

SAF Tehnika A/S
Consolidated Interim Report
for Q1 of financial year 2019/2020
(July 1, 2020 – September 30, 2020)

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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 200 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 Services” LLC wholly owned by the Parent company. Both subsidiaries are established in the US and operate 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 |
| VAT Registry Nr.: | LV40003474109 |
| Beginning of financial year: | 01.07.2020 |
| End of financial year: | 30.06.2021 |
| Phone: | +371 67046840 |
| E-mail: | info@saftehnika.com |

Share and Shareholdings

SAF Tehnika shareholders (over 5%) as of 30.06.2020.

| Shareholder | Ownership interest (%) |
|------------------|------------------------|
| Didzis Liepkalns | 17.05% |
| SIA „Koka zirgs” | 12.06% |
| Andrejs Grišāns | 10.03% |
| Normunds Bergs | 9.74% |
| Juris Ziema | 8.71% |

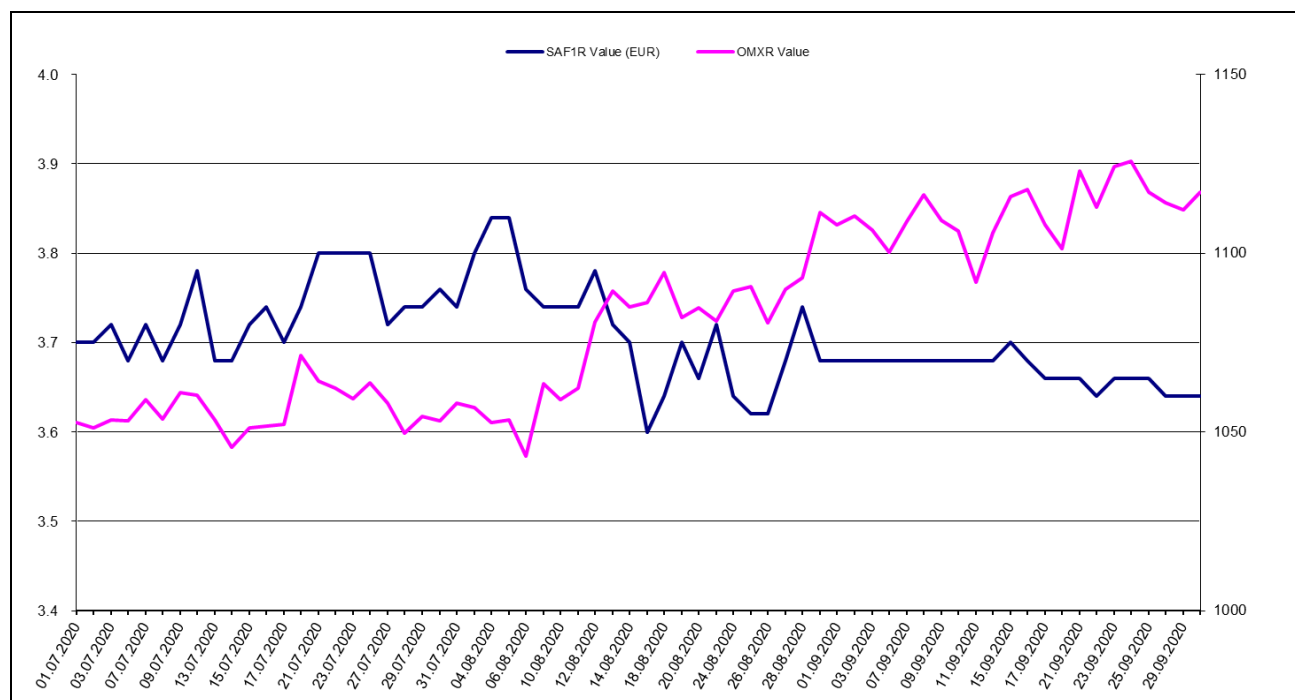
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2020 – September 30, 2020

