

SAF Tehnika
Consolidated Interim Report
for Q4 and 12 months
of financial year 2015/16
(July 1, 2015 – June 30, 2016)

TABLE OF CONTENTS

KEY DATA	3
Share and Shareholdings.....	4
Information on Management and Supervisory Board members	5
Information on professional and educational background of the management board members	6
Information on professional and educational background of the supervisory council members	7
Statement of Board's Responsibilities	9
Management Report.....	10
Consolidated Statement of Financial Position	14
Consolidated Statement of Profit or Loss for 12 month of the financial year 2015/2016.....	16
Consolidated Statement of Profit or Loss for Q4 of the financial year 2015/2016	17
Consolidated cash flow statement for 12 months of the financial year 2015/2016.....	18
Statement of changes in consolidated equity for the 12 month period ended June 30, 2016.....	18
Notes for interim report	19
Note 1 Customer receivables	19
Note 2 Other current receivables	19
Note 3 Inventories.....	19
Note 4 Non-current assets.....	20
Note 5 Tax liabilities.....	20
Note 6 Salary-related accrued expenses	20
Note 7 Segment information.....	20
Note 8 Bad receivables	23
Note 9 Salaries, bonuses and social expenses.....	23

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.

Legal address:	Ganību dambis 24a Rīga, LV-1005 Latvija
Commercial Registry Nr.:	40003474109
VAT Registry Nr.:	LV40003474109
Beginning of financial year:	01.07.2015
End of financial year:	30.06.2016
Phone:	+371 67046840
E-mail:	info@saftehnika.com

Share and Shareholdings

SAF Tehnika shareholders (over 5%) as of 19.11.2015

Shareholder	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	8.69%

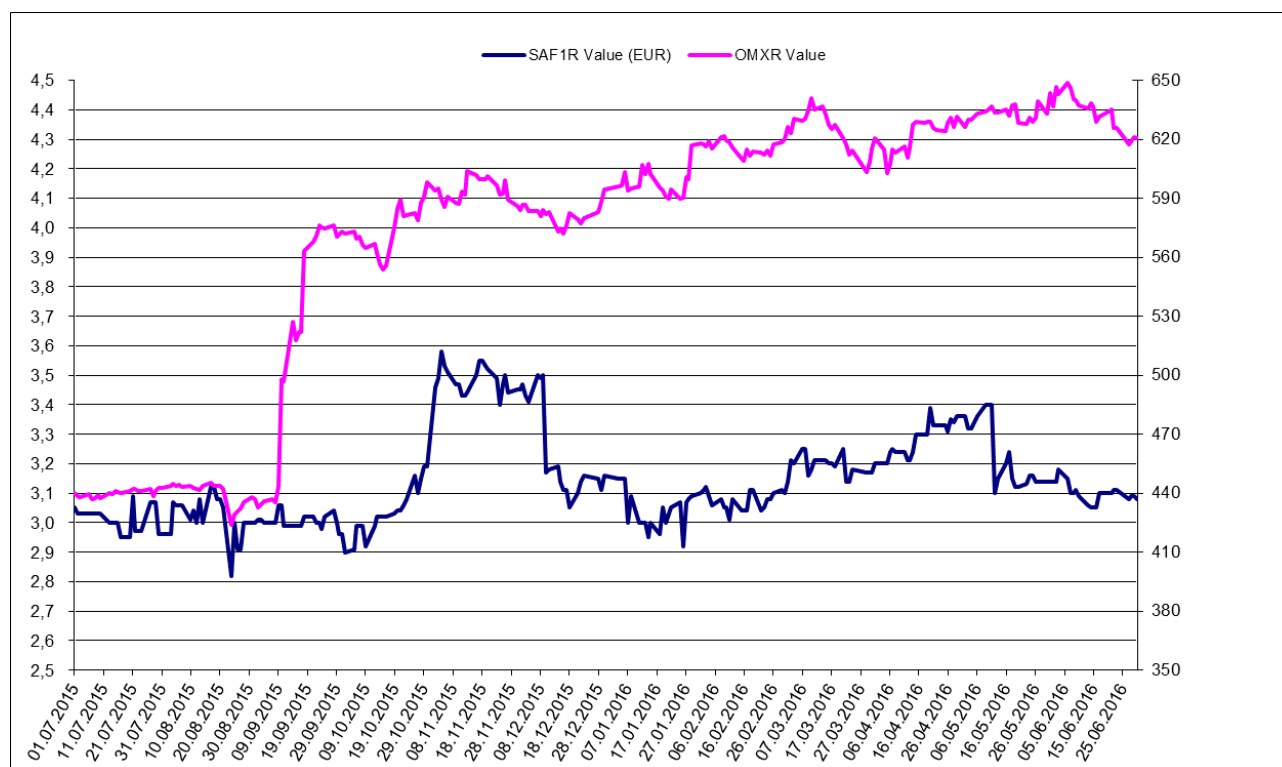
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2015 – June 30, 2016

