

**SAF Tehnika**  
**Consolidated Interim Report**  
**for Q4 and 12 months**  
**of financial year 2014/15**  
(July 1, 2014 – June 30, 2015)

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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 100 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 OMX Riga.

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Beginning of financial year:	01.07.2014
End of financial year:	30.06.2015
Phone:	+371 67046840
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## Share and Shareholdings

### SAF Tehnika shareholders (over 5%) as of 06.05.2015

Name	Ownership interest (%)
Didzis Liepkalns	17.05%
Andrejs Grišāns	10.03%
Normunds Bergs	9.74%
Juris Zieme	8.71%
Vents Lācars	6.08%
“Koka zirgs” SIA	5.27%

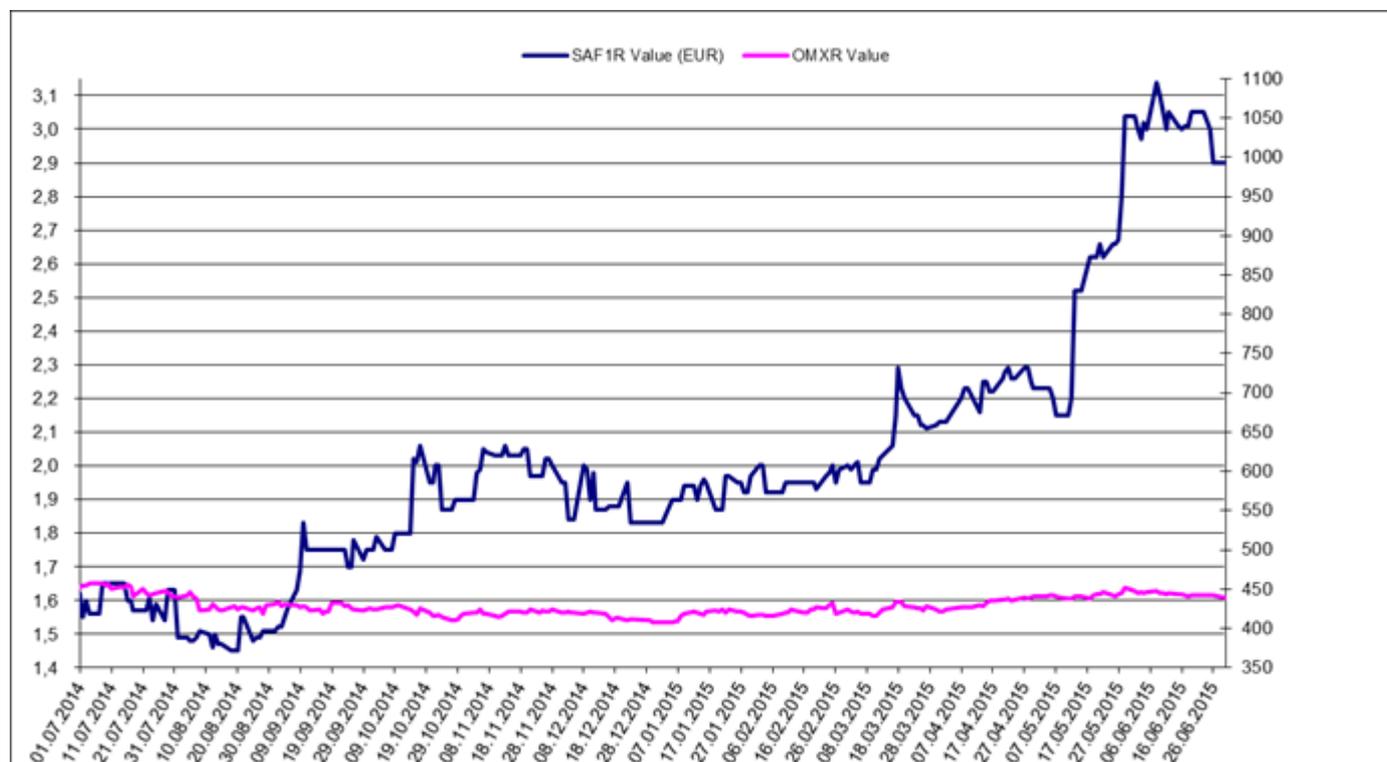
### SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2014 – June 30, 2015