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, since 2016 is Chief Financial Officer at Torgy Mek Group's and at the same time (since May 2018) also Director of SIA "Torgy Baltic" Ltd. From 2007 to 2015 she has been the Member of the Board of JSC "SAF Tehnika" and Director of Finance and Administration, and Managing Director since the end of 2011. From 2006 to 2007 she was Director of Business Information and Control Division at Lattelecom. From 2000 to 2006 she was a Member of the Board of Microlink Latvia and Head of Finance and Administration. A. Loite has graduated the University of Latvia in 1988 and holds Bachelor degree in Mathematics and MBA from Salford University, UK, obtained in 2009.

Sanda Šalma, Member of the Supervisory Council, employed by Microsoft Latvia, currently Small and Medium Business Lead for Baltic countries. From 2010 to 2012 worked for a developer

company RIX Technologies, participated in the work group of Latvian IT Cluster. From 2008 to 2010 was Citizenship & Education Project Lead at Microsoft Latvia. From 2000 to 2006 she was Sales Account Manager at Baltic Transshipment Center sales in Baltics and St. Petersburg. She has graduated The University of St.Petersburg and holds BSc in Psychology and MBA from RISEBA and Salford University, UK.

Statement of Board's Responsibilities

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


The consolidated financial statements are prepared in accordance with the source documents and present fairly the consolidated financial position of the Group as of 30 September, 2020 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, 2020.

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 in the first quarter (Q1) of the financial year 2020/2021 was EUR 4.7 million, which is an increase of 18% compared to the first quarter of the financial year 2019/2020.

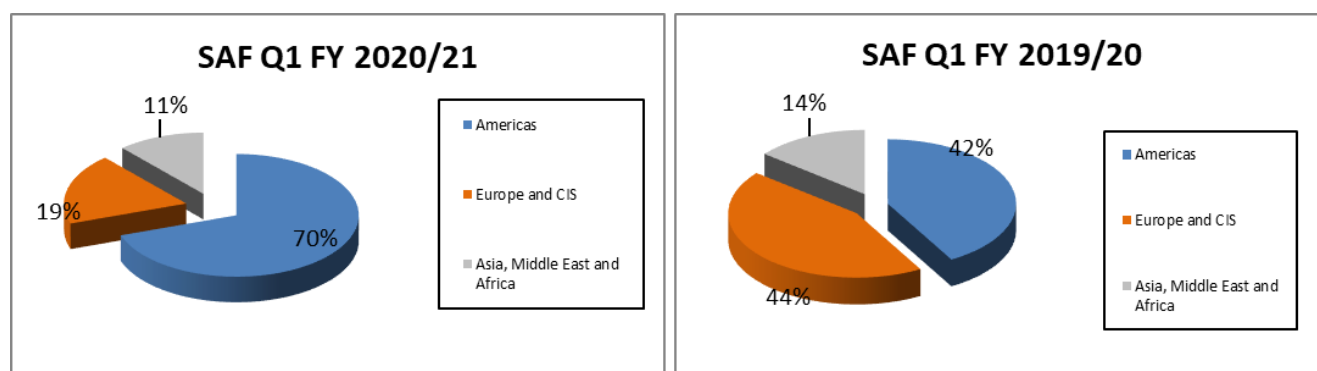
The turnover in North and Latin Americas was 70% or EUR 3.28 million. Compared to the turnover in the same quarter of the previous financial year, the turnover increased less than twice as a result of successful sales transactions at the end of the previous quarter.

The turnover in Europe and CIS countries amounts to 19% or EUR 882 thousand, which is 50% less than in the first quarter of the previous financial year. The turnover of the AMEA (Asia, Middle East, Africa) region decreased by 4% compared to the corresponding quarter of the last financial year, and makes up 12% or EUR 544 thousand.

In Q1 of the financial year, SAF Tehnika did not participate in face-to-face (offline) exhibitions and marketing activities, but took part in several digital exhibitions in the USA. The Aranet brand was presented at the virtual edition of Cultivate – the US agronomy trade show, and at Midwest Poultry Federation expo. With its microwave products, the company participated in the virtual US regional energy sector event – Entelec, as well as in the online events of IWCE and UTC National.

