

**SAF Tehnika A/S**  
**Consolidated Interim Report**  
**for Q2 and 6 month of financial year 2018/2019**  
**(July 1, 2018 – December 31, 2018)**

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## KEY DATA

SAF Tehnika (hereinafter – the Group) is a telecommunications equipment company engaged in the development, production and distribution of digital microwave radio equipment. SAF Tehnika products provide wireless backhaul solutions for digital voice and data transmission covering wide frequency range and providing equipment for both licensed and un-licensed frequencies.

Know-how in modern wireless data transmission technologies, creativity in solutions, accuracy in design, precision in production and logistics make SAF Tehnika a unique designer and manufacturer of point-to-point microwave data transmission equipment. Located in Northern Europe, SAF Tehnika managed to acquire and consolidate valuable locally available intellectual resources of the microelectronics industry and spread its presence to more than 130 countries, covering all relevant market segments worldwide within just a decade.

Currently the Group consists of SAF Tehnika JSC (hereinafter – the Parent) operating from Riga, Latvia, a wholly owned subsidiary “SAF North America” LLC and “SAF Services” LLC. Both of the mentioned companies are operating from Denver, CO serving North American market.

SAF Tehnika JSC is a public joint stock company incorporated under the laws of the Republic of Latvia. The shares of AS SAF Tehnika are quoted on Nasdaq Riga stock exchange.

|                                     |  |
|-------------------------------------|--|
| <b>Legal address:</b>               | Ganību dambis 24a<br>Rīga, LV-1005<br>Latvija                |
| <b>Commercial Registry Nr.:</b>     | 40003474109  |
| <b>VAT Registry Nr.:</b>            | LV40003474109  |
| <b>Beginning of financial year:</b> | 01.07.2018   |
| <b>End of financial year:</b>       | 30.06.2019   |
| <b>Phone:</b>                       | +371 67046840  |
| <b>E-mail:</b>                      | <a href="mailto:info@saftehnika.com">info@saftehnika.com</a> |

## Share and Shareholdings

### SAF Tehnika shareholders (over 5%) as of 09.11.2018.

| Shareholder                       | Ownership interest (%) |
|-----------------------------------|------------------------|
| Didzis Liepkalns                  | 17.05%                 |
| Andrejs Grišāns                   | 10.03%                 |
| Normunds Bergs                    | 9.74%                  |
| SIA „Koka zirgs”                  | 8.84%                  |
| Juris Zieme                       | 8.71%                  |
| Vents Lācars (inheritance estate) | 6.08%                  |

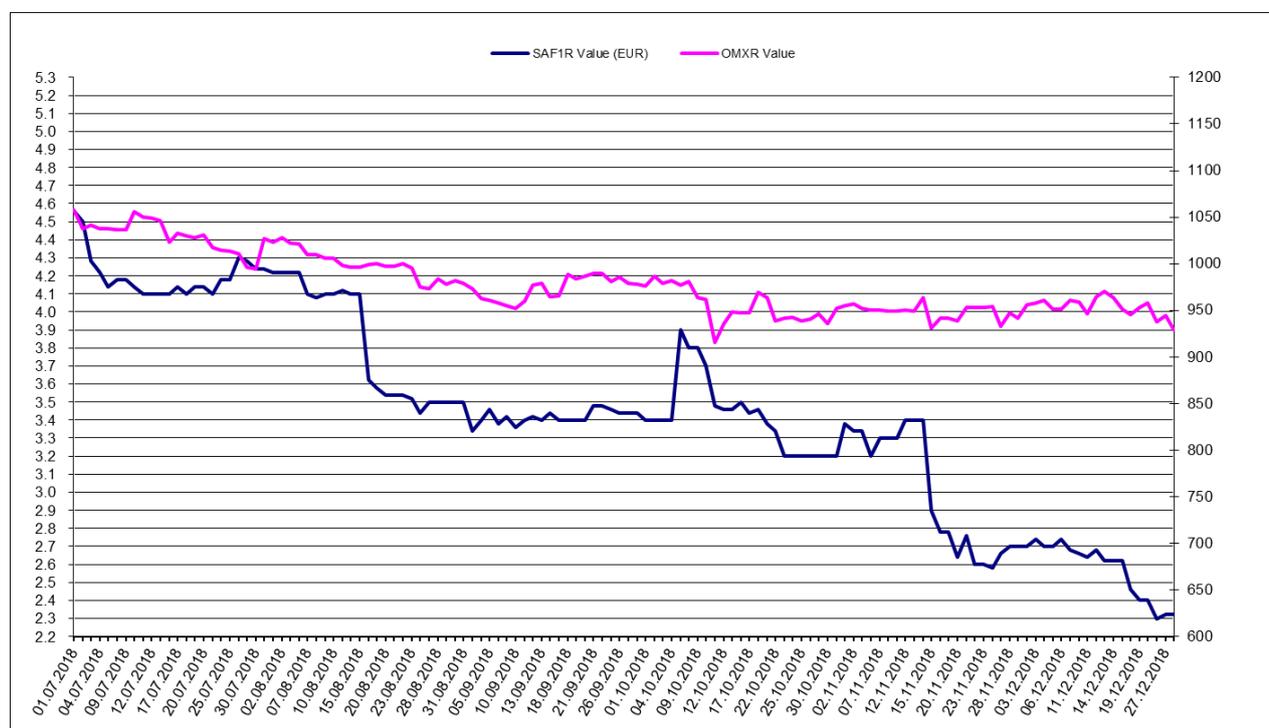
### SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2018 – December 31, 2018

