Mr. Zieme worked as an engineer at the Institute of Electronic Engineering and Computer Sciences. Mr. Zieme has graduated Riga Technical University with a degree in radio engineering in 1987.

Andrejs Grišāns, co-founder of the Company, is Vice-Chairman of the Supervisory Council and Production Department Manager. Prior to joining the Company, he owned and managed a private company specializing in electronic equipment engineering, production and distribution. From 1992 to 1999 Mr. Grisans was involved in entrepreneurial activities in the field of radio engineering. He worked as an engineer-constructor at the Institute of Polymer Mechanics from 1984 to 1992 and in the constructing bureau Orbita from 1980 to 1984. Mr. Grisans has graduated Riga Technical University with a degree in radio engineering in 1980.

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

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

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

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

Statement of Board's Responsibilities

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


The consolidated financial statements are prepared in accordance with the source documents and present fairly the consolidated financial position of the Group as of 31 December, 2023 and the consolidated results of its financial performance and cash flows for the quarter then ended.

The above mentioned financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and are prepared on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. The consolidated interim financial statements have been prepared based on the same accounting principles applied in the Consolidated Financial Statements for the year ended on June 30, 2023.

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

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

The interim financial statements have been prepared in Euro.



Zane Jozepa
CFO, Member of the Management Board

Management Report

The Group's unaudited consolidated net turnover for the second quarter (Q2) of the financial year 2023/2024 was EUR 8.9 million, which is a decline of 15% compared to the 2nd quarter of the financial year 2022/2023, but an increase of EUR 3.5 million compared to the first quarter of this year.

The turnover of the North and Latin America region amounted to 60%, or EUR 5.37 million. Compared to the same quarter of the previous financial year, the turnover decreased by 34%.

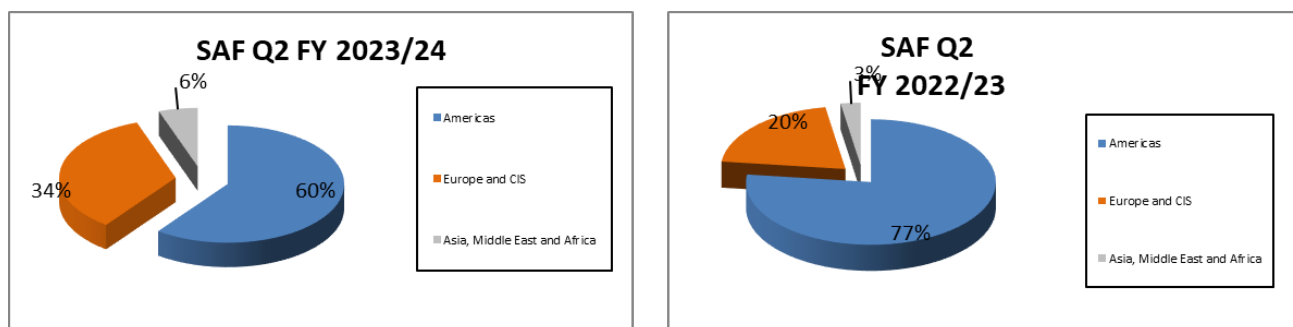
The European region gave 34% of the turnover, or EUR 3.1 million, which is 42% more than in the Q2 of the previous financial year. The turnover in Asia, Africa and the Middle East region increased compared to the corresponding quarter of the previous financial year, but accounts for 5% of the total quarterly turnover (or EUR 483 thousand).

The decline in revenue for the quarter in the regions is due to the implementation of large-scale projects and sales volume in the second quarter of the previous financial year.

During the reporting quarter, SAF continued to participate in international exhibitions, the most important of which were held in Dubai, for instance, the GITEX trade show, which is the largest technology exhibition globally, and in the USA – the WISPAPALOOZA event in Las Vegas gathering most of the companies and service providers in the wireless communication industry. In collaboration with LIAA, Red Jackets and Latvian American Chamber of Commerce, a series of video conferences Mini Spotlight Latvia was created, featuring various Latvian entrepreneurs who share their business development experience and opportunities, and talk about obstacles and lessons learned on their way to launching exports and operating in the United States.