Special attention was paid to creating and expanding digital content for both Spectrum Compact and Aranet product lines. In the specified quarter, the Spectrum Compact emulator version was presented at SpectrumCompact.com: <https://spectrumcompact.com/emulator/>. The indoor air quality sensor Aranet4 of the Aranet product line experienced exponential growth, and demand significantly exceeded previous forecasts.

Comparative charts of Q1 sales volumes by regions:



The Group sold its products to 44 countries during the reporting quarter.

The Group's expenditures did not exceed the planned volumes, but 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 first quarter of the financial year 2020/2021 with a profit of EUR 378 thousand (unaudited). The result of the Q1 of the previous year was profit of EUR 258 thousand. The net result of the Group's activities was also negatively affected by the USD/EUR exchange rate.

The Group's net cash flow for the financial year is EUR 0.74 million. The Group's net cash balance was EUR 4.25 million at the end of the period. In the first quarter of the financial year 2020/2021, EUR 37 thousand were invested in acquisition of fixed assets.

Market Overview

There has been no rapid change in the microwave radio market over the last quarter. However, various constraints imposed by the global COVID-19 pandemic still cause project lags. We believe that 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 diversify SAF Tehnika product offering.

There is still an increase in demand for radio systems 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 Covid-19 pandemic, all offices and the manufacturing facility of SAF Tehnika were operating normally, the company manufactured and shipped its products worldwide. At the manufacturing facility, the work is organized in such a way as to minimize physical proximity, ensure frequent cleaning and the availability of disinfectants. The company accumulates enough materials, has adjusted supply chains and is 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 company's goal is to stabilize the turnover level, which provides a positive net result in the long term. The Board of SAF Tehnika remains cautious and refrains from providing specific sales and performance forecasts.

As of September 30, 2020, the Group had 222 employees (198 employees as of September 30, 2019).

KEY indicators

| | Q1 2020/21 | Q1 2019/20 | Q1 2018/19 |
|---|------------|------------|------------|
| | EUR | EUR | EUR |
| Net Sales | 4,707,696 | 3,989,066 | 3,032,772 |
| Earnings before interest, taxes and depreciation (EBITDA) | 534,134 | 343,963 | -270,718 |
| <i>(EBITDA %)</i> | 11% | 9% | -8.9% |
| Profit/loss before interest and taxes (EBIT) | 490,412 | 159,814 | -369,940 |
| <i>(EBIT %)</i> | 10% | 4% | -12% |
| Net Profit | 378,115 | 258,495 | -341,864 |
| <i>share of the turnover %</i> | 8% | 6% | -11% |
| Total assets | 15,439,283 | 14,376,111 | 11,179,052 |
| Total Owners equity | 10,286,102 | 9,727,101 | 9,536,838 |
| Return on equity (ROE) % | 2.44% | 1.87% | -3.01% |
| Return on assets (ROA) % | 3.74% | 2.69% | -3.52% |
| Liquidity ratio | | | |
| <i>Quick ratio %</i> | 111% | 101% | 202% |
| <i>Current ratio %</i> | 155% | 171% | 310% |
| Earnings per share | 0.13 | 0.09 | -0.12 |
| Last share price at the end of period | 3.64 | 4.00 | 3.44 |
| P/E | 18.20 | 66.67 | -10.75 |
| Number of employees at the end of reporting period | 222 | 198 | 193 |

