

SAF Tehnika A/S
Consolidated Interim Report
for Q1 of financial year 2021/2022
(July 1, 2021 – September 30, 2021)

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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 220 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: | 01.07.2021 |
| End of financial year: | 30.06.2022 |
| Phone: | +371 67046840 |
| E-mail: | info@saftehnika.com |

Share and Shareholdings

SAF Tehnika shareholders (over 5%) as of 30.06.2021.

| Shareholder | Ownership interest (%) |
|------------------|------------------------|
| Didzis Liepkalns | 17.05% |
| SIA „Koka zirgs” | 12.19% |
| Andrejs Grišāns | 10.03% |
| Normunds Bergs | 9.74% |
| Juris Zieme | 8.71% |

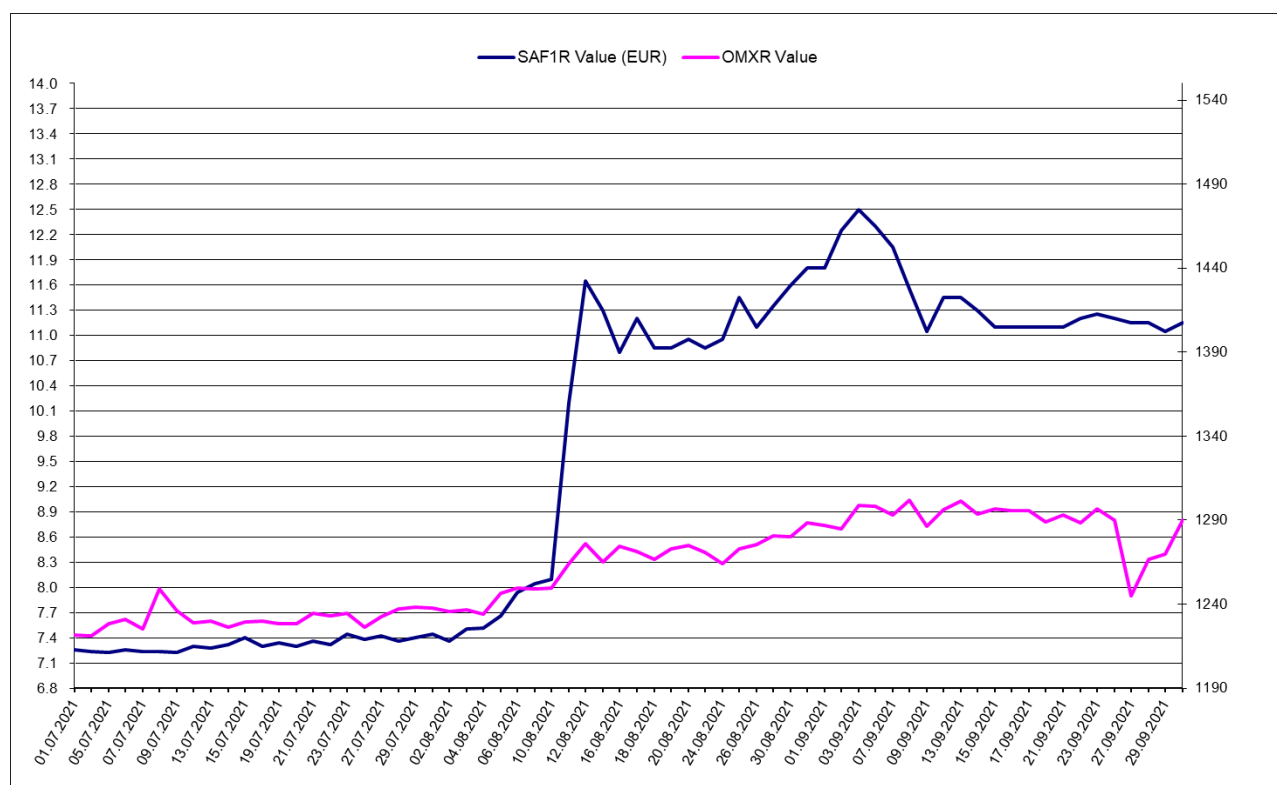
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2021 – September 30, 2021

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, 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, 2021 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, 2021.