Currency: EUR

Marketplace: Nasdaq Riga



## Information on Management and Supervisory Board members

### SAF Tehnika Management Board:

| <b>Name</b>      | <b>Position</b> | <b>Ownership interest (%)</b> |
|------------------|-----------------|-------------------------------|
| 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:

| <b>Name</b>     | <b>Position</b> | <b>Ownership interest (%)</b> |
|-----------------|-----------------|-------------------------------|
| 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 7700 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 December, 2018 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, 2018.

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.



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Zane Jozepa  
CFO, Member of the Management Board

## Management Report

The Group's unaudited consolidated net turnover of the second quarter (Q2) of the FY 2018/2019 was 3.9 million euros, which is by 10% more than in Q2 of the FY 2017/2018.

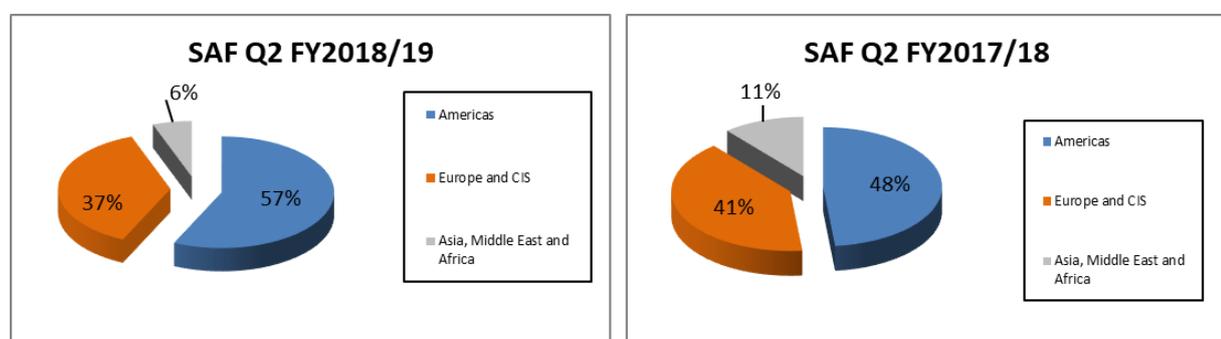
The turnover in North/Latin Americas was 57% or 2.2 million euros. Compared with the turnover of the same quarter last financial year, the region's turnover increased by 29%. It is related to the implementation of a specific project in the region and it is the highest quarterly turnover since the beginning of the last year.

Sales in the European and CIS region is 37%, or 221 thousand euros, which is equivalent to the result of the Q2 of the previous financial year.

The AMEA (Asia, Middle East, Africa) region had a turnover of 5%, or 0.2 million. Compared with the same quarter last FY, the region's turnover dropped by 44%. In the previous financial year, high turnover was related to the implementation of a specific project in this region.

During the reporting period, SAF Tehnika participated in trade fairs, including the US largest exhibition for wireless internet service providers (WISP) – WISPAPALOOZA in Las Vegas, as well as in the largest African technology event – AfricaCom, and in the largest technology exhibition of the Middle East, Gitex, held in Dubai, UAE. In addition to other regular marketing activities, SAF Tehnika maintains its [SAF blog](#) by publishing case studies and daily updates.