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 (%)
Vents Lacars	Chairman	owns 6.08% of shares
Juris Zieme	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, 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, born in 1962, 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 born in 1982 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 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 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

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 Mr. Lācars worked as a programmer at state electric utility company Latvenergo. Mr. Lācars 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 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, born in 1957, is Member of the Supervisory Council and Production Department Manager. Mr. Grišāns 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 Mr. Grišāns 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. Grišāns 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 Dzirnāvu 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.

Aivis Olšteins, born in 1968, is Member of the Supervisory Council. He has 20 years of experience in telecommunications. Since April 2015, Mr. Olšteins is the head and co-owner of “Cliff IT Solutions” (Spain). From 2000 till 2015 he was Head of “DataTechLabs”. From 1992 till 1999 he worked in Baltcom TV – at first, as a System Engineer in the cable TV operations unit, and then – from 1994 till June 1996 – as a CTO, and from July 1996 till the end of 1999 as Baltcom CEO Technical Advisor. A. Olšteins 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 2016 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, 2015.

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 2015/2016, the Group's unaudited consolidated net turnover was EUR 3.67 million, which is by 14%, or EUR 0.44 million, more than in Q4 of the FY 2014/2015, and by 22% more than in Q3 this year.

The major part of the turnover (57% or EUR 2.1 million) was made by sales in North/Latin Americas and was related to the development of data transmission solutions and products tailored to specific customer needs. This region's result is by 36% greater than in Q4 last year and exceeds the result in Q3 by 56%.

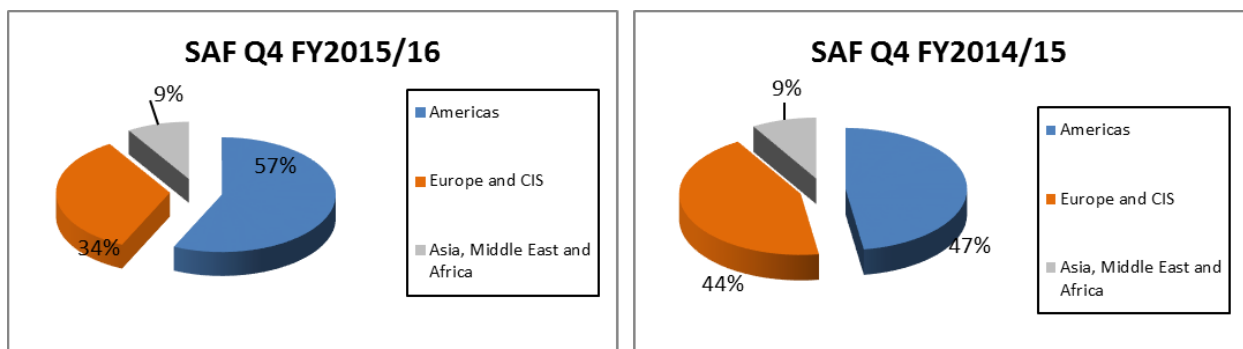
The European and CIS region gave 34% of the turnover in Q4. The region's turnover decreased by 11% as compared to the same quarter of the previous FY, but was by 2% higher than in Q3. The above fluctuations are due to implementation of individual projects.

In the AMEA (Asia, Middle East, Africa) region, revenues of Q4 have remained at the average level of the previous year, amounting to 9% from the total turnover. That is by 9% more than in Q4 last year, however, there is a 23% drop as compared to Q3 results.

In the closing quarter of the FY 2015/2016, SAF Tehnika participated in a number of international exhibitions, including NABShow – the world's largest event in the "broadcasting" sector that took place in Las Vegas, USA. The company participated for the first time in the International Microwave Symposium (IMS) that took place in Phoenix, USA, and involved professionals in microwave radio transmission. Furthermore, SAF Tehnika took part in the UTC event (the "utilities" sector) in Denver, USA. Moreover, at the end of May, SAF Tehnika in cooperation with a German partner FMS took part in the Angacom trade show for telecom industry professionals, which was held in Cologne, Germany. Microwave Journal features a publication on the newest, world's only pocket-sized e-band microwave spectrum analyzer – Spectrum Compact. The device is designed for adjusting the microwave data transmission equipment, detecting problems, and monitoring the frequency range from 70GHz to 87GHz.