Currency: EUR

Marketplace: NASDAQ OMX 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 since 08.06.2015	owns no shares
Janis Bergs	Member since 13.04.2015	owns no shares
Aira Loite	Member till 08.06.2015	owns 0.26% of shares

### SAF Tehnika Supervisory Board:

<b>Name</b>	<b>Position</b>	<b>Ownership interest (%)</b>
Vents Lacars	Chairman	owns 6.08% of shares
Juris Ziema	Vice-Chairman	owns 8.71% of shares
Andrejs Grisans	Member	owns 10.03% of shares
Ivars Senbergs	Member	owns 2 shares
Aivis Olsteins	Member	owns no shares

## **Information on professional and educational background of the management board members**

### **Normunds Bergs**

Normunds Bergs, born in 1963, 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**

Didzis Liepkalns, born in 1962, is Member of the Board and Technical Director of SAF Tehnika. D. 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. D. Liepkalns has graduated Riga Technical University with a degree in radio engineering in 1985.

### **Zane Jozepa**

Zane Jozepa (born in 1982) is Member of the Board and Chief Financial Officer. Prior to her employment with SAF Tehnika, Zane 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. Zane 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. Zane gained her professional experience in finance while working for SIA Coca Cola HBC Latvia during 2001-2006. Zane Jozepa has graduated the BA School of Business and Finance (Banku Augstskola) and has a BA degree in finance management.

### **Jānis Bergs**

Jānis Bergs (born in 1970) is Member of the Board, Vice President of Sales and Marketing, and the President of "SAF North America". From 2000 till 2006 Jānis 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. Jānis 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. Jānis 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**

### **Vents Lācars,**

born in 1968, is Chairman of the Supervisory Council and Vice-President Business Development of SAF Tehnika. Before co-founding the Company, from 1992 to 1999, he worked in SIA Fortech, where throughout his career he held positions of programmer, leading programmer, and project manager in the networking department and networking department manager. From 1990 to 1992 V. Lacars worked as a programmer at state electric utility company Latvenergo. V. Lacars has studied in Faculty of Physics and Mathematics, University of Latvia.

### **Juris Zieme,**

born in 1964, co-founder of the Company, is Vice-Chairman of the Supervisory Council and Production Department Director. From 1998 to 1999 he worked as an engineer at Didzis Liepkalns private enterprise SAF. From 1987 to 1999 J. Zieme worked as an engineer at the Institute of Electronic Engineering and Computer Sciences. J. Zieme has graduated Riga Technical University with a degree in radio engineering in 1987.

### **Andrejs Grišāns**

born in 1957, is Member of the Supervisory Council and Production Department Manager. A. Grisans is one of the co-founders of SAF Tehnika. Prior to joining the Company, he owned and managed a private company specializing in electronic equipment engineering, production and distribution. From 1992 to 1999 A. 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. A. Grisans has graduated Riga Technical University with a degree in radio engineering in 1980.

### **Ivars Šenbergs,**

born in 1962, 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. I. Senbergs has graduated Faculty of Law, University of Latvia in 1986..

### **Aivis Olsteins,**

born in 1968. A.Olsteins has 20 years of experience in telecommunications. He is CEO of a company "DataTechLabs" since year 2000. The company provides software development and support services for telecommunication operators. From 1992 till 1999 he worked in Baltcom TV, initially as a system engineer in Cable TV operations department, from 1994 till June 1996 as a CTO, but from July 1996 till the end of 1999 as technical advisor to General Manager. A. Olsteins is studying in University of Latvia in Faculty of Physics and Mathematics, bachelor of Physics program.

## 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 June 2015 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, 2014.