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 2021/2022 was EUR 7.8 million, which is an increase of 66% compared to the first quarter of the financial year 2020/2021.

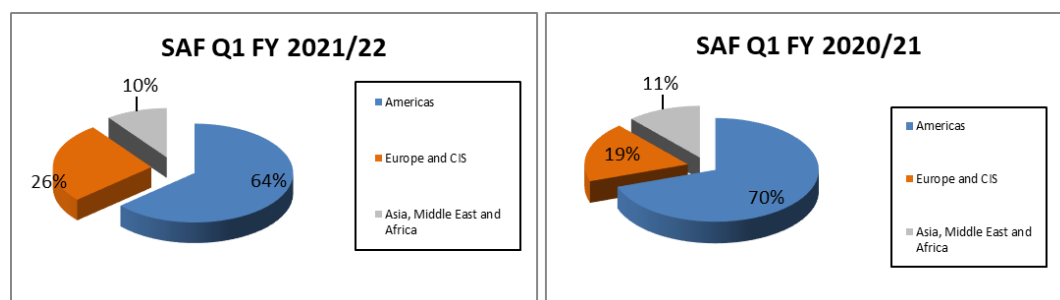
The turnover in North and Latin Americas was 64% or EUR 4.96 million. Compared to the turnover in the same quarter of the previous financial year, the turnover increased by 51% as a result of successful sales project transactions.

The turnover in Europe and CIS countries amounts to 26% or EUR 2.01 million, which is 134% more than in the first quarter of the previous financial year. The turnover of the AMEA (Asia, Middle East, Africa) region increased by 45%, compared to the corresponding quarter of the last financial year, and amounted to EUR 786 thousand. Due to the long (more than a month) time of transportation of goods, a major supply deal was concluded in July 2021. As a result, the turnover of the relevant region had to be adjusted for the previous reporting year.

In the first quarter of this financial year, SAF Tehnika resumed active participation in face-to-face exhibitions and continued active marketing activities on digital platforms. In total, the company took part in 14 exhibitions and conferences of various scale, the largest of which were SPACE – Livestock & Poultry trade show in France; GreenTech – horticultural exhibition in the Netherlands; Big 5G Event – US telecommunications exhibition; AOTEC – Spanish telecom trade show.

As before, special attention is paid to the creation and expansion of digital content by creating video materials, organizing webinars and other digital content. The indoor air quality sensor of the Aranet product line, Aranet4, is still showing growth and demand exceeds earlier forecasts. This product line has also been expanded with new products. On the vertical of the microwave radio, it was announced that the production of CFIP Phoenix has been discontinued. Instead, a new generation Phoenix G2 is offered to customers, and work is underway to improve existing products and develop new ones.

Comparative charts of Q1 sales volumes by regions:



In the reporting quarter, the Group's products were sold in 55 countries.

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 first quarter of the financial year 2021/2022 with a profit of EUR 1.52 million (unaudited). The result of the 1st quarter of the previous year was a loss of EUR 378 thousand.

The Group's net cash flow for the financial year is EUR 0.89 million. The Group's net cash balance was EUR 6.8 million at the end of the period. In the first quarter of the financial year 2021/2022, EUR 167 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. 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. At the same time, the global pandemic stimulates the development of new infrastructure projects. 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.

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. In the context of a global pandemic, the Group follows the epidemiological rules in the home country, ensuring compliance with the relevant norms. The manufacturing facility of SAF Tehnika continued to operate in its normal/rearranged mode, 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 (by working remotely or rearranging workplaces), paying special attention to ventilation and air quality.

The Group's operations are also affected by the global shortage of various electronic components. By regularly reviewing supply volumes and deadlines, the company continues to

accumulate material reserves 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 September 30, 2021, the Group had 228 employees (222 employees as of September 30, 2020).