The product portfolio in the Wireless Sensor business area was expanded by at least 3 new products that successfully help companies operating in both the horticulture industry and HVAC (Heating, Ventilation, and Air Conditioning).

Comparative charts of Q2 sales volumes by regions:

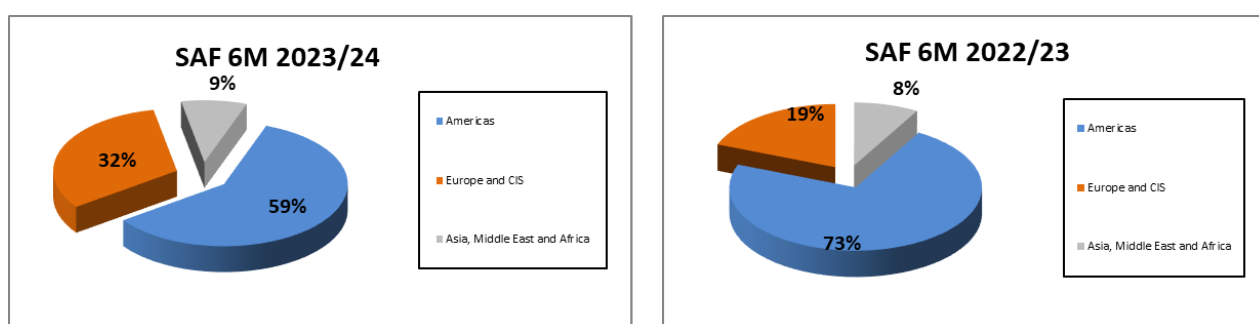


In the reporting quarter, the Group's products were sold in 71 countries.

The Group's unaudited consolidated net turnover for 6 months of the financial year 2023/2024 was EUR 14.31 million, which is 35% less than the revenue volume in the last financial year.

Over a 6-month period, revenues in North and Latin Americas represented 60% of the total turnover of the Group and amounted to EUR 8.5 million, thus showing a decrease of 46% compared to the result of the 6 months of the previous financial year. 32% of the total turnover is made up of revenues from European countries, which increased by 8% against 6 months of the previous year and amount to EUR 4.6 million. Revenue from Asia, Africa and the Middle East region decreased by 33%, or EUR 0.5 million, accounting for 9% 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 lower than in the same period a year earlier, which is due to lower sales and associated costs. The Group continues to invest in the development of new products and product modifications in existing and emerging market segments.

The Group closed the 2nd quarter of the financial year 2023/2024 with a profit of EUR 523 thousand (unaudited). The result of Q2 of the previous year was a profit of EUR 1 million. In the 2nd quarter, a consolidation adjustment in the amount of EUR 923 thousand was made for dividends received from a subsidiary in the first quarter.

The consolidated unaudited result of 6 months of the financial year 2023/2024 is a loss of EUR 950 thousand. The Group's profit for the 6 months of the previous financial year 2022/2023 was EUR 3.56 million.

The Group's operations were long affected by the global shortage of various electronic components. By regularly reviewing procurement volumes and deadlines, the company accumulated material reserves during the previous periods to be able to fulfil most of the orders, ensuring short delivery times. Following the precautionary principle, the stocks that over the period of 12, 9 or 6 months, respectively, have moved by less than 30% of their amount at the beginning of the period are recognized as slow-moving inventory. Total provisions for slow-moving stocks in the 6 months

of the financial year (compared to the volume at the end of the previous financial year) increased by EUR 1.1 million and account for EUR 4.3 million.

The Group has a negative net cash flow for the 6-month period of the financial year – EUR 1.1 million. The Group's cash balance on the balance sheet at the end of the period was EUR 2.35 million.

To ensure liquidity, the Parent Company continues the Credit Line Agreement with Luminor Bank AS for the total amount of EUR 4.95 million. At the end of the reporting period, the use of the credit line was EUR 2 million.