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

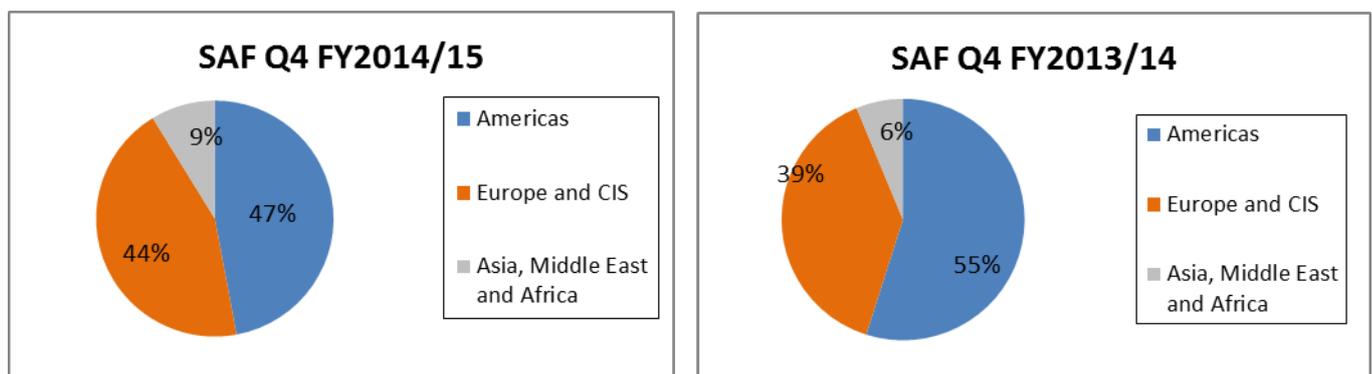
## Management Report

For Q4 of the FY 2014/2015, the Group's unaudited consolidated net turnover was 3.22 million euros, which is by 7% or 0.2 million euros less than in Q4 of the FY 2013/2014 and by 17% more than in Q3 of this FY 2014/2015.

Almost half of the turnover of the reporting quarter (47%) was made by revenues from North/Latin Americas, while the region's turnover decreased by 20% and 0.38 million euros as against the same quarter last year, but was by 7% more than sales volumes in Q3 this year, thus at large equalizing revenue distribution by quarters. Sales in the European and CIS region totaled 44% from the Q4 turnover. The region's turnover rose by 6% as compared to sales in the same quarter of the previous FY and was by 55% or 0.5 million euros more than in Q3 FY 2014/15, owing to the Group's ability to provide necessary products and services to specific customers. However, the CIS part in the region's revenue is still rather small. Sales in the AMEA (Asia, Middle East, Africa) region equaled 9% of the turnover during the quarter and rose by 30% as against Q3 of the previous FY, but a bit less than in Q3 of this FY.

During Q4 of the FY 2014/2015 SAF exhibited at UTC America Latina show in Florianopolis, Brazil, and the Wireless Infrastructure Show 2015 in Florida, USA, as well as kept working on the ongoing marketing activities such as updating company's product brochures and marketing materials. A Germany-based global TV production company Deutsche Welle shot a feature story about SAF Tehnika for their global business news outlet with the intention to broadcast it globally in English, German, Russian, and Spanish. SAF Tehnika also engaged in the media campaign in one of the biggest and most notorious African Telecom magazines Africa Outlook. The campaign was aimed at describing SAF business operations and highlighting success stories within the African continent and surrounding islands. Apart from the above, SAF kept developing its product portfolio and announced a few highly anticipated product updates such as Integra-W and 11GHz Integra-S.

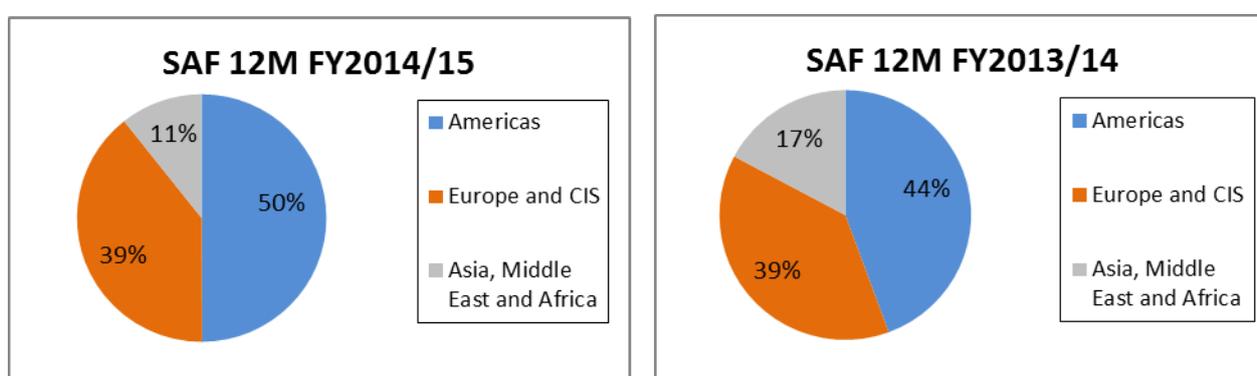
Chart 1. Q 4 revenue breakdown comparative charts:



The Group's products were sold in 61 countries during the reporting quarter.