Consolidated Statement of Financial Position

| | Note | 30.09.2020 | 30.09.2019 |
|--|----------|-------------------|-------------------|
| CURRENT ASSETS | | EUR | EUR |
| Cash and bank | | 4 252 061 | 3 371 126 |
| Customer receivables | 1 | | |
| Accounts receivable | | 2 092 144 | 2 183 265 |
| Allowance for uncollectible receivables | | -555 991 | -16 620 |
| Total | | 1 536 153 | 2 166 645 |
| Other receivables | | | |
| Other current receivables | 2 | 129 059 | 92 802 |
| Short-term loans | | 1 917 | 105 897 |
| Total | | 130 976 | 198 699 |
| Prepaid expenses | | | |
| Prepaid taxes | | 28 828 | 28 237 |
| Other prepaid expenses | | 155 344 | 228 150 |
| Total | | 184 172 | 256 387 |
| Inventories | 3 | | |
| Raw materials | | 1 516 884 | 1 652 643 |
| Work-in-progress | | 2 971 970 | 2 356 987 |
| Finished goods | | 2 662 054 | 2 177 062 |
| Prepayments to suppliers | | 38 983 | 71 729 |
| Total | | 7 189 891 | 6 258 421 |
| TOTAL CURRENT ASSETS | | 13 293 252 | 12 251 278 |
| NON-CURRENT ASSETS | | | |
| Long-term financial assets | | | |
| Investments in other companies | | 8 106 | 8 106 |
| Long-term receivables | 1 | 1 050 | 1 633 |
| Total | | 9 156 | 9 739 |
| NON-CURRENT physical assets | 4 | | |
| Plant and equipment | | 4 389 683 | 4 248 575 |
| Other equipment and fixtures | | 2 035 184 | 2 042 887 |
| Accumulated depreciation | | -5 809 915 | -5 588 148 |
| Prepayments for noncurrent physical assets | | 39 558 | 0 |
| Unfinished renovation works | | 302 | 0 |
| Long-term investment - lease | | 1 251 762 | 1 275 837 |
| Total | | 1 906 575 | 1 979 150 |
| Intangible assets | 4 | | |
| Purchased licenses, trademarks etc. | | 171 679 | 135 945 |
| Other long-term intangible assets | | 58 621 | 0 |
| Total | | 230 300 | 135 945 |
| TOTAL NON-CURRENT ASSETS | | 2 146 031 | 2 124 834 |
| TOTAL ASSETS | | 15 439 283 | 14 376 111 |

| LIABILITIES AND OWNERS' EQUITY | Note | 30.09.2020 | 30.09.2019 |
|--|-------------|-------------------|-------------------|
| CURRENT LIABILITIES | | EUR | EUR |
| Debt obligations | | | |
| Short-term loans | | 3 576 | 0 |
| Customer prepayments for goods and services | | 838 873 | 824 728 |
| Accounts payable | | 1 241 608 | 1 258 098 |
| Accrued short-term operating lease liabilities | 5 | 309 775 | 314 556 |
| Tax liabilities | | 216 286 | 179 181 |
| Salary-related accrued expenses | 6 | 1 049 337 | 659 327 |
| Provisions for guarantees | | 17 423 | 7 932 |
| Deffered income | | 152 493 | 106 415 |
| TOTAL CURRENT LIABILITIES | | 3 829 371 | 3 350 237 |
| NON-CURRENT LIABILITIES | | | |
| Long-term liabilities | | | |
| Long-term deffered income | | 390 624 | 337 309 |
| Accrues long-term operating lease liabilities | 5 | 933 185 | 961 463 |
| TOTAL LONG-TERM LIABILITIES | | 1 323 809 | 1 298 772 |
| TOTAL LIABILITIES | | 5 153 181 | 4 649 009 |
| 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 | | 2 880 840 | 2 441 356 |
| Net profit for the financial year | | 378 115 | 258 495 |
| Currency translation reserve | | 8 639 | 8 743 |
| TOTAL OWNERS' EQUITY | | 10 286 102 | 9 727 102 |
| TOTAL LIABILITIES AND OWNERS' EQUITY | | 15 439 283 | 14 376 111 |