In the 2nd quarter of the financial year 2023/2024, EUR 308 thousand were invested in the acquisition of fixed assets – mainly to ensure production and testing processes, as well as for the purchase of office equipment. Investments in the renovation of the premises continued.

Market Overview

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

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

Guidelines

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

Although hostilities in Ukraine do not have a direct impact on the Group's activities, the general uncertainty in the business environment remains. The Group continues to monitor forecasts of possible cost increases and assess potential risks. The company regularly reviews procurement volumes and deadlines, and continues to provide material reserves in order to be able to execute most of the orders in short delivery terms. This applies to all SAF product families – microwave links, spectrum analyzers and the Internet of Things (IoT).

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

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

As of December 31, 2023, the Group had 276 employees (257 employees as of December 31, 2022).

KEY indicators

	Q2 2023/24	Q2 2022/23	Q2 2021/22
	EUR	EUR	EUR
Net Sales	8 923 848	10 538 867	9 163 076
Earnings before interest, taxes and depreciation (EBITDA)	994 438	1 961 062	2 185 497
<i>share of the turnover %</i>	11%	19%	24%
Profit/loss before interest and taxes (EBIT)	607 657	1 675 808	2 000 556
<i>share of the turnover %</i>	7%	16%	22%
Net Profit	522 926	1 001 070	1 971 918
<i>share of the turnover %</i>	6%	9%	0%
Total assets	27 455 694	30 436 140	21 860 936
Total Owners equity	17 846 920	18 885 695	14 710 788
Return on equity (ROE) %	1.96%	3.31%	9.06%
Return on assets (ROA) %	3.05%	5.14%	13.41%
Liquidity ratio			
<i>Quick ratio %</i>	32%	41%	84%
<i>Current ratio %</i>	74%	77%	124%
Earnings per share	0.18	0.34	0.66
Last share price at the end of period	7.00	12.65	12.05
P/E	-18.42	6.23	5.50
Number of employees at the end of reporting period	276	257	258

Consolidated Statement of Financial Position

	Note	31.12.2023	31.12.2022
CURRENT ASSETS		EUR	EUR
Cash and bank		2 351 195	3 677 672
Customer receivables	1		
Accounts receivable		3 093 783	3 198 883
Allowance for uncollectible receivables		-69 222	-20 671
Total		3 024 562	3 178 212
Other receivables			
Other current receivables	2	120 223	18 673
Total		120 223	18 673
Prepaid expenses			
Prepaid taxes		108 748	155 489
Other prepaid expenses		292 630	262 699
Total		401 378	418 188
Inventories	3		
Raw materials		5 199 865	6 418 337
Work-in-progress		3 590 691	3 275 215
Finished goods		6 843 393	7 625 018
Prepayments to suppliers		28 707	288 080
Total		15 662 656	17 606 650
TOTAL CURRENT ASSETS		21 560 014	24 899 394
NON-CURRENT ASSETS			
Long-term financial assets			
Investments in other companies		209 328	209 044
Total		344 280	209 044
NON-CURRENT physical assets	4		
Plant and equipment		5 650 664	4 887 513
Other equipment and fixtures		3 586 916	2 584 718
Accumulated depreciation		-5 991 462	-5 367 835
Prepayments for noncurrent physical assets		6 780	257 685
Unfinished renovation works		31 441	344 094
Long-term investment - lease		1 781 427	2 173 169
Total		5 065 765	4 879 344
Intangible assets	4		
Purchased licenses, trademarks etc.		485 635	415 544
Other long-term intangible assets		0	32 815
Total		485 635	448 359
TOTAL NON-CURRENT ASSETS		5 895 680	5 536 746
TOTAL ASSETS		27 455 694	30 436 140