For 12 months of the FY 2014/2015, the Group's unaudited consolidated net turnover was 12.82 million euros, which represented 7% increase comparing to revenues generated in the respective period of the previous financial year. There was a 34% decrease in revenues in the AMEA region, whereas the Americas region has shown a significant positive trend (20% year to year increase) with the total 12 months turnover rise to 6.4 million euros, comprising 50% of the total Group's 12 months turnover. Sales in Europe and CIS countries gave 5 million euros or 39% of the total revenue presenting a quarterly growth. The turnover increase in both regions compensates a drop in AMEA revenues.

Chart 2. 12 months revenue breakdown comparative charts:



The Group's expenses did not exceed the planned levels. In January 2015 SAF Tehnika increased salaries for some employees, thus giving recognition and investing in employee retention, as well as made additional accrual for bonuses. During the first three quarters of the year, the Group experienced a positive impact of the favorable EUR/USD rate. For 12 months of this FY, the total revenue from changes in the currency exchange rate equaled 407 thousand euros.

The consolidated non-audited net result of the Group for Q4 of the FY 2014/2015 was 278 thousand euros profit.

The consolidated non-audited net result of the Group for 12 months of the FY 2014/2015 was 1.2 million euros profit, which is greater by 1.1 million euros as compared to the Group's result for 12 months in the previous FY 2013/2014 (i.e. 127 thousand euros).

The Group's net cash flow for the 12 month period of the financial year was positive – 237 thousand euros. As of June 30, 2015, the Group carried a net cash balance (excluding interest bearing liabilities) of 4.3 million euros. The Group used a part of free cash flow in the amount of 1.89 million euros to make short-term investments.

It should be noted that SAF Tehnika has received financing from EU funds amounting to 0.4 million euros for product development and support for marketing, 0.441 million euros were spent for purchasing non-current assets during this financial year.

In the FY 2014/2015, SAF Tehnika bought back the shares of its 50% owned enterprise “SAF Services”, thus becoming the sole owner of “SAF Services”. The Group plans to use “SAF Services” in future to merchandise other/new products of “SAF Tehnika” in the North American market.

### **Market overview**

SAF Tehnika is not observing any significant and sudden changes on the radio market. There are certain increases and drops of demand across the spectrum of customer segments, but in overall there are no signs of caution in the foreseeable future.

There is a definite growth of demand for radio systems able to provide or to be upgraded into providing higher capacity to the user. This trend is increasingly shaping product development directions of both SAF Tehnika and other players on the market.

### **Guidance**

SAF Tehnika is the company with the long-term competence in the market niche of microwave radio, proven capable to deliver products of notable quality to general market and to differentiate by developing custom-tailored solutions. The Group is financially stable and capable to withstand economic turmoil. The task for the Group is to continue development of next generation wireless data transmission devices focusing on functionality, product cost reduction, customer satisfaction, efficient production, and internal operations. The goal is to regain sales levels to ensure a positive net result in the long term. Due to the intense competitive pressure, the Board of SAF Tehnika cannot provide certain prognosis for sales figures and operational results.

On June, 2015 the Group employed 173 people (170 people on June 30, 2014).

## KEY indicators

	Q4 2014/15	Q4 2013/14	Q4 2012/13
	EUR	EUR	EUR
Net Sales	3 221 786	3 460 339	3 342 524
(EBITDA)	407 207	819 577	188 768
<i>share of the turnover %</i>	13%	24%	6%
Profit/loss before interest and taxes (EBIT)	302 608	720 155	88 382
<i>share of the turnover %</i>	9%	21%	3%
Net Profit	276 584	707 527	21 113
<i>share of the turnover %</i>	9%	20%	1%
Total assets	13 573 532	12 045 667	12 205 581
Total Owners equity	11 323 638	10 329 996	10 203 336
Return on equity (ROE) %	2%	6%	0%
Return on assets (ROA) %	2%	7%	0%
Liquidity ratio			
Quick ratio %	192%	238%	140%
Current ratio %	264%	374%	331%
Earnings per share	0,093	0,238	0,01
Last share price at the end of period	2,90	1,62	2,00
P/E	31,14	6,80	281,36
Number of employees at the end of reporting period	178	170	164