One of the most important events was the announcement of the next generation of Integra products. Integra is the next generation platform for transmitting microwave data, the latest version of which includes a number of vital improvements, one of which being a 100% increase in the number of modulations from 1024 to 2048 QAM.

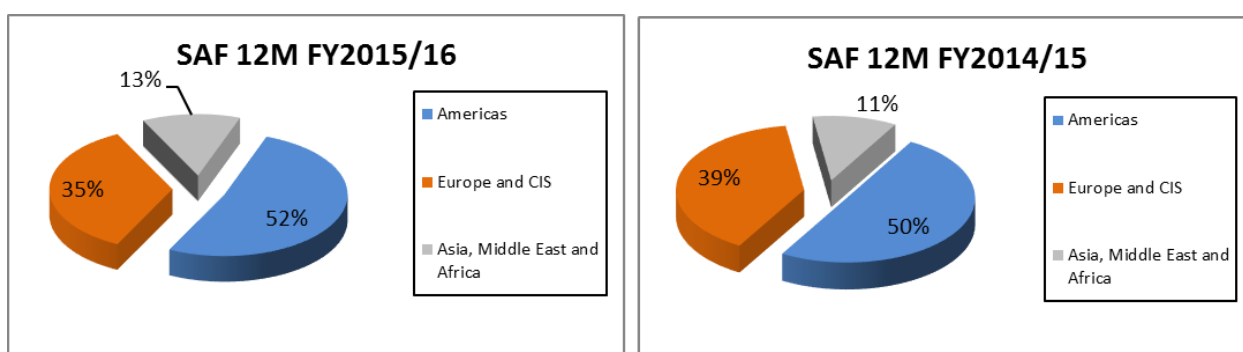
Comparative charts of Q4 revenue breakdown by regions:



The Group’s products were sold in 49 countries during the reporting quarter.

The Group’s unaudited consolidated turnover for the financial year 2015/2016 was EUR 13.7 million, which is a 7% increase compared to revenues of the previous financial year. Revenues from the European and CIS region decreased by 4% or EUR 217 thousand. At the same time, revenues from the AMEA (Asia, Middle East, Africa) region show considerable increase (29% increase as compared to 12 months of the FY 2014/2015) amounting up to EUR 1.77 million, thus making 13% from the Group’s total turnover. Despite the drop in Q3, North/South Americas continued to grow (during a period of 12 months) and generated 52% from the total turnover of the Group, which is EUR 7.1 million, and demonstrate a 10% increase as compared to the previous financial year.

Comparative charts of sales volumes (within 12 months) breakdown by regions:



The Group’s costs did not exceeded the planned levels but in total were bigger than during the same period a year ago due to investments into current and new markets for sales promotion, changes in compensation and savings premiums on the results of the work. In addition to the successful outcome of Q4, there was also a positive effect from the profitable EUR/USD exchange rate.

The Group finished the closing quarter of the FY 2015/2016 with profits of EUR 573 thousand (unaudited), which is by 226 thousand more than in Q4 of the previous financial year.

The unaudited consolidated result for the FY 2015/2016 is the profit of EUR 925 thousand, which is by 353 thousand less comparing to the Group's result of the previous financial year (the profit of EUR 1.28 million).

The Group had a positive net cash flow during 12 months of the FY, equaling to EUR 1.59 million. As of the end of the reporting period, the Group's net cash balance was EUR 5.9 million.

This financial year, SAF Tehnika received EU funds co-financing of EUR 0.46 million for product development and marketing support, as well as invested EUR 435 thousand in fixed assets.

Market overview

Speaking from the perspective of SAF Tehnika, the microwave radio market has not experienced any rapid changes recently.

There is still an increase in demand for radio systems that provide enhanced data transmission rate and can be enhanced and updated in order to improve data usage. Such requirements increasingly set the trend for introducing new products, including both SAF Tehnika and the market in general.

The Group continues to explore market requirements and problematic issues in order to be able to provide necessary product modifications.

Guidance

SAF Tehnika is the company with the long-term competence in development and production of microwave radios. SAF Tehnika will proceed with its work on new high-quality products for the microwave data transmission market, providing not only standardized solutions, but also product modifications in order to meet customers' special needs, as well as searching innovative ideas for applying microwave data transmission. The Group is financially stable. The goal of the Company is to stabilize sales levels to ensure a positive net result in the long term. The Board of SAF Tehnika maintains cautious optimism but cannot provide certain prognosis for sales figures and operational results.