### Comparative charts of Q2 sales volumes by regions:



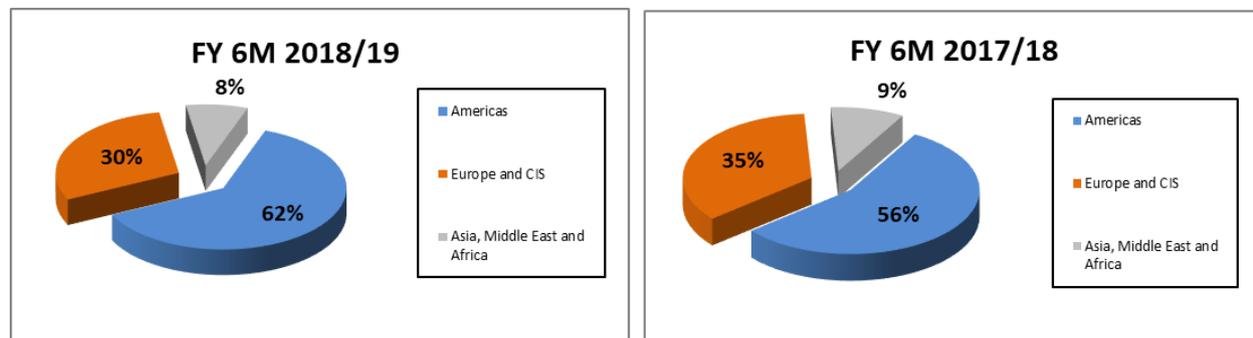
During the reporting quarter, the Group sold its products in 52 countries.

The Group's unaudited consolidated turnover for the 6-month period of the FY 2018/2019 was 6.96 million euros, which is a 7% drop compared to the revenues of the same period in the previous financial year. Turnover fluctuations are affected by difference in the results of Q1.

During the 6-month period, revenues in North/Latin Americas represented 62% of the total Group's turnover and amounted to 4.3 million euros, thus demonstrating a 4% increase against the results of the first half of the previous financial year. Revenues from the European and CIS countries represented 30% of the total turnover, having decreased by 22%, or 570 thousand euros, against the

previous year. Last year's successful results in the region were related to the development of a data transmission solution tailored to customer-specific needs. Revenues from the AMEA (Asia, Middle East, Africa) region decreased by 18%, or 127 thousand euros, thus making 8% of the Group's total 6-month turnover.

**Comparative charts of sales volumes (within 6 months) by regions:**



The Group's expenditures did not exceed the planned levels, and were generally equivalent to those of the same period a year ago. The group continues to invest in designing of new products and product modifications.

The Group finished the Q2 of the FY 2018/2019 with losses of 149 thousand euros (unaudited). There was a loss of 258 thousand EUR in the second quarter of the previous year.

The unaudited consolidated result for the 6-month period of the FY 2018/2019 is loss of 490 thousand euros. The Group's result of 6 months in the previous FY 2017/2018 was 131 thousand euros in profit.

During the 6-month period of the financial year, the Group had a negative net cash flow equaling to (-)140 thousand euros. The Group's net cash balance was 2.99 million euros at the end of the period.

In Q2 of the FY 2018/2019, 68 thousand euros were invested in acquisition of fixed assets.

**Market Overview**

The microwave radio market has not experienced any rapid changes over the past quarter, and we believe no such changes are expected in the near future, however, competition is increasing, especially in the segment of standard equipment.

There is still an increase in demand for radio systems that provide enhanced data transmission rate and can be enhanced or updated in order to increase data transmission capacity.

**Guidelines**

SAF Tehnika is the company with long-standing experience and expertise in microwave radio development and production.

The Group continues to explore market demand and problematic issues in order to be able to provide necessary product modifications, as well as continues investments in product development, increasingly focusing on the diversification of its product portfolio.

The Company's goal is to stabilize sales levels to ensure a positive net result in the long term. The Board of SAF Tehnika retains caution and refrains from making certain predictions regarding future sales volumes and financial results.

On 31 December 2018, the Group had 195 employees (there were 193 employees on 31 December 2017).

## KEY indicators

|   | Q2 2017/18 | Q2 2017/18 | Q2 2016/17 |
|---|------------|------------|------------|
|   | EUR        | EUR        | EUR        |
| Net Sales   | 3,888,217  | 3,571,513  | 4,335,389  |
| Earnings before interest, taxes and depreciation (EBITDA) | -86,349    | -81,992    | 442,955    |
| <i>share of the turnover %</i>                            | -2%        | -2%        | 10%        |
| Profit/loss before interest and taxes (EBIT)              | -184,559   | -179,097   | 353,849    |
| <i>share of the turnover %</i>                            | -5%        | -5%        | 8%         |
| Net Profit  | -148,599   | -258,420   | 424,743    |
| <i>share of the turnover %</i>                            | -4%        | -7%        | 10%        |
| Total assets  | 12,478,809 | 12,839,465 | 13,442,412 |
| Total Owners equity                                       | 9,389,604  | 10,222,649 | 11,178,798 |
| Return on equity (ROE) %                                  | -1.26%     | -1.90%     | 3.16%      |
| Return on assets (ROA) %                                  | -1.57%     | -2.28%     | 3.70%      |
| Liquidity ratio   |            |            |            |
| <i>Quick ratio %</i>                                      | 97%        | 172%       | 239%       |
| <i>Current ratio %</i>                                    | 215%       | 255%       | 315%       |
| Earnings per share  | -0.05      | -0.09      | 0.14       |
| Last share price at the end of period                     | 2.32       | 6.45       | 3.51       |
| P/E   | -8.29      | 18.43      | 9.00       |
| Number of employees at the end of reporting period        | 195        | 193        | 184        |