## Consolidated Statement of Financial Position

As of June 30, 2015

	Note	30.06.2015	30.06.2014
<b>CURRENT ASSETS</b>		<b>EUR</b>	<b>EUR</b>
<b>Cash and bank</b>		<b>4 319 608</b>	<b>4 082 555</b>
<b>Short-term investments</b>		<b>1 893 735</b>	<b>0</b>
<b>Customer receivables</b>	<b>1</b>		
Accounts receivable		1 451 492	2 259 410
Due from joint venture		0	44 393
Allowance for uncollectible receivables		-24 489	-369 288
<b>Total</b>		<b>1 427 003</b>	<b>1 934 515</b>
<b>Other receivables</b>			
Other current receivables	<b>2</b>	186 974	226 408
Short-term loans	<b>3</b>	0	180 000
<b>Total</b>		<b>186 974</b>	<b>406 408</b>
<b>Prepaid expenses</b>			
Prepaid taxes		29 950	71 257
Other prepaid expenses		87 426	116 457
<b>Total</b>		<b>117 376</b>	<b>187 714</b>
<b>Inventories</b>	<b>4</b>		
Raw materials		1 257 830	1 396 275
Work-in-progress		2 068 257	1 620 329
Finished goods		1 352 758	1 482 149
Prepayments to suppliers		45 028	26 626
<b>Total</b>		<b>4 723 873</b>	<b>4 525 379</b>
<b>TOTAL CURRENT ASSETS</b>		<b>12 668 569</b>	<b>11 136 571</b>
<b>NON-CURRENT ASSETS</b>			
<b>Long-term financial assets</b>			
Equity-accounted investments		3 579	13 910
Investments in other companies		2 148	1 188
Long-term receivables	<b>1</b>	18 303	53 526
Deferred income tax		78 342	98 684
<b>Total</b>		<b>102 372</b>	<b>167 308</b>
<b>NON-CURRENT physical assets</b>	<b>5</b>		
Plant and equipment		3 512 138	3 283 390
Other equipment and fixtures		1 852 169	1 881 478
Accumulated depreciation		-4 752 653	-4 631 429
Other long-term assets		4 845	178
<b>Total</b>		<b>616 499</b>	<b>533 617</b>
<b>Intangible assets</b>	<b>5</b>		
Purchased licenses, trademarks etc.		182 478	203 722
Other long-term intangible assets		3 614	4 449
<b>Total</b>		<b>186 092</b>	<b>208 171</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>904 963</b>	<b>909 096</b>
<b>TOTAL ASSETS</b>		<b>13 573 532</b>	<b>12 045 667</b>

<b>LIABILITIES AND OWNERS' EQUITY</b>	<b>Note</b>	<b>30.06.2015</b>	<b>30.06.2014</b>
<b>CURRENT LIABILITIES</b>		<b>EUR</b>	<b>EUR</b>
<b>Debt obligations</b>			
Short-term loans from financial institutions		8 375	6 781
Customer prepayments for goods and services		403 056	216 085
Accounts payable		750 733	842 910
Tax liabilities	<b>6</b>	215 832	116 185
Salary-related accrued expenses	<b>7</b>	535 516	413 657
Other accrued expenses		85 110	0
Provisions for guarantees		18 211	14 643
Deferred income		233 061	105 410
<b>TOTAL CURRENT LIABILITIES</b>		<b>2 249 894</b>	<b>1 715 671</b>
<b>OWNERS' EQUITY</b>			
Share capital		4 158 252	4 226 185
Paid in capital over par		2 851 725	2 851 725
Other reserves		8 530	0
Retained earnings		3 133 841	3 125 600
Net profit for the financial year		1 208 522	127 049
Currency translation reserve		-37 232	-562
<b>TOTAL OWNERS' EQUITY</b>		<b>11 323 638</b>	<b>10 329 996</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>13 573 532</b>	<b>12 045 667</b>