Consolidated Statement of Profit or Loss for 3 month of the financial year 2020/2021

| | Note | 30.09.2020 | 30.09.2019 |
|--|------|-------------------|-------------------|
| | | EUR | EUR |
| Net sales | 7 | 4 707 696 | 3 989 066 |
| Other operating income | | 655 | 37 715 |
| Total income | | 4 708 351 | 4 026 781 |
| Direct cost of goods sold or services rendered | | -1 916 863 | -1 718 573 |
| Marketing, advertising and public relations expenses | | -101 707 | -166 316 |
| Bad receivables | 8 | 26 706 | -3 670 |
| Operating expenses | | -212 661 | -272 204 |
| Salaries and social expenses | 9 | -1 497 981 | -1 334 488 |
| Bonuses and social expenses | 9 | -313 961 | -178 150 |
| Depreciation expense | | -116 951 | -109 332 |
| Amortization of operating lease | | -73 229 | -74 817 |
| Other expenses | | -11 292 | -9 416 |
| Operating expenses | | -4 217 939 | -3 866 966 |
| EBIT | | 490 412 | 159 815 |
| Financial income (except ForEx rate difference) | | 397 | 4 387 |
| Financial costs (except ForEx rate difference) | | -6 531 | -5 523 |
| Foreign exchange +gain/(loss) | | -105 716 | 100 495 |
| Financial items | | -111 850 | 99 359 |
| EBT | | 378 562 | 259 174 |
| Corporate income tax | | -447 | -678 |
| Profit after taxes | | 378 115 | 258 495 |
| Net profit/(loss) | | 378 115 | 258 495 |

*Earnings per share

EPS 30.09.2020. = 0.13 EUR

EPS 30.09.2019. = 0.09 EUR

Consolidated cash flow statement for 3 months of the financial year 2020/2021

| | 30.09.2020 | 30.09.2019 |
|---|-----------------|----------------|
| | EUR | EUR |
| CASH GENERATED FROM OPERATIONS (of which) | -740 754 | 625 135 |
| Cash received from customers | 3 965 500 | 4 771 699 |
| Cash paid to suppliers and employees | -4 778 838 | -4 205 468 |
| Paid/Received VAT, corporate income tax | 72 583 | 58 904 |
| NET CASH USED IN INVESTING ACTIVITIES (of which) | -137 604 | -69 760 |
| Cash paid for purchasing non-current physical assets | -137 604 | -74 147 |
| Interest received | 0 | 4 387 |
| NET CASH USED IN FINANCING ACTIVITIES (of which) | 173 863 | 216 184 |
| Short-term loans | 61 496 | 123 978 |
| Repayment of short-term loans | 0 | -390 |
| Cash received from EU funds | 112 367 | 92 596 |
| Effects of exchange rate changes | -38 505 | -17 364 |
| TOTAL CASH FLOW: | -743 000 | 754 195 |
| Cash and cash equivalents as at the beginning of period | 4 995 062 | 2 616 931 |
| Cash and cash equivalents as at the end of period | 4 252 061 | 3 371 126 |
| NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS | -743 001 | 754 195 |

Statement of changes in consolidated equity for the 3 month period ended September 30, 2020

| | Share capital | Share premium | Other reserves | Currency translation reserve | Retained earnings | Total |
|---------------------------------|------------------|------------------|----------------|------------------------------|-------------------|-------------------|
| | EUR | EUR | EUR | EUR | EUR | EUR |
| As at 30 June 2019 | 4 158 252 | 2 851 726 | 8 530 | 6 345 | 2 441 356 | 9 466 209 |
| Currency translation difference | - | - | - | 2 358 | - | 2 358 |
| Loss for the year | - | - | - | - | 439 484 | 439 484 |
| As at 30 June 2020 | 4 158 252 | 2 851 726 | 8 530 | 8 703 | 2 880 840 | 9 908 051 |
| Currency translation difference | - | - | - | -64 | - | -64 |
| Profit for the year | - | - | - | - | 378 115 | 378 115 |
| As at 30 September 2020 | 4 158 252 | 2 851 726 | 8 530 | 8 639 | 3 258 955 | 10 286 102 |