## Consolidated Statement of Financial Position

|   | Note     | 31.12.2018        | 31.12.2017        |
|---|----------|-------------------|-------------------|
| <b>CURRENT ASSETS</b>                   |          | <b>EUR</b>        | <b>EUR</b>        |
| <b>Cash and bank</b>                    |          | <b>2 983 319</b>  | <b>4 513 365</b>  |
| <b>Customer receivables</b>             | <b>1</b> |                   |                   |
| Accounts receivable                     |          | 3 465 234         | 2 046 232         |
| Allowance for uncollectible receivables |          | -20 491           | -31 100           |
| <b>Total</b>                            |          | <b>3 444 743</b>  | <b>2 015 132</b>  |
| <b>Other receivables</b>                |          |                   |                   |
| Other current receivables               | <b>2</b> | 32 851            | 145 165           |
| Short-term loans                        |          | 174 672           | 0                 |
| <b>Total</b>                            |          | <b>207 523</b>    | <b>145 165</b>    |
| <b>Prepaid expenses</b>                 |          |                   |                   |
| Prepaid taxes                           |          | 170 757           | 43 979            |
| Other prepaid expenses                  |          | 198 739           | 189 709           |
| <b>Total</b>                            |          | <b>369 496</b>    | <b>233 688</b>    |
| <b>Inventories</b>                      | <b>3</b> |                   |                   |
| Raw materials                           |          | 1 136 722         | 1 312 102         |
| Work-in-progress                        |          | 1 895 332         | 2 119 176         |
| Finished goods                          |          | 1 546 166         | 1 678 194         |
| Prepayments to suppliers                |          | 161 883           | 22 909            |
| <b>Total</b>                            |          | <b>4 740 103</b>  | <b>5 132 381</b>  |
| <b>TOTAL CURRENT ASSETS</b>             |          | <b>11 745 185</b> | <b>12 039 730</b> |
| <b>NON-CURRENT ASSETS</b>               |          |                   |                   |
| <b>Long-term financial assets</b>       |          |                   |                   |
| Investments in other companies          |          | 8 106             | 2 183             |
| Long-term receivables                   | <b>1</b> | 1 633             | 2 449             |
| <b>Total</b>                            |          | <b>9 739</b>      | <b>4 632</b>      |
| <b>NON-CURRENT physical assets</b>      | <b>4</b> |                   |                   |
| Plant and equipment                     |          | 4 110 396         | 3 926 624         |
| Other equipment and fixtures            |          | 1 978 351         | 1 976 122         |
| Accumulated depreciation                |          | -5 481 368        | -5 249 437        |
| Unfinished renovation works             |          | 2 390             | 0                 |
| Other long-term assets                  |          | 0                 | 2 266             |
| <b>Total</b>                            |          | <b>609 768</b>    | <b>655 575</b>    |
| <b>Intangible assets</b>                | <b>4</b> |                   |                   |
| Purchased licenses, trademarks etc.     |          | 114 117           | 132 467           |
| Other long-term intangible assets       |          | 0                 | 7 060             |
| <b>Total</b>                            |          | <b>114 117</b>    | <b>139 527</b>    |
| <b>TOTAL NON-CURRENT ASSETS</b>         |          | <b>733 624</b>    | <b>799 735</b>    |
| <b>TOTAL ASSETS</b>                     |          | <b>12 478 809</b> | <b>12 839 465</b> |

| <b>LIABILITIES AND OWNERS' EQUITY</b>       | <b>Note</b> | <b>31.12.2018</b> | <b>31.12.2017</b> |
|---|-------------|-------------------|-------------------|
| <b>CURRENT LIABILITIES</b>                  |             | <b>EUR</b>        | <b>EUR</b>        |
| <b>Debt obligations</b>                     |             |                   |                   |
| Short-term loans from financial institutons |             | 83                | 2 920             |
| Customer prepayments for goods and services |             | 220 823           | 221 339           |
| Accounts payable                            |             | 1 767 508         | 1 713 006         |
| Tax liabilities                             | <b>5</b>    | 146 355           | 117 826           |
| Salary-related accrued expenses             | <b>6</b>    | 686 915           | 467 896           |
| Provisions for guarantees                   |             | 11 184            | 6 294             |
| Deffered income                             |             | 256 337           | 87 535            |
| <b>TOTAL CURRENT LIABILITIES</b>            |             | <b>3 089 205</b>  | <b>2 616 816</b>  |
| <b>OWNERS' EQUITY</b>                       |             |                   |                   |
| 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                           |             | 2 855 657         | 3 074 985         |
| Net profit for the financial year           |             | -490 181          | 130 946           |
| Currency translation reserve                |             | 5 620             | -1 790            |
| <b>TOTAL OWNERS' EQUITY</b>                 |             | <b>9 389 604</b>  | <b>10 222 649</b> |
| <b>TOTAL LIABILITIES AND OWNERS' EQUITY</b> |             | <b>12 478 809</b> | <b>12 839 465</b> |