### Consolidated Statement of Profit or Loss for 12 month of the financial year 2014/2015

	<b>Note</b>	<b>30.06.2015</b>	<b>30.06.2014</b>
		<b>EUR</b>	<b>EUR</b>
Net sales	<b>8</b>	12 819 253	12 025 751
Other operating income		403 919	330 149
<b>Total income</b>		<b>13 223 172</b>	<b>12 355 900</b>
Direct cost of goods sold or services rendered		-6 246 841	-6 574 289
Marketing, advertising and public relations expenses		-501 776	-503 989
Bad receivables	<b>9</b>	345 899	137 302
Operating expenses		-1 091 273	-1 165 265
Salaries and social expenses	<b>10</b>	-3 485 725	-3 183 613
Bonuses and social expenses	<b>10</b>	-463 705	-197 566
Depreciation expense		-384 128	-415 838
Other expenses	<b>9</b>	-388 409	-148 342
<b>Operating expenses</b>		<b>-12 215 958</b>	<b>-12 051 600</b>
<b>EBIT</b>		<b>1 007 214</b>	<b>304 300</b>
Financial income (except ForEx rate difference)		2 985	19 411
Financial costs (except ForEx rate difference)		-56	0
Foreign exchange +gain/(loss)		406 857	-144 777
<b>Financial items</b>		<b>409 786</b>	<b>-125 366</b>
Share of profit/(loss) of equity-accounted investees		-30 559	-27 375
<b>EBT</b>		<b>1 386 441</b>	<b>151 559</b>
Corporate income tax		-177 919	-24 510
<b>Profit after taxes</b>		<b>1 208 522</b>	<b>127 049</b>
<b>Net profit/(loss)</b>		<b>1 208 522</b>	<b>127 049</b>

\*Earnings per share

EPS 30.06.2015. = 0.41 EUR

EPS 30.06.2014. = 0.04 EUR

### Consolidated Statement of Profit or Loss for Q4 of the financial year 2014/2015

	30.06.2015	30.06.2014
	EUR	EUR
Net sales	3 221 786	3 460 339
Other operating income	205 286	312 572
<b>Total income</b>	<b>3 427 072</b>	<b>3 772 911</b>
Direct cost of goods sold or services rendered	-1 445 400	-1 775 802
Marketing, advertising and public relations expenses	-143 388	-132 370
Bad receivables	33 407	92 089
Operating expenses	-291 336	-256 255
Salaries and social expenses	-942 150	-772 149
Bonuses and social expenses	-226 945	-93 106
Depreciation expense	-104 599	-99 422
Other expenses	-4 053	-15 741
<b>Operating expenses</b>	<b>-3 124 464</b>	<b>-3 052 756</b>
<b>EBIT</b>	<b>302 608</b>	<b>720 155</b>
Financial income (except ForEx rate difference)	183	140
Financial costs (except ForEx rate difference)	-24	0
Foreign exchange +gain/(loss)	-20 369	23 874
<b>Financial items</b>	<b>-20 210</b>	<b>24 014</b>
Share of profit/(loss) of equity-accounted investees	-29 588	-12 132
<b>EBT</b>	<b>252 810</b>	<b>732 037</b>
<b>Corporate income tax</b>	<b>23 774</b>	<b>-24 510</b>
<b>Net profit/(loss)</b>	<b>276 584</b>	<b>707 527</b>

\*Earnings per share

EPS 30.06.2015. = 0.09 EUR

EPS 30.06.2014. = 0.24 EUR

## Consolidated cash flow statement for 12 months of the financial year 2014/2015

	30.06.2015	30.06.2014
	EUR	EUR
<b>CASH GENERATED FROM OPERATIONS (of which)</b>	<b>2 085 840</b>	<b>735 285</b>
Cash received from customers	15 034 167	13 304 025
Cash paid to suppliers and employees	-13 116 060	-12 729 974
Paid/Received VAT, corporate income tax	167 733	161 234
<b>NET CASH USED IN INVESTING ACTIVITIES (of which)</b>	<b>-2 345 272</b>	<b>259 845</b>
Cash paid for purchasing shares in subsidiary	-960	0
Investment in equity-accounted investees	-15 132	-27 589
Cash paid/received for short-term investments	-1 893 735	590 581
Cash paid for purchasing non-current physical assets	-436 179	-313 622
Interest received	734	10 475
<b>NET CASH USED IN FINANCING ACTIVITIES (of which)</b>	<b>469 336</b>	<b>282 269</b>
Repayment of short-term loans	181 594	172 568
Paid interest	-94	0
Cash received from EU funds	406 643	109 701
Dividends paid	-118 807	0
<b>Effects of exchange rate changes</b>	<b>27 148</b>	<b>-4 142</b>
<b>TOTAL CASH FLOW:</b>	<b>237 053</b>	<b>1 273 258</b>
Cash and cash equivalents as at the beginning of period	4 082 555	2 809 297
Cash and cash equivalents as at the end of period	4 319 608	4 082 555
<b>NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>237 053</b>	<b>1 273 258</b>