On 30 June 2016, the Group numbered 185 employees (there were 172 employees on 30 June 2015).

KEY indicators

	Q4 2015/16	Q4 2014/15	Q4 2013/14
	EUR	EUR	EUR
Net Sales	3 699 208	3 255 179	3 460 339
Earnings before interest, taxes and depreciation (EBITDA)	501 438	495 269	819 577
<i>share of the turnover %</i>	14%	15%	24%
Profit/loss before interest and taxes (EBIT)	410 789	389 959	720 155
<i>share of the turnover %</i>	11%	12%	21%
Net Profit	572 501	346 617	707 527
<i>share of the turnover %</i>	15%	11%	20%
Total assets	13 419 342	13 646 827	12 045 667
Total Owners equity	11 358 407	11 440 139	10 329 996
Return on equity (ROE) %	4%	3%	6%
Return on assets (ROA) %	5%	3%	7%
Liquidity ratio			
Quick ratio %	287%	196%	238%
Current ratio %	383%	276%	374%
Earnings per share	0,19	0,12	0,24
Last share price at the end of period	3,08	2,90	1,62
P/E	9,94	6,74	40,50
Number of employees at the end of reporting period	185	173	170

Consolidated Statement of Financial Position

	Note	30.06.2016	30.06.2015
CURRENT ASSETS		EUR	EUR
Cash and bank		5 910 860	4 320 293
Short-term investments		0	1 893 735
Customer receivables	1		
Accounts receivable		1 918 454	1 451 492
Due from joint venture		920	0
Allowance for uncollectible receivables		-45 351	-24 489
Total		1 874 023	1 427 003
Other receivables			
Other current receivables	2	106 794	186 974
Total		106 794	186 974
Prepaid expenses			
Prepaid taxes		138 339	29 950
Other prepaid expenses		130 626	167 499
Total		268 965	197 449
Inventories	3		
Raw materials		995 905	1 257 830
Work-in-progress		2 040 898	2 068 257
Finished goods		1 255 696	1 348 438
Prepayments to suppliers		31 155	45 028
Total		4 323 654	4 719 553
TOTAL CURRENT ASSETS		12 484 296	12 745 007
NON-CURRENT ASSETS			
Long-term financial assets			
Investments in other companies		2 148	2 148
Long-term receivables	1	3 878	18 303
Deffered income tax		75 769	78 266
Total		81 795	98 717
NON-CURRENT physical assets	4		
Plant and equipment		3 753 966	3 512 138
Other equipment and fixtures		1 907 971	1 852 169
Accumulated depreciation		-4 941 490	-4 752 653
Other long-term assets		1 788	5 349
Total		722 235	617 003
Intangible assets	4		
Purchased licenses, trademarks etc.		131 016	182 478
Other long-term intangible assets		0	3 614
Total		131 016	186 092
TOTAL NON-CURRENT ASSETS		935 046	901 812
TOTAL ASSETS		13 419 342	13 646 819

LIABILITIES AND OWNERS' EQUITY	Note	30.06.2016	30.06.2015
CURRENT LIABILITIES		EUR	EUR
Debt obligations			
Short-term loans from financial institutons		12 095	8 375
Customer prepayments for goods and services		180 063	403 056
Accounts payable		616 500	753 481
Tax liabilities	5	132 312	235 421
Salary-related accrued expenses	6	888 543	535 516
Other accrued expenses		0	
Provisions for guarantees		15 759	18 211
Deffered income		215 663	252 620
TOTAL CURRENT LIABILITIES		2 060 935	2 206 680
OWNERS' EQUITY			
Share capital		4 158 252	4 158 252
Paid in capital over par		2 851 725	2 851 725
Other reserves		8 530	8 530
Retained earnings		3 402 535	3 133 841
Net profit for the financial year		925 955	1 278 555
Currency translation reserve		11 410	9 236
TOTAL OWNERS' EQUITY		11 358 407	11 440 139
TOTAL LIABILITIES AND OWNERS' EQUITY		13 419 342	13 646 819

Consolidated Statement of Profit or Loss for 12 month of the financial year 2015/2016