## Consolidated Statement of Profit or Loss for 6 month of the financial year 2018/2019

|  | Note | 31.12.2018        | 31.12.2017        |
|--|------|-------------------|-------------------|
|  |      | EUR               | EUR               |
| Net sales  | 7    | 6 960 374         | 7 494 880         |
| Other operating income                               |      | 25 363            | 197 259           |
| <b>Total income</b>                                  |      | <b>6 985 737</b>  | <b>7 692 139</b>  |
| Direct cost of goods sold or services rendered       |      | -3 407 064        | -3 165 683        |
| Marketing, advertising and public relations expenses |      | -373 555          | -357 042          |
| Bad receivables                                      | 8    | -4 064            | 2 752             |
| Operating expenses                                   |      | -654 090          | -689 211          |
| Salaries and social expenses                         | 9    | -2 490 150        | -2 437 069        |
| Bonuses and social expenses                          | 9    | -390 865          | -380 384          |
| Depreciation expense                                 |      | -197 433          | -195 889          |
| Other expenses                                       |      | -22 736           | -22 570           |
| <b>Operating expenses</b>                            |      | <b>-7 539 956</b> | <b>-7 245 096</b> |
| <b>EBIT</b>  |      | <b>-554 219</b>   | <b>447 043</b>    |
| Financial income (except ForEx rate difference)      |      | 12 648            | 11 246            |
| Financial costs (except ForEx rate difference)       |      | -2                | -32               |
| Foreign exchange +gain/(loss)                        |      | 51 392            | -242 766          |
| <b>Financial items</b>                               |      | <b>64 038</b>     | <b>-231 552</b>   |
| <b>EBT</b>   |      | <b>-490 181</b>   | <b>215 491</b>    |
| Corporate income tax                                 |      | 0                 | -84 545           |
| <b>Profit after taxes</b>                            |      | <b>-490 181</b>   | <b>130 946</b>    |
| <b>Net profit/(loss)</b>                             |      | <b>-490 181</b>   | <b>130 946</b>    |

\*Earnings per share

EPS 31.12.2018. = -0.17 EUR

EPS 31.12.2017. = 0.04 EUR

## Consolidated Statement of Profit or Loss for Q2 of the financial year 2018/2019

|  | 31.12.2018        | 31.12.2017        |
|--|-------------------|-------------------|
|  | EUR               | EUR               |
| Net sales  | 3 888 217         | 3 571 513         |
| Other operating income                               | 22 175            | 107 394           |
| <b>Total income</b>                                  | <b>3 910 392</b>  | <b>3 678 907</b>  |
| Direct cost of goods sold or services rendered       | -1 890 904        | -1 688 854        |
| Marketing, advertising and public relations expenses | -226 163          | -190 823          |
| Bad receivables                                      | 685               | -14 433           |
| Operating expenses                                   | -347 030          | -374 223          |
| Salaries and social expenses                         | -1 303 095        | -1 270 566        |
| Bonuses and social expenses                          | -217 451          | -207 368          |
| Depreciation expense                                 | -98 210           | -97 105           |
| Other expenses                                       | -12 783           | -14 633           |
| <b>Operating expenses</b>                            | <b>-4 094 951</b> | <b>-3 858 004</b> |
| <b>EBIT</b>  | <b>-184 559</b>   | <b>-179 097</b>   |
| Financial income (except ForEx rate difference)      | 6 149             | 5 107             |
| Financial costs (except ForEx rate difference)       | 0                 | -1                |
| Foreign exchange +gain/(loss)                        | 29 811            | -46 881           |
| <b>Financial items</b>                               | <b>35 960</b>     | <b>-41 775</b>    |
| <b>EBT</b>   | <b>-148 599</b>   | <b>-220 872</b>   |
| <b>Corporate income tax</b>                          | <b>0</b>          | <b>-37 548</b>    |
| <b>Net profit/(loss)</b>                             | <b>-148 599</b>   | <b>-258 420</b>   |