### Statement of changes in consolidated equity for the 12 months period ended June 30 2015

	Share capital	Share premium	Other reserves	Currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
<b>As at 30 June 2013</b>	<b>4 226 185</b>	<b>2 851 725</b>	<b>0</b>	<b>-50</b>	<b>3 125 599</b>	<b>10 203 459</b>
Currency translation difference	-	-	-	-512	-	-512
Profit for the year	-	-	-	-	127 049	127 049
<b>As at 30 June 2014</b>	<b>4 226 185</b>	<b>2 851 725</b>	<b>0</b>	<b>-562</b>	<b>3 252 648</b>	<b>10 329 996</b>
Dividend relating to 2013/2014	-	-	-	-	-118 807	-118 807
The denomination of the shares from LVL to EUR	-67 933	-	8 530	-	-	-59 403
Currency translation difference	-	-	-	-36 670	-	-36 670
Profit for the period	-	-	-	-	1 208 522	1 208 522
<b>As at 30 June 2015</b>	<b>4 158 252</b>	<b>2 851 725</b>	<b>8 530</b>	<b>-37 232</b>	<b>4 342 363</b>	<b>11 323 638</b>

## Notes for interim report

### Note 1 Customer receivables

	30.06.2015 EUR	30.06.2014 EUR
<b>Long-term receivables</b>	18 303	53 526
Accounts receivable	1 451 492	2 259 410
Due from joint venture	-	44 393
Provisions for bad and doubtful accounts receivable	(24 489)	(369 288)
<b>Total short term accounts receivable</b>	<b>1 427 003</b>	<b>1 934 515</b>
<b>Total receivables</b>	<b>1 445 306</b>	<b>1 988 041</b>

Total receivables decreased by 28% although sales increased in Q4 comparing with the previous financial year. Provisions for doubtful accounts receivable decreased by 345 thousand EUR. The Group has written down as non-recoverable long overdue debts for several debtors. Calculations of provisions for bad and doubtful accounts and writing off debts decisions were done according to the Group's provision calculation and debt reevaluation policy.

### Note 2 Other current receivables

	30.06.2015 EUR	30.06.2014 EUR
Other current receivables	<b>186 974</b>	<b>226 408</b>

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 Loans

	30.06.2015 EUR	30.06.2014 EUR
Short-term loans	-	<b>180 000</b>

The Parent granted a loan to related party "SIA Namīpašumu pārvalde" based on a loan agreement. The loan was repaid in full on maturity on July 31, 2014.

### Note 4 Inventories

	30.06.2015 EUR	30.06.2014 EUR
Raw materials	1 807 706	1 925 678
Allowance for slow-moving items	(549 876)	(529 403)
Work-in-progress	2 068 257	1 620 329
Finished goods	1 352 758	1 482 149
Prepayments to suppliers	45 028	26 626
	<b>4 723 873</b>	<b>4 978 207</b>

As compared to June 30, 2014, inventories decreased by 6%. A similar decline is in the sales of finished goods and in the position Raw materials, Basic materials and Auxiliary materials. The Group keeps inventory reserves to be able to provide competitive lead times for all products currently being in the Group's portfolio. At the same time, the amount of work-in-progress has increased due to currently existing orders from specific customers and produced components, in order to ensure fast production of devices and delivery to subsidiary.

The Group also keeps components for previously produced and sold product types for repair and maintenance purposes.

**Note 5 Non-current assets**

	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>EUR</b>	<b>EUR</b>
Plant and equipment	3 512 138	3 283 390
Other equipment and fixtures	1 852 169	1 881 478
Accumulated depreciation	(4 752 653)	(4 631 429)
Other long term assets	4 845	178
	<b>616 499</b>	<b>533 617</b>
Purchased licenses, trademarks etc.	182 478	203 722
Other long term intangible assets	3 614	4 449
	<b>186 092</b>	<b>208 171</b>

The Group acquired non-current assets - production and testing equipment and SW, product development SW investing in total 436 thousand EUR in 12 months of FY 2014/2015.

**Note 6 Tax liabilities**

	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>EUR</b>	<b>EUR</b>
Tax liabilities	<b>215 832</b>	<b>116 185</b>

As the Group's financial result was profit the respective Corporate Income tax liability was accrued.