Notes for interim report

Note 1 Customer receivables

| | 30.09.2020 | 30.09.2019 |
|---|-------------------|-------------------|
| | EUR | EUR |
| Long-term receivables | 1 050 | 1 633 |
| Accounts receivable | 2 092 144 | 2 183 265 |
| Provisions for bad and doubtful accounts receivable | (555 991) | (16 620) |
| Total short-term accounts receivable | 1 536 153 | 2 166 645 |
| Total receivables | 1 537 203 | 2 168 278 |

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

Note 2 Other current receivables

| | 30.09.2020 | 30.09.2019 |
|----------------------------------|-------------------|-------------------|
| | EUR | EUR |
| Other current receivables | 129 059 | 92 802 |

Other current receivables include the amounts of calculated co-financing from EU funds for ongoing product development projects. Co-financing is assigned via competence center “LEO pētījumu centrs” (LEO) and will be received when project documentation and results are reviewed and accepted by project sponsor.

Note 3 Inventories

| | 30.09.2020 | 30.09.2019 |
|---------------------------------|-------------------|-------------------|
| | EUR | EUR |
| Raw materials | 2 216 320 | 2 317 243 |
| Allowance for slow-moving items | (699 436) | (664 600) |
| Work-in-progress | 2 971 970 | 2 356 987 |
| Finished goods | 2 662 054 | 2 177 062 |
| Prepayments to suppliers | 38 983 | 71 729 |
| | 7 189 891 | 6 258 420 |

As compared to 30 September 2019, total inventories increased by 15,4%.

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.

The composition of inventories has changed – more materials are sent to production, and the balance of inventories of semi-finished and finished products has grown.

Note 4 Non-current, intangible assets

| | 30.09.2020 | 30.09.2019 |
|---|-------------------|-------------------|
| | EUR | EUR |
| Plant and equipment | 4 389 683 | 4 248 575 |
| Other equipment and fixtures | 2 035 184 | 2 042 887 |
| Accumulated depreciation | (5 809 915) | (5 588 148) |
| Prepayments for noncurrent physical assets | 39 558 | - |
| Unfinished renovation works | 302 | - |
| Long-term investment lease* | 1 251 762 | 1 275 837 |
| | 1 906 575 | 1 979 150 |
| Purchased licenses, trademarks etc. | 171 679 | 135 945 |
| Other long-term intangible assets | 58 621 | - |
| | 230 300 | 135 945 |
| Total non-current, intangible assets | 2 136 875 | 2 115 095 |

*See Note 5 Operating lease liabilities

During Q1, the Group acquired fixed assets and intangible assets in the amount of 37 thousand euros – mainly, in order to ensure production and testing processes, as well as to acquire office equipment.

Note 5 Operating lease liabilities

| | 30.09.2020 | 30.09.2019 |
|--|-------------------|-------------------|
| | EUR | EUR |
| Accrued short-term operating lease liabilities | 309 775 | 314 556 |
| Accrued long-term operating lease liabilities | 933 185 | 961 463 |
| | 1 242 961 | 1 276 019 |

As a result of implementing IFRS 16 “Leases”, the Group has made estimates in connection with the concluded operating lease contracts, assuming that it will continue to lease the premises the next 5 (five) years in accordance with the concluded contracts on the lease of the premises.

Note 6 Salary-related accrued expenses

| | 30.09.2020 | 30.09.2019 |
|--|-------------------|-------------------|
| | EUR | EUR |
| Salary-related accrued expenses | 1 049 337 | 659 327 |

The increase in the balance sheet is due to fluctuations in vacation and bonus savings between periods, and due to the increase in wages. As well as in the previous period – payments of salaries for September were made in September, whereas in the reporting period, September salaries were paid in December.