\*Earnings per share

EPS 31.12.2018. = -0.05 EUR

EPS 31.12.2017. = -0.09 EUR

## Consolidated cash flow statement for 6 months of the financial year 2018/2019

|   | 31.12.2018      | 31.12.2017        |
|---|-----------------|-------------------|
|   | EUR             | EUR               |
| <b>CASH GENERATED FROM OPERATIONS (of which)</b>            | <b>-132 433</b> | <b>-99 175</b>    |
| Cash received from customers                                | 7 076 413       | 8 087 072         |
| Cash paid to suppliers and employees                        | -7 331 021      | -8 114 177        |
| Paid/Received VAT, corporate income tax                     | 122 175         | -72 070           |
| <b>NET CASH USED IN INVESTING ACTIVITIES (of which)</b>     | <b>-106 538</b> | <b>-117 140</b>   |
| Cash paid for purchasing non-current physical assets        | -117 767        | -128 370          |
| Interest received   | 11 229          | 11 230            |
| <b>NET CASH USED IN FINANCING ACTIVITIES (of which)</b>     | <b>102 066</b>  | <b>-1 798 870</b> |
| Short-term loans  | 43 668          | 0                 |
| Repayment of short-term loans                               | -30             | -7 477            |
| Cash received from EU funds                                 | 58 428          | 198 628           |
| Dividends paid  | 0               | -1 990 021        |
| <b>Effects of exchange rate changes</b>                     | <b>-3 776</b>   | <b>20 163</b>     |
| <b>TOTAL CASH FLOW:</b>                                     | <b>-140 681</b> | <b>-1 995 023</b> |
| Cash and cash equivalents as at the beginning of period     | 3 124 000       | 6 508 388         |
| Cash and cash equivalents as at the end of period           | 2 983 319       | 4 513 365         |
| <b>NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS</b> | <b>-140 681</b> | <b>-1 995 023</b> |

## Statement of changes in consolidated equity for the 6 month period ended December 31, 2018

|                                 | Share capital    | Share premium    | Other reserves | Currency translation reserve | Retained earnings | Total             |
|---------------------------------|------------------|------------------|----------------|------------------------------|-------------------|-------------------|
|                                 | EUR              | EUR              | EUR            | EUR                          | EUR               | EUR               |
| <b>As at 30 June 2017</b>       | <b>4 158 252</b> | <b>2 851 726</b> | <b>8 530</b>   | <b>5 207</b>                 | <b>5 065 006</b>  | <b>12 088 721</b> |
| Dividend relating to 2016/2017  | -                | -                | -              | -                            | -1 990 021        | -1 990 021        |
| Currency translation difference | -                | -                | -              | -3 195                       | -                 | -3 195            |
| Profit for the year             | -                | -                | -              | -                            | -219 328          | -219 328          |
| <b>As at 30 June 2018</b>       | <b>4 158 252</b> | <b>2 851 726</b> | <b>8 530</b>   | <b>2 012</b>                 | <b>2 855 657</b>  | <b>9 876 177</b>  |
| Currency translation difference | -                | -                | -              | 3 608                        | -                 | 3 608             |
| Profit for the period           | -                | -                | -              | -                            | -490 181          | -490 181          |
| <b>As at 30 December 2018</b>   | <b>4 158 252</b> | <b>2 851 726</b> | <b>8 530</b>   | <b>5 620</b>                 | <b>2 365 476</b>  | <b>9 389 604</b>  |

## Notes for interim report

### Note 1 Customer receivables

|   | <b>31.12.2018</b> | <b>31.12.2017</b> |
|---|-------------------|-------------------|
|   | <b>EUR</b>        | <b>EUR</b>        |
| Long-term receivables                               | 1 633             | 2 449             |
| Accounts receivable                                 | 3 465 234         | 2 046 232         |
| Provisions for bad and doubtful accounts receivable | (20 491)          | (31 100)          |
| <b>Total short term accounts receivable</b>         | <b>3 444 743</b>  | <b>2 015 132</b>  |
| <b>Total receivables</b>                            | <b>3 446 376</b>  | <b>2 017 581</b>  |

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

### Note 2 Other current receivables

|                                  | <b>31.12.2018</b> | <b>31.12.2017</b> |
|----------------------------------|-------------------|-------------------|
|                                  | <b>EUR</b>        | <b>EUR</b>        |
| <b>Other current receivables</b> | <b>32 851</b>     | <b>145 165</b>    |

Other current receivables include the amounts of calculated co-financing from Investment and Development Agency of Latvia (LIAA) for export and competitiveness projects

### Note 3 Inventories

|                                 | <b>31.12.2018</b> | <b>31.12.2017</b> |
|---------------------------------|-------------------|-------------------|
|                                 | <b>EUR</b>        | <b>EUR</b>        |
| Raw materials                   | 1 762 280         | 1 936 970         |
| Allowance for slow-moving items | (625 558)         | (624 868)         |
| Work-in-progress                | 1 895 332         | 2 119 176         |
| Finished goods                  | 1 546 166         | 1 678 194         |
| Prepayments to suppliers        | 161 883           | 22 909            |
|                                 | <b>4 740 103</b>  | <b>5 132 381</b>  |

As compared to 31 December 2017, total inventories decreased by 8%.