LIABILITIES AND OWNERS' EQUITY	Note	31.12.2023	31.12.2022
CURRENT LIABILITIES		EUR	EUR
Debt obligations			
Short-term loans from financial institutions	5	2 033 423	1 872 346
Customer prepayments for goods and services		970 548	1 510 674
Accounts payable		1 445 095	1 824 010
Accrued short-term operating lease liabilities	6	387 801	389 553
Tax liabilities		552 648	1 010 199
Salary-related accrued expenses	7	1 558 836	1 900 635
Provisions for guarantees		55 658	45 636
Deffered income		438 762	413 927
TOTAL CURRENT LIABILITIES		7 442 771	8 966 981
NON-CURRENT LIABILITIES			
Long-term liabilities			
Long-term deffered income		674 147	744 545
Accrues long-term operating lease liabilities	6	1 491 856	1 838 919
TOTAL LONG-TERM LIABILITIES		2 166 003	2 583 464
TOTAL LIABILITIES		9 608 774	11 550 445
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		11 748 240	8 213 515
Net profit for the financial year		-950 550	3 562 989
Currency translation reserve		30 723	90 683
TOTAL OWNERS' EQUITY		17 846 920	18 885 695
TOTAL LIABILITIES AND OWNERS' EQUITY		27 455 694	30 436 140

Consolidated Statement of Profit or Loss for 6 month of the financial year 2023/2024

	Note	31.12.2023	31.12.2022
		EUR	EUR
Net sales	8	14 309 092	21 954 750
Other operating income		222 701	60 003
Total income		14 531 793	22 014 753
Direct cost of goods sold or services rendered		-6 943 951	-8 570 028
Marketing, advertising and public relations expenses		-873 511	-717 326
Bad receivables	9	-51 719	215
Operating expenses		-1 073 736	-1 092 125
Salaries and social expenses	10	-5 172 823	-4 663 282
Bonuses and social expenses	10	-511 992	-2 017 742
Depreciation expense		-557 254	-359 229
Amortization of operating lease		-194 420	-196 092
Other expenses		-17 016	-23 188
Operating expenses		-15 396 420	-17 638 797
EBIT		-864 627	4 375 956
Financial income (except ForEx rate difference)		9 694	389
Financial costs (except ForEx rate difference)		-93 741	-33 015
Foreign exchange +gain/(loss)		-1 876	-115 881
Financial items		-85 923	-148 508
EBT		-950 550	4 227 448
Corporate income tax		0	-664 459
Profit after taxes		-950 550	3 562 989
Net profit/(loss)		-950 550	3 562 989

*Earnings per share

EPS 31.12.2023. = -0.32 EUR

EPS 31.12.2022. = 1.20 EUR

Consolidated Statement of Profit or Loss for Q2 of the financial year 2023/2024

	31.12.2023	31.12.2022
	EUR	EUR
Net sales	8 923 848	10 538 867
Other operating income	-705 658	49 386
Total income	8 218 190	10 588 253
Direct cost of goods sold or services rendered	-3 304 764	-4 308 197
Marketing, advertising and public relations expenses	-515 582	-457 216
Bad receivables	-2 023	-1 024
Operating expenses	-588 653	-549 634
Salaries and social expenses	-2 651 763	-2 417 941
Bonuses and social expenses	-178 829	-883 849
Depreciation expense	-289 497	-187 297
Amortization of operating lease	-97 284	-97 957
Other expenses	17 862	-9 330
Operating expenses	-7 610 533	-8 912 445
EBIT	607 657	1 675 808
Financial income (except ForEx rate difference)	7 072	140
Financial costs (except ForEx rate difference)	-50 125	-17 424
Foreign exchange +gain/(loss)	-41 678	-116 533
Financial items	-84 731	-133 817
EBT	522 926	1 541 991
Corporate income tax	0	-540 921
Net profit/(loss)	522 926	1 001 070