KEY indicators

| | Q1 2021/22 | Q1 2020/21 | Q1 2019/20 |
|---|------------|------------|------------|
| | EUR | EUR | EUR |
| Net Sales | 7,804,133 | 4,707,696 | 3,989,066 |
| Earnings before interest, taxes and depreciation (EBITDA) | 1,749,368 | 680,592 | 343,963 |
| <i>(EBITDA %)</i> | 22% | 14% | 8.6% |
| Profit/loss before interest and taxes (EBIT) | 1,570,035 | 490,412 | 159,814 |
| <i>(EBIT %)</i> | 20% | 10% | 4% |
| Net Profit | 1,519,081 | 378,115 | 258,495 |
| <i>share of the turnover %</i> | 19% | 8% | 6% |
| Total assets | 21,672,499 | 15,439,283 | 14,376,111 |
| Total Owners equity | 14,708,262 | 10,286,102 | 9,727,101 |
| Return on equity (ROE) % | 7.21% | 2.44% | 1.87% |
| Return on assets (ROA) % | 10.80% | 3.74% | 2.69% |
| Liquidity ratio | | | |
| <i>Quick ratio %</i> | 123% | 111% | 101% |
| <i>Current ratio %</i> | 161% | 155% | 171% |
| Earnings per share | 0.51 | 0.13 | 0.09 |
| Last share price at the end of period | 11.15 | 3.64 | 4.00 |
| P/E | 6.26 | 18.20 | 66.67 |
| Number of employees at the end of reporting period | 228 | 222 | 198 |

Consolidated Statement of Financial Position

| | Note | 30.09.2021 | 30.09.2020 |
|--|----------|-------------------|-------------------|
| CURRENT ASSETS | | EUR | EUR |
| Cash and bank | | 6 798 714 | 4 252 061 |
| Customer receivables | 1 | | |
| Accounts receivable | | 2 214 233 | 2 092 144 |
| Allowance for uncollectible receivables | | -217 960 | -555 991 |
| Total | | 1 996 272 | 1 536 153 |
| Other receivables | | | |
| Other current receivables | 2 | 47 559 | 129 059 |
| Short-term loans | | 0 | 1 917 |
| Total | | 47 559 | 130 976 |
| Prepaid expenses | | | |
| Prepaid taxes | | 48 441 | 28 828 |
| Other prepaid expenses | | 198 196 | 155 344 |
| Total | | 246 637 | 184 172 |
| Inventories | 3 | | |
| Raw materials | | 4 248 609 | 1 516 884 |
| Work-in-progress | | 2 828 640 | 2 971 970 |
| Finished goods | | 2 860 121 | 2 662 054 |
| Prepayments to suppliers | | 222 223 | 38 983 |
| Total | | 10 159 593 | 7 189 891 |
| TOTAL CURRENT ASSETS | | 19 248 776 | 13 293 252 |
| NON-CURRENT ASSETS | | | |
| Long-term financial assets | | | |
| Investments in other companies | | 7 146 | 8 106 |
| Long-term receivables | 1 | 0 | 1 050 |
| Total | | 7 146 | 9 156 |
| NON-CURRENT physical assets | 4 | | |
| Plant and equipment | | 4 609 609 | 4 389 683 |
| Other equipment and fixtures | | 2 030 737 | 2 035 184 |
| Accumulated depreciation | | -5 881 009 | -5 809 915 |
| Prepayments for noncurrent physical assets | | 12 797 | 39 558 |
| Unfinished renovation works | | 63 201 | 302 |
| Long-term investment - lease | | 1 245 935 | 1 251 762 |
| Total | | 2 081 270 | 1 906 575 |
| Intangible assets | 4 | | |
| Purchased licenses, trademarks etc. | | 312 354 | 171 679 |
| Other long-term intangible assets | | 22 953 | 58 621 |
| Total | | 335 307 | 230 300 |
| TOTAL NON-CURRENT ASSETS | | 2 423 723 | 2 146 031 |
| TOTAL ASSETS | | 21 672 499 | 15 439 283 |