	Note	30.06.2016	30.06.2015
		EUR	EUR
Net sales	7	13 706 812	12 852 646
Other operating income		381 419	485 784
Total income		14 088 231	13 338 430
Direct cost of goods sold or services rendered		-6 330 853	-6 238 280
Marketing, advertising and public relations expenses		-544 882	-502 066
Bad receivables	8	-20 768	345 774
Operating expenses		-1 235 121	-1 092 970
Salaries and social expenses	9	-3 893 641	-3 488 423
Bonuses and social expenses	9	-665 132	-464 048
Depreciation expense		-401 734	-384 260
Other expenses		18 471	-388 409
Operating expenses		-13 073 660	-12 212 682
EBIT		1 014 571	1 125 748
Financial income (except ForEx rate difference)		6 807	1 275
Financial costs (except ForEx rate difference)		-170	-56
Foreign exchange +gain/(loss)		-24 513	381 970
Financial items		-17 876	383 189
Share of profit/(loss) of equity-accounted investees		-1 649	-31 184
EBT		995 046	1 477 753
Corporate income tax		-69 091	-199 198
Profit after taxes		925 955	1 278 555
Net profit/(loss)		925 955	1 278 555

*Earnings per share

EPS 30.06.2016. = 0.31 EUR

EPS 30.06.2015. = 0.43 EUR

Consolidated Statement of Profit or Loss for Q4 of the financial year 2015/2016

	30.06.2016	30.06.2015
	EUR	EUR
Net sales	3 699 208	3 255 179
Other operating income	130 821	287 151
Total income	3 830 029	3 542 330
Direct cost of goods sold or services rendered	-1 484 867	-1 436 839
Marketing, advertising and public relations expenses	-172 067	-143 678
Bad receivables	1 877	33 282
Operating expenses	-325 537	-293 033
Salaries and social expenses	-1 017 494	-944 848
Bonuses and social expenses	-322 042	-227 288
Depreciation expense	-90 649	-104 731
Other expenses	-8 461	-4 053
Operating expenses	-3 419 240	-3 121 188
EBIT	410 789	421 142
Financial income (except ForEx rate difference)	638	-1 527
Financial costs (except ForEx rate difference)	0	-24
Foreign exchange +gain/(loss)	125 600	-45 256
Financial items	126 238	-46 807
Share of profit/(loss) of equity-accounted investees	-1 649	-30 213
EBT	535 378	344 122
Corporate income tax	37 123	2 495
Net profit/(loss)	572 501	346 617

*Earnings per share

EPS 30.06.2016. = 0.19 EUR

EPS 30.06.2015. = 0.12 EUR

Consolidated cash flow statement for 12 months of the financial year 2015/2016

	30.06.2016	30.06.2015
	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	659 503	2 086 525
Cash received from customers	13 782 162	15 034 167
Cash paid to suppliers and employees	-13 094 871	-13 115 375
Paid/Received VAT, corporate income tax	-27 788	167 733
NET CASH USED IN INVESTING ACTIVITIES (of which)	1 464 146	-2 345 272
Cash paid for purchasing shares in subsidiary	0	-960
Investment in equity-accounted investees	-1 099	-15 132
Cash paid/received for short-term investments	1 893 735	-1 893 735
Cash paid for purchasing non-current physical assets	-435 474	-436 179
Interest received	6 984	734
NET CASH USED IN FINANCING ACTIVITIES (of which)	-542 078	469 336
Repayment of short-term loans	3 720	181 594
Paid interest	0	-94
Cash received from EU funds	464 063	406 643
Dividends paid	-1 009 861	-118 807
Effects of exchange rate changes	8 996	27 148
TOTAL CASH FLOW:	1 590 567	237 738
Cash and cash equivalents as at the beginning of period	4 320 293	4 082 555
Cash and cash equivalents as at the end of period	5 910 860	4 320 293
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	1 590 567	237 738

Statement of changes in consolidated equity for the 12 month period ended June 30, 2016

Statement of changes in consolidated equity for the 12 months period ended June 30 2016

	Share capital	Share premium	Other reserves	Currency translation	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
As at 30 June 2014	4 226 185	2 851 725	0	-562	3 252 648	10 329 996
The denomination of the shares from LVL to EUR	-67 933	0	8 530	0	0	-59 403
Dividend relating to 2013/2014	-	-	-	-	-118 807	-118 807
Currency translation difference	-	-	-	9 798	-	9 798
Profit for the year	-	-	-	-	1 278 555	1 278 555
As at 30 June 2015	4 158 252	2 851 725	8 530	9 236	4 412 396	11 440 139
Dividend relating to 2014/2015	-	-	-	-	-1 009 861	-1 009 861
Currency translation difference	-	-	-	2 174	-	2 174
Profit for the period	-	-	-	-	925 955	925 955
As at 31 March 2016	4 158 252	2 851 725	8 530	11 410	4 328 490	11 358 407