*Earnings per share

EPS 31.12.2023. = 0.18 EUR

EPS 31.12.2022. = 0.34 EUR

Consolidated cash flow statement for 6 months of the financial year 2023/2024

	31.12.2023	31.12.2022
	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	-1 146 694	2 014 435
Cash received from customers	12 871 928	21 101 071
Cash paid to suppliers and employees	-14 301 755	-19 556 991
Paid/Received VAT	283 133	470 355
NET CASH USED IN INVESTING ACTIVITIES (of which)	-926 322	-1 520 871
Cash paid for purchasing shares in subsidiary	0	-201 898
Cash paid for purchasing non-current physical assets	-935 411	-1 318 973
Interest received	9 089	0
NET CASH USED IN FINANCING ACTIVITIES (of which)	909 744	4 074
Repayment of short-term loans	825 450	1 872 346
Paid interest	-62 739	-1 856
Cash received from EU funds	147 033	153 306
Dividends paid	0	-2 019 722
Effects of exchange rate changes	50 028	398 867
TOTAL CASH FLOW:	-1 113 244	896 505
Cash and cash equivalents as at the beginning of period	3 464 439	2 781 167
Cash and cash equivalents as at the end of period	2 351 195	3 677 672
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	-1 113 244	896 505

Statement of changes in consolidated equity for the 6 month period ended December 31, 2023

	Share capital	Share premium	Other reserves	Currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
As at 30 June 2022	4 158 252	2 851 726	8 530	145 805	10 233 237	17 397 550
Dividends	-	-	-	-	-2 019 722	-2 019 722
Currency translation difference	-	-	-	-69 014	-	-69 014
Profit for the year	-	-	-	-	3 534 725	3 534 725
As at 30 June 2023	4 158 252	2 851 726	8 530	76 791	11 748 240	18 843 539
Dividends	-	-	-	-	0	0
Currency translation difference	-	-	-	-46 068	-	-46 068
Profit for the year	-	-	-	-	-950 550	-950 550
As at 31 December 2023	4 158 252	2 851 726	8 530	30 723	10 797 690	17 846 921

Notes for interim report

Note 1 Customer receivables

	31.12.2023	31.12.2022
	EUR	EUR
Accounts receivable	3 093 783	3 198 883
Provisions for bad and doubtful accounts receivable	(69 222)	(20 671)
Total receivables	3 024 562	3 178 212

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

Note 2 Other current receivables

	31.12.2023	31.12.2022
	EUR	EUR
Other current receivables	120 223	18 673

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

	31.12.2023	31.12.2022
	EUR	EUR
Raw materials	9 532 297	8 508 729
Allowance for slow-moving items	(4 332 432)	(2 090 392)
Work-in-progress	3 590 691	3 275 215
Finished goods	6 843 393	7 625 018
Prepayments to suppliers	28 707	288 080
	15 662 656	17 606 650

Compared to December 31, 2022, total inventory volumes decreased by 11%.

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

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

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

Note 4 Non-current, intangible assets

	31.12.2023 EUR	31.12.2022 EUR
Plant and equipment	5 650 664	4 887 513
Other equipment and fixtures	3 586 916	2 584 718
Accumulated depreciation	(5 991 462)	(5 367 835)
Prepayments for noncurrent physical assets	6 780	257 685
Unfinished renovation works	31 441	344 094
Long-term investment lease*	1 781 427	2 173 169
	5 065 765	4 879 344
Purchased licenses, trademarks etc.	485 635	415 544
Other long-term intangible assets	-	32 815
	485 635	448 359
Total non-current, intangible assets	5 551 400	5 327 703

*See Note 6 Operating lease liabilities

During Q2, the Group acquired fixed assets and intangible assets in the amount of 308 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

	31.12.2023 EUR	31.12.2022 EUR
Short-term loans from financial institutions	2 033 423	1 872 346

To ensure liquidity, the Parent Company continues the Credit Line Agreement with Luminor Bank AS for the total amount of EUR 4.95 million. At the end of the reporting period, the use of the credit line was EUR 2 million.