| LIABILITIES AND OWNERS' EQUITY | Note | 30.09.2021 | 30.09.2020 |
|--|-------------|-------------------|-------------------|
| CURRENT LIABILITIES | | EUR | EUR |
| Debt obligations | | | |
| Short-term loans | | 0 | 3 576 |
| Customer prepayments for goods and services | | 1 250 810 | 838 873 |
| Accounts payable | | 1 383 452 | 1 241 608 |
| Accrued short-term operating lease liabilities | 5 | 316 593 | 309 775 |
| Tax liabilities | | 565 016 | 216 286 |
| Salary-related accrued expenses | 6 | 1 648 807 | 1 049 337 |
| Provisions for guarantees | | 45 636 | 17 423 |
| Deffered income | | 296 661 | 152 493 |
| TOTAL CURRENT LIABILITIES | | 5 506 974 | 3 829 371 |
| NON-CURRENT LIABILITIES | | | |
| Long-term liabilities | | | |
| Long-term deffered income | | 527 056 | 390 624 |
| Accrues long-term operating lease liabilities | 5 | 930 208 | 933 185 |
| TOTAL LONG-TERM LIABILITIES | | 1 457 264 | 1 323 809 |
| TOTAL LIABILITIES | | 6 964 237 | 5 153 180 |
| 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 | | 6 133 278 | 2 880 840 |
| Net profit for the financial year | | 1 519 081 | 378 115 |
| Currency translation reserve | | 37 395 | 8 639 |
| TOTAL OWNERS' EQUITY | | 14 708 262 | 10 286 102 |
| TOTAL LIABILITIES AND OWNERS' EQUITY | | 21 672 499 | 15 439 283 |

Consolidated Statement of Profit or Loss for 3 month of the financial year 2021/2022

| | Note | 30.09.2021 | 30.09.2020 |
|--|------|-------------------|-------------------|
| | | EUR | EUR |
| Net sales | 7 | 7 804 133 | 4 707 696 |
| Other operating income | | 6 786 | 655 |
| Total income | | 7 810 919 | 4 708 351 |
| Direct cost of goods sold or services rendered | | -3 079 582 | -1 916 863 |
| Marketing, advertising and public relations expenses | | -190 367 | -101 707 |
| Bad receivables | 8 | 6 658 | 26 706 |
| Operating expenses | | -256 388 | -212 661 |
| Salaries and social expenses | 9 | -1 758 974 | -1 497 981 |
| Bonuses and social expenses | 9 | -773 025 | -313 961 |
| Depreciation expense | | -104 200 | -116 951 |
| Amortization of operating lease | | -75 133 | -73 229 |
| Other expenses | | -9 874 | -11 292 |
| Operating expenses | | -6 240 884 | -4 217 939 |
| EBIT | | 1 570 035 | 490 412 |
| Financial income (except ForEx rate difference) | | 182 | 397 |
| Financial costs (except ForEx rate difference) | | -6 897 | -6 531 |
| Foreign exchange +gain/(loss) | | 73 133 | -105 716 |
| Financial items | | 66 418 | -111 850 |
| EBT | | 1 636 453 | 378 562 |
| Corporate income tax | | -117 372 | -447 |
| Profit after taxes | | 1 519 081 | 378 115 |
| Net profit/(loss) | | 1 519 081 | 378 115 |

*Earnings per share

EPS 30.09.2021. = 0.51 EUR

EPS 30.09.2020. = 0.13 EUR

Consolidated cash flow statement for 3 months of the financial year 2021/2022

| | 30.09.2021 | 30.09.2020 |
|---|-----------------|-----------------|
| | EUR | EUR |
| CASH GENERATED FROM OPERATIONS (of which) | -913 020 | -740 755 |
| Cash received from customers | 7 355 626 | 3 965 500 |
| Cash paid to suppliers and employees | -8 369 708 | -4 778 838 |
| Paid/Received VAT | 101 062 | 72 583 |
| NET CASH USED IN INVESTING ACTIVITIES (of which) | -43 552 | -137 604 |
| Cash paid for purchasing non-current physical assets | -43 552 | -137 604 |
| NET CASH USED IN FINANCING ACTIVITIES (of which) | 71 649 | 173 863 |
| Short-term loans | 0 | 61 496 |
| Cash received from EU funds | 71 649 | 112 367 |
| Effects of exchange rate changes | -6 112 | -38 505 |
| TOTAL CASH FLOW: | -891 034 | -743 001 |
| Cash and cash equivalents as at the beginning of period | 7 689 748 | 4 995 062 |
| Cash and cash equivalents as at the end of period | 6 798 714 | 4 252 061 |
| NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS | -891 034 | -743 001 |