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**

|   | <b>31.12.2018</b> | <b>31.12.2017</b> |
|---|-------------------|-------------------|
|   | <b>EUR</b>        | <b>EUR</b>        |
| Plant and equipment                         | 4 110 396         | 3 926 624         |
| Other equipment and fixtures                | 1 978 351         | 1 976 122         |
| Accumulated depreciation                    | (5 481 368)       | (5 249 437)       |
| Unfinished renovation works                 | 2 390             | -                 |
| Other long term assets                      | -                 | 2 266             |
|   | <b>609 768</b>    | <b>655 575</b>    |
| Purchased licenses, trademarks etc.         | 114 117           | 132 467           |
| Other long-term intangible assets           | -                 | 7 060             |
|   | <b>114 117</b>    | <b>139 527</b>    |
| <b>Total non-current, intangible assets</b> | <b>723 885</b>    | <b>795 102</b>    |

During Q2, the Group acquired fixed assets and intangible assets in the amount of 68 thousand euros – mainly, in order to ensure production and testing processes, as well as to acquire office equipment.

**Note 5 Tax liabilities**

|                        | <b>31.12.2018</b> | <b>31.12.2017</b> |
|------------------------|-------------------|-------------------|
|                        | <b>EUR</b>        | <b>EUR</b>        |
| <b>Tax liabilities</b> | <b>146 355</b>    | <b>117 826</b>    |

The increase of the previous period is related to the fact that wages for December were paid in December. During the reporting period, wages for December were paid in January.

**Note 6 Salary-related accrued expenses**

|  | <b>31.12.2018</b> | <b>31.12.2017</b> |
|--|-------------------|-------------------|
|  | <b>EUR</b>        | <b>EUR</b>        |
| <b>Salary-related accrued expenses</b> | <b>686 915</b>    | <b>467 896</b>    |

The increase of the previous period is related to the fact that wages for December were paid in December. During the reporting period, wages for December were paid in January.

## Note 7 Segment information

a) The Group's operations are divided into two major structural units – SAF branded equipment designed and produced in-house - CFIP and Freemile (Ethernet/Hybrid/ superPDH systems), Integra (Integrated carrier-grade Ethernet microwave radio), Spectrum Compact (measurement tools for radio engineers) as the first structural unit and 3rd party products for resale, like Antennas, cables, some OEMed products and accessories as the second unit.

- **CFIP** –product line is represented by:
- a split mount **PhoeniX** hybrid radio system with Gigabit Ethernet + 20 E1 interfaces;
- **Lumina** high capacity Full Outdoor all-in-one radio with Gigabit Ethernet traffic interface;
- **CFIP-108** entry level radio - perfect for upgrade of E1 networks into packet data networks;
- **Marathon FIDU** low frequency low capacity system for industrial applications and rural telecom use.

Freemile 17/24, an all outdoor hybrid radio system to be used in 17 and 24 GHz unlicensed frequency bands and providing Ethernet/E1 interfaces for user traffic

All CFIP radios are offered in most widely used frequency bands from 300MHz to 38 GHz, thus enabling the use of CFIP radios all across the globe. PhoeniX radio represents the type of microwave radio which is still dominating market share point of view.

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.

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 2018/19 and financial year 2017/18.