Note 6 Operating lease liabilities

	31.12.2023 EUR	31.12.2022 EUR
Accrued short-term operating lease liabilities	387 801	389 553
Accrued long-term operating lease liabilities	1 491 856	1 838 919
	1 879 657	2 228 472

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

31.12.2023	31.12.2022
EUR	EUR

Salary-related accrued expenses

<u>1 558 836</u>	<u>1 900 635</u>
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The decrease in the balance sheet is due to fluctuations in the amounts of vacation accruals and bonuses between periods.

Note 8 Segment information

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

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

CFIP – product line is represented by:

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

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

Integra – is a next generation radio system employing latest modem technology on the market as well as radio technology in an innovative packaging.

Spectrum Compact is the latest product line in SAF's portfolio, it is a measurement tool for field engineers for telecom, broadcasting and other industries using radio technologies. It comprises of a number of units covering several frequency bands and proving various functionality.

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

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

b) This note provides information about division of the Group's turnover and balance items by structural units by product type for 6 month of the financial year 2023/24 and financial year 2022/23.

	CFIP, Integra, Spectrum		Other		Total	
	Compact, Aranet					
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	EUR	EUR	EUR	EUR	EUR	EUR
Segment assets	22 547 388	22 753 532	1 735 518	1 436 543	24 282 906	24 190 075
Undivided assets					3 172 788	6 246 065
Total assets					27 455 694	30 436 140
Segment liabilities	2 974 928	3 750 434	70 724	69 888	3 045 652	3 820 322
Undivided liabilities					6 563 122	7 730 123
Total liabilities					9 608 774	11 550 445
Net sales	13 059 724	20 998 908	1 249 368	955 842	14 309 092	21 954 750
Segment results	4 181 948	10 006 824	1 154 278	1 487 410	5 336 226	11 494 234
Undivided expenses					-6 423 554	-7 178 282
Profit from operations					-1 087 328	4 315 952
Other income					222 701	60 003
Financial income (except ForEx rate difference)					9 694	389
Financial costs (except ForEx rate difference)					-93 741	-33 015
Foreign exchange +gain/(loss)					-1 876	-115 881
Profit before taxes					-950 550	4 227 448
Corporate income tax					0	-664 459
Profit after taxes					-950 550	3 562 989
Net profit					-950 550	3 562 989
Other information						
Additions of property plant and equipment and intangible assets	164 815	207 988	0	0	164 815	207 988
Undivided additions					840 737	488 114
Total additions of property plant and equipment and intangible assets					1 005 552	696 102
Depreciation and amortization	367 405	331 819	0	0	367 405	331 819
Undivided depreciation					384 268	223 502
Total depreciation and amortization					751 673	555 321

c) 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 2023/24 compared to the same period of financial year 2022/23.

	Net sales		Assets	
	2023/24	2022/23	31.12.2023	31.12.2022
	EUR	EUR	EUR	EUR
Americas	8 522 898	15 928 028	2 173 411	2 624 308
Europe, CIS	4 557 178	4 202 563	804 630	402 040
Asia, Africa, Middle East	1 229 016	1 824 158	46 521	151 864
	14 309 092	21 954 750	3 024 562	3 178 212
Unallocated assets	-	-	24 431 133	27 257 928
	14 309 092	21 954 750	27 455 694	30 436 140

Note 9 Bad receivables

	31.12.2023	31.12.2022
	EUR	EUR
Bad receivables	(51 719)	215

Provisions for doubtful and bad accounts receivable were calculated according to Group's provision calculation policy. The Group starts to calculate provisions for customers who delays payment terms more than 3 months. Additional provisions were calculated for debts were probability not to receive payment is high, although agreed payment term has not come yet. Assessing the risks of receivables, additional provision for insecure debts has been made.

Note 10 Salaries, bonuses and social expenses

	31.12.2023	31.12.2022
	EUR	EUR
Salaries and social expenses	5 172 823	4 663 282
Bonuses and social expenses	511 992	2 017 742
	5 684 814	6 681 024

Compared to six months of the financial year 2022/2023, the amount of wages and relevant social costs decreased by 15%. It reflects the change in the amount of accruals for performance bonuses.