Statement of changes in consolidated equity for the 3 month period ended September 30, 2021

| | Share capital | Share premium | Other reserves | Currency translation reserve | Retained earnings | Total |
|---------------------------------|------------------|------------------|----------------|------------------------------|-------------------|-------------------|
| | EUR | EUR | EUR | EUR | EUR | EUR |
| As at 30 June 2020 | 4 158 252 | 2 851 726 | 8 530 | 8 703 | 2 880 840 | 9 908 051 |
| Dividend relating to 2014/2016 | - | - | - | - | -623 738 | -623 738 |
| Currency translation difference | - | - | - | 1 621 | - | 1 621 |
| Profit for the year | - | - | - | - | 3 876 176 | 3 876 176 |
| As at 30 June 2021 | 4 158 252 | 2 851 726 | 8 530 | 10 324 | 6 133 278 | 13 162 110 |
| Currency translation difference | - | - | - | 27 071 | - | 27 071 |
| Profit for the year | - | - | - | - | 1 519 081 | 1 519 081 |
| As at 30 September 2021 | 4 158 252 | 2 851 726 | 8 530 | 37 395 | 7 652 359 | 14 708 262 |

Notes for interim report

Note 1 Customer receivables

| | 30.09.2021 | 30.09.2020 |
|---|-------------------|-------------------|
| | EUR | EUR |
| Long-term receivables | - | 1 050 |
| Accounts receivable | 2 214 233 | 2 092 144 |
| Provisions for bad and doubtful accounts receivable | (217 960) | (555 991) |
| Total short-term accounts receivable | 1 996 272 | 1 536 153 |
| Total receivables | 1 996 272 | 1 537 203 |

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

Note 2 Other current receivables

| | 30.09.2021 | 30.09.2020 |
|----------------------------------|-------------------|-------------------|
| | EUR | EUR |
| Other current receivables | 47 559 | 129 059 |

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

| | 30.09.2021 | 30.09.2020 |
|---------------------------------|-------------------|-------------------|
| | EUR | EUR |
| Raw materials | 5 326 146 | 2 216 3203 |
| Allowance for slow-moving items | (1 077 537) | (699 436) |
| Work-in-progress | 2 828 640 | 2 971 970 |
| Finished goods | 2 860 121 | 2 662 054 |
| Prepayments to suppliers | 222 223 | 38 983 |
| | 10 159 593 | 7 189 891 |

As compared to 30 September 2020, total inventories increased by 41%.

The Group maintains the amount of raw materials and auxiliary supplies at the defined level to be able to deliver all products in the Group’s product portfolio within the competitive timeframes.

The Group’s inventories must include previously produced and sold equipment components in order to provide corresponding maintenance service.

Note 4 Non-current, intangible assets

| | 30.09.2021 | 30.09.2020 |
|---|-------------------|-------------------|
| | EUR | EUR |
| Plant and equipment | 4 609 609 | 4 389 683 |
| Other equipment and fixtures | 2 030 737 | 2 035 184 |
| Accumulated depreciation | (5 881 009) | (5 809 915) |
| Prepayments for noncurrent physical assets | 12 797 | 39 558 |
| Unfinished renovation works | 63 201 | 302 |
| Long-term investment lease* | 1 245 935 | 1 251 762 |
| | 2 081 270 | 1 906 575 |
| Purchased licenses, trademarks etc. | 312 354 | 171 679 |
| Other long-term intangible assets | 22 953 | 58 621 |
| | 335 307 | 230 300 |
| Total non-current, intangible assets | 2 416 577 | 2 136 875 |

*See Note 5 Operating lease liabilities

During Q1, the Group acquired fixed assets and intangible assets in the amount of 167 thousand euros – mainly, in order to ensure production and testing processes, as well as to acquire office equipment.

Note 5 Operating lease liabilities

| | 30.09.2021 | 30.09.2020 |
|--|-------------------|-------------------|
| | EUR | EUR |
| Accrued short-term operating lease liabilities | 316 593 | 309 775 |
| Accrued long-term operating lease liabilities | 930 208 | 933 185 |
| | 1 246 801 | 1 242 961 |

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

| | 30.09.2021 | 30.09.2020 |
|--|-------------------|-------------------|
| | EUR | EUR |
| Salary-related accrued expenses | 1 648 807 | 1 049 337 |

The increase in the balance sheet is due to fluctuations in vacation and bonus savings between periods, and due to the increase in wages.