|  | CFM; CFIP; FreeMile |                  | Other            |                  | Total             |                   |
|--|---------------------|------------------|------------------|------------------|-------------------|-------------------|
|  | 2018/19             | 2017/18          | 2018/19          | 2017/18          | 2018/19           | 2017/18           |
|  | EUR                 | EUR              | EUR              | EUR              | EUR               | EUR               |
| <b>Segment assets</b>  | <b>8 195 994</b>    | <b>7 017 749</b> | <b>1 369 582</b> | <b>1 351 826</b> | <b>9 565 576</b>  | <b>8 369 575</b>  |
| Undivided assets   |                     |                  |                  |                  | 2 913 233         | 4 469 890         |
| <b>Total assets</b>  |                     |                  |                  |                  | <b>12 478 809</b> | <b>12 839 465</b> |
| <b>Segment liabilities</b>   | <b>2 145 040</b>    | <b>1 997 206</b> | <b>175 782</b>   | <b>131 268</b>   | <b>2 320 822</b>  | <b>2 128 474</b>  |
| Undivided liabilities  |                     |                  |                  |                  | 768 383           | 488 342           |
| <b>Total liabilities</b>   |                     |                  |                  |                  | <b>3 089 205</b>  | <b>2 616 816</b>  |
| <b>Net sales</b>   | <b>6 568 753</b>    | <b>7 074 285</b> | <b>391 621</b>   | <b>420 595</b>   | <b>6 960 374</b>  | <b>7 494 880</b>  |
| <b>Segment results</b>   | <b>1 874 530</b>    | <b>2 499 161</b> | <b>153 499</b>   | <b>202 282</b>   | <b>2 028 029</b>  | <b>2 701 443</b>  |
| Undivided expenses   |                     |                  |                  |                  | -2 607 612        | -2 451 659        |
| <b>Profit from operations</b>  |                     |                  |                  |                  | <b>-579 583</b>   | <b>249 784</b>    |
| Other income   |                     |                  |                  |                  | 25 363            | 197 259           |
| Financial income (except ForEx rate difference)                              |                     |                  |                  |                  | 12 648            | 11 246            |
| Financial costs (except ForEx rate difference)                               |                     |                  |                  |                  | -2                | -32               |
| Foreign exchange +gain/(loss)  |                     |                  |                  |                  | 51 393            | -242 766          |
| <b>Profit before taxes</b>   |                     |                  |                  |                  | <b>-490 181</b>   | <b>215 491</b>    |
| Corporate income tax   |                     |                  |                  |                  | 0                 | -84 545           |
| <b>Profit after taxes</b>  |                     |                  |                  |                  | <b>-490 181</b>   | <b>130 946</b>    |
| <b>Net profit</b>  |                     |                  |                  |                  | <b>-490 181</b>   | <b>130 946</b>    |
| <b>Other information</b>   |                     |                  |                  |                  |                   |                   |
| Additions of property plant and equipment and intangible assets              | 44 032              | 41 893           | 0                | 0                | 44 032            | 41 893            |
| Undivided additions  |                     |                  |                  |                  | 77 247            | 90 806            |
| <b>Total additions of property plant and equipment and intangible assets</b> |                     |                  |                  |                  | <b>121 279</b>    | <b>132 699</b>    |
| Depreciation and amortization  | 107 500             | 109 426          | 0                | 0                | 107 500           | 109 426           |
| Undivided depreciation   |                     |                  |                  |                  | 89 933            | 86 463            |
| <b>Total depreciation and amortization</b>                                   |                     |                  |                  |                  | <b>197 433</b>    | <b>195 889</b>    |

b) This note provides information about division of the Group's turnover and assets by geographical regions (customer location) for 6 month of the financial year 2018/19 compared to the same period of financial year 2017/18.

|                           | Net sales        |                  | Assets            |                   |
|---------------------------|------------------|------------------|-------------------|-------------------|
|                           | 2018/19          | 2017/18          | 31.12.2018        | 31.12.2017        |
|                           | EUR              | EUR              | EUR               | EUR               |
| Americas                  | 4 334 198        | 4 171 240        | 1 311 775         | 866 494           |
| Europe, CIS               | 2 060 261        | 2 630 065        | 2 028 355         | 981 836           |
| Asia, Africa, Middle East | 565 915          | 693 575          | 106 247           | 169 250           |
|                           | <b>6 960 374</b> | <b>7 494 880</b> | <b>3 446 376</b>  | <b>2 017 581</b>  |
| Unallocated assets        | -                | -                | 9 032 433         | 10 821 884        |
|                           | <b>6 960 374</b> | <b>7 494 880</b> | <b>12 478 809</b> | <b>12 839 465</b> |

### Note 8 Bad receivables

|  | <b>31.12.2018</b> | <b>31.12.2017</b> |
|--|-------------------|-------------------|
|  | <b>EUR</b>        | <b>EUR</b>        |

#### **Bad receivables**

|  |                |              |
|--|----------------|--------------|
|  | <u>(4 064)</u> | <u>2 752</u> |
|--|----------------|--------------|

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

### Note 9 Salaries, bonuses and social expenses

|  | <b>31.12.2018</b> | <b>31.12.2017</b> |
|--|-------------------|-------------------|
|  | <b>EUR</b>        | <b>EUR</b>        |

Salaries and social expenses  
Bonuses and social expenses

|  |                         |                         |
|--|-------------------------|-------------------------|
|  | 2 490 150               | 2 437 069               |
|  | 390 865                 | 380 384                 |
|  | <u><b>2 881 015</b></u> | <u><b>2 817 453</b></u> |

The amount of salaries and social payments were generally equivalent to those of the same period in the previous year.