**Note 7 Salary-related accrued expenses**

	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>EUR</b>	<b>EUR</b>
Salary-related accrued expenses	<b>535 516</b>	<b>413 657</b>

Salary related accrued expenses increased by 29% comparing year-on-year. SAF Tehnika has increased salaries for part of employees as of January, 2015

## **Note 8 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 3<sup>rd</sup> 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 12 month of the financial year 2014/15 and financial year 2013/14.

	CFM; CFIP; FreeMile		Other		Total	
	2014/15 EUR	2013/14 EUR	2014/15 EUR	2013/14 EUR	2014/15 EUR	2013/14 EUR
<b>Segment assets</b>	5 557 781	5 834 532	1 599 035	1 634 109	7 156 816	7 468 641
Undivided assets					6 116 716	4 577 026
<b>Total assets</b>					<b>13 273 532</b>	<b>12 045 667</b>
<b>Segment liabilities</b>	1 157 249	1 100 557	209 475	277 201	1 366 724	1 377 758
Undivided liabilities					883 170	337 913
<b>Total liabilities</b>					<b>2 249 894</b>	<b>1 715 671</b>
<b>Net sales</b>	9 443 526	9 469 940	3 375 727	2 555 811	12 819 253	12 025 751
<b>Segment results</b>	1 723 416	2 380 703	2 335 541	1 007 888	4 058 957	3 388 591
Undivided expenses					-3 455 662	-3 414 440
<b>Profit from operations</b>					<b>603 295</b>	<b>-25 849</b>
Other income					406 904	330 149
Other expenses					-56	0
Financial income/expenses, net					406 857	-125 366
Share of profit/(loss) of equity-accounted investees					-30 559	-27 375
<b>Profit before taxes</b>					<b>1 386 441</b>	<b>151 559</b>
Corporate income tax					-177 919	-24 510
<b>Profit after taxes</b>					<b>1 208 522</b>	<b>127 049</b>
<b>Net profit</b>					<b>1 208 522</b>	<b>127 049</b>
<b>Other information</b>						
Additions of property plant and equipment and intangible assets	174 748	113 955	0	0	174 748	113 955
Undivided additions					268 678	147 768
<b>Total additions of property plant and equipment and intangible assets</b>					<b>443 426</b>	<b>261 723</b>
Depreciation and amortization	218 185	142 509	93	1 119	218 278	143 628
Undivided depreciation					165 850	272 253
<b>Total depreciation and amortization</b>					<b>384 128</b>	<b>415 881</b>

b) This note provides information about division of the Group's turnover and assets by geographical regions (customer location) for 12 month of the financial year 2014/15 and financial year 2013/14.

	Net sales		Assets	
	2014/15 EUR	2013/14 EUR	31.03.2015 EUR	31.03.2014 EUR
Americas	6 401 741	5 337 085	674 623	818 659
Europe, CIS	5 048 413	4 617 586	597 016	942 404
Asia, Africa, Middle East	1 369 100	2 071 080	173 666	226 978
	<b>12 819 253</b>	<b>12 025 751</b>	<b>1 445 306</b>	<b>1 988 041</b>
Unallocated assets	-	-	12 128 226	10 057 626
	<b>12 819 253</b>	<b>12 025 751</b>	<b>13 573 532</b>	<b>12 045 667</b>

**Note 9 Bad receivables and other expenses**

	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>EUR</b>	<b>EUR</b>
Bad receivables	<b>345 899</b>	<b>137 302</b>
	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>EUR</b>	<b>EUR</b>
Other expenses	<b>(388 409)</b>	<b>(148 342)</b>

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. The Group has managed to regain some customer's debts who were substantially delayed thus decreasing calculated provisions, but 341 thousand EUR were written off as non-recoverable. The written off overdue debt sum decreases expenses for Bad receivables, but increases other expenses position.

**Note 10 Salaries, bonuses and social expenses**

	<b>30.06.2015</b>	<b>30.06.2014</b>
	<b>EUR</b>	<b>EUR</b>
Salaries and social expenses	3 485 725	3 183 613
Bonuses and social expenses	463 705	197 566
	<b>3 949 430</b>	<b>3 381 179</b>

Salaries and social expenses, in comparison with the 12 months period of the previous financial year increased by 16.6% reflecting increase in fixed salaries for employees as of January, 2015 and accrued expenses for bonuses. Bonuses are paid as specific financial and development targets are reached.