Note 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 2021/22 and financial year 2020/21.

| | CFIP, Integra, Spectrum | | Other | | Total | |
|--|-------------------------|------------------|------------------|------------------|-------------------|-------------------|
| | Compact, Aranet | | | | | |
| | 2021/22 | 2020/21 | 2021/22 | 2020/21 | 2021/22 | 2020/21 |
| | EUR | EUR | EUR | EUR | EUR | EUR |
| Segment assets | 12 749 637 | 8 652 158 | 1 179 280 | 1 344 806 | 13 928 917 | 9 996 964 |
| Undivided assets | | | | | 7 743 582 | 5 442 319 |
| Total assets | | | | | 21 672 499 | 15 439 283 |
| Segment liabilities | 3 230 449 | 2 410 141 | 56 525 | 99 444 | 3 286 974 | 2 509 585 |
| Undivided liabilities | | | | | 3 677 263 | 2 643 595 |
| Total liabilities | | | | | 6 964 237 | 5 153 180 |
| Net sales | 7 672 736 | 4 534 936 | 131 397 | 172 760 | 7 804 133 | 4 707 696 |
| Segment results | 3 173 231 | 1 877 414 | 212 368 | 234 295 | 3 385 599 | 2 111 709 |
| Undivided expenses | | | | | -1 823 741 | -1 621 951 |
| Profit from operations | | | | | 1 561 858 | 489 758 |
| Other income | | | | | 6 786 | 655 |
| Financial income (except ForEx rate difference) | | | | | 182 | 397 |
| Financial costs (except ForEx rate difference) | | | | | -6 897 | -6 531 |
| Foreign exchange +gain/(loss) | | | | | 73 132 | -105 717 |
| Profit before taxes | | | | | 1 635 061 | 378 562 |
| Corporate income tax | | | | | -115 980 | -447 |
| Profit after taxes | | | | | 1 519 081 | 378 115 |
| Net profit | | | | | 1 519 081 | 378 115 |
| Other information | | | | | | |
| Additions of property plant and equipment and intangible assets | 61 228 | 6 168 | 0 | 0 | 61 228 | 6 168 |
| Undivided additions | | | | | 106 743 | 34 639 |
| Total additions of property plant and equipment and intangible assets | | | | | 167 971 | 40 807 |
| Depreciation and amortization | 105 817 | 104 076 | 0 | 0 | 105 817 | 104 076 |
| Undivided depreciation | | | | | 73 516 | 86 104 |
| Total depreciation and amortization | | | | | 179 333 | 190 180 |

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 2021/22 compared to the same period of financial year 2020/21.

| | Net sales | | Assets | |
|---------------------------|------------------|------------------|-------------------|-------------------|
| | 2021/22 | 2020/21 | 30.06.2021 | 30.06.2020 |
| | EUR | EUR | EUR | EUR |
| Americas | 4 957 839 | 3 281 838 | 1 539 421 | 1 153 839 |
| Europe, CIS | 2 059 666 | 881 850 | 427 812 | 348 848 |
| Asia, Africa, Middle East | 786 628 | 544 008 | 29 039 | 34 516 |
| | 7 804 133 | 4 707 696 | 1 996 272 | 1 537 203 |
| Unallocated assets | - | - | 19 676 227 | 13 902 080 |
| | 7 804 133 | 4 707 696 | 21 672 499 | 15 439 283 |

Note 8 Bad receivables

| | 30.09.2021 | 30.09.2020 |
|------------------------|-------------------|-------------------|
| | EUR | EUR |
| Bad receivables | 6 658 | 26 706 |

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

| | 30.09.2021 | 30.09.2020 |
|------------------------------|-------------------|-------------------|
| | EUR | EUR |
| Salaries and social expenses | 1 758 974 | 1 497 981 |
| Bonuses and social expenses | 773 025 | 313 961 |
| | 2 531 999 | 1 811 942 |

Compared to the 3-month period of the previous financial year 2020/2021, the amount of salary costs and related social costs increased by 39%. This reflects changes in the number and composition of the staff (employees with critical competencies), as well as provisions for performance bonuses.