Note 7 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 3 month of the financial year 2020/21 and financial year 2019/20.

| | CFM; CFIP; FreeMile | | Other | | Total | |
|--|---------------------|------------------|------------------|------------------|-------------------|-------------------|
| | 2020/21 | 2019/20 | 2020/21 | 2019/20 | 2020/21 | 2019/20 |
| | EUR | EUR | EUR | EUR | EUR | EUR |
| Segment assets | 8 652 158 | 8 531 815 | 1 344 806 | 1 152 197 | 9 996 964 | 9 684 012 |
| Undivided assets | | | | | 5 442 319 | 4 692 099 |
| Total assets | | | | | 15 439 283 | 14 376 111 |
| Segment liabilities | 2 410 141 | 2 443 151 | 99 444 | 87 024 | 2 509 585 | 2 530 175 |
| Undivided liabilities | | | | | 2 643 596 | 2 118 834 |
| Total liabilities | | | | | 5 153 181 | 4 649 009 |
| Net sales | 4 534 936 | 3 705 686 | 172 760 | 283 380 | 4 707 696 | 3 989 066 |
| Segment results | 1 877 414 | 1 338 542 | 234 295 | 244 771 | 2 111 709 | 1 583 313 |
| Undivided expenses | | | | | -1 621 951 | -1 461 214 |
| Profit from operations | | | | | 489 758 | 122 099 |
| Other income | | | | | 655 | 37 715 |
| Financial income (except ForEx rate difference) | | | | | 397 | 4 387 |
| Financial costs (except ForEx rate difference) | | | | | -6 531 | -5 523 |
| Foreign exchange +gain/(loss) | | | | | -105 717 | 100 495 |
| Profit before taxes | | | | | 378 562 | 259 173 |
| Corporate income tax | | | | | -447 | -678 |
| Profit after taxes | | | | | 378 115 | 258 495 |
| Net profit | | | | | 378 115 | 258 495 |
| Other information | | | | | | |
| Additions of property plant and equipment and intangible assets | 6 168 | 40 090 | 0 | 0 | 6 168 | 40 090 |
| Undivided additions | | | | | 34 639 | 39 620 |
| Total additions of property plant and equipment and intangible assets | | | | | 40 807 | 79 710 |
| Depreciation and amortization | 104 076 | 101 409 | 0 | 0 | 104 076 | 101 409 |
| Undivided depreciation | | | | | 86 104 | 82 740 |
| Total depreciation and amortization | | | | | 190 180 | 184 149 |

b) This note provides information about division of the Group's turnover and assets by geographical regions (customer location) for 3 month of the financial year 2020/21 compared to the same period of financial year 2019/20.

| | Net sales | | Assets | |
|---------------------------|------------------|------------------|-------------------|-------------------|
| | 2020/21 | 2019/20 | 30.09.2020 | 30.06.2019 |
| | EUR | EUR | EUR | EUR |
| Americas | 3 281 838 | 1 664 922 | 1 153 839 | 1 109 722 |
| Europe, CIS | 881 850 | 1 755 940 | 348 848 | 818 257 |
| Asia, Africa, Middle East | 544 008 | 568 204 | 34 516 | 240 299 |
| | 4 707 696 | 3 989 066 | 1 537 203 | 2 168 278 |
| Unallocated assets | 0 | - | 13 902 080 | 12 207 833 |
| | 4 707 696 | 3 989 066 | 15 439 283 | 14 376 111 |

Note 8 Bad receivables

| | 30.09.2020 | 30.09.2019 |
|------------------------|-------------------|-------------------|
| | EUR | EUR |
| Bad receivables | 26 706 | (3 670) |

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 9 Salaries, bonuses and social expenses

| | 30.09.2020 | 30.09.2019 |
|------------------------------|-------------------|-------------------|
| | EUR | EUR |
| Salaries and social expenses | 1 497 981 | 1 334 488 |
| Bonuses and social expenses | 313 961 | 178 150 |
| | 1 811 942 | 1 512 638 |

Compared to the 3-month period of the previous financial year 2019/2020, wages and related social contributions increased by 19%, which reflects changes in the number of staff and structural changes (employees with critical competencies).