Notes for interim report

Note 1 Customer receivables

	30.06.2016	30.06.2015
	EUR	EUR
Long-term receivables	3 878	18 303
Accounts receivable	1 918 454	1 451 492
Due from joint venture	920	-
Provisions for bad and doubtful accounts receivable	(45 351)	(24 489)
Total short term accounts receivable	1 874 023	1 427 003
Total receivables	1 877 901	1 445 306

While the turnover has grown, the total receivables also increased by 29% as compared to the same balance sheet date of the previous financial year

Note 2 Other current receivables

	30.06.2016	30.06.2015
	EUR	EUR
Other current receivables	106 794	186 974

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

	30.06.2016	30.06.2015
	EUR	EUR
Raw materials	1 525 890	1 807 706
Allowance for slow-moving items	(529 985)	(549 876)
Work-in-progress	2 040 898	2 068 257
Finished goods	1 255 696	1 348 438
Prepayments to suppliers	31 155	45 028
	4 323 654	4 719 553

As compared to 30 June 2015, total inventories decreased by 8%.

The Group mainly reduced, but kept the optimum amount of raw materials and auxiliary supplies that the Group maintains at a certain 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 assets

	30.06.2016	30.06.2015
	EUR	EUR
Plant and equipment	3 753 966	3 512 138
Other equipment and fixtures	1 907 971	1 852 169
Accumulated depreciation	(4 941 490)	(4 752 653)
Other long term assets	1 788	5 349
	722 235	617 003
Purchased licenses, trademarks etc.	131 016	186 092
	853 251	803 095

During FY 2015/2016, the Group acquired fixed assets and intangible assets in the amount of 435 thousand euros – mainly, in order to ensure production and testing processes, as well as to acquire office equipment.

Note 5 Tax liabilities

	30.06.2016	30.06.2015
	EUR	EUR
Tax liabilities	132 312	235 421

As the Group's financial result was profit (less than last year), potential Corporate Income Tax liabilities were accrued.

Note 6 Salary-related accrued expenses

	30.06.2016	30.06.2015
	EUR	EUR
Salary-related accrued expenses	888 543	535 516

The total amount of salary-related settlement increased by 65% as compared to 30.06.2015, due to increase in the number of employees, changes in compensation, as well as because June salaries were paid at the beginning of July.

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 12 month of the financial year 2015/16 and financial year 2014/15.

	CFM; CFIP; FreeMile		Other		Total	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	EUR	EUR	EUR	EUR	EUR	EUR
Segment assets	6 333 001	5 528 604	1 110 059	1 588 313	7 443 060	7 116 917
Undivided assets					5 976 282	6 529 902
Total assets					13 419 342	13 646 819
Segment liabilities	1 022 392	1 131 510	86 538	203 923	1 108 930	1 335 433
Undivided liabilities					952 005	871 247
Total liabilities					2 060 935	2 206 680
Net sales	11 842 914	9 477 495	1 863 898	3 375 151	13 706 812	12 852 646
Segment results	3 253 162	1 881 797	1 359 680	2 207 065	4 612 842	4 088 862
Undivided expenses					-3 979 690	-3 446 599
Profit from operations					633 152	642 263
Other income					381 419	483 486
Other expenses					-170	0
Financial income/expenses, net					-17 706	383 188
Share of profit/(loss) of equity- accounted investees					-1 649	-31 184
Profit before taxes					995 046	753
Corporate income tax					-69 091	-199 198
Profit after taxes					925 955	555
Net profit					925 955	555
Other information						
Additions of property plant and equipment and intangible assets	288 935	174 748	12 470	0	301 405	174 748
Undivided additions					162 888	269 831
Total additions of property plant and equipment and intangible assets					464 293	444 579
Depreciation and amortization	201 605	218 185	260	93	201 865	218 278
Undivided depreciation					199 869	165 982
Total depreciation and amortization					401 734	384 260

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 2015/16 and financial year 2014/15.

	Net sales		Assets	
	2015/16 EUR	2014/15 EUR	30.06.2016 EUR	30.06.2015 EUR
Americas	7 103 065	6 435 133	1 105 394	674 632
Europe, CIS	4 831 516	5 048 413	630 892	597 017
Asia, Africa, Middle East	1 772 230	1 369 100	141 614	173 665
	13 706 812	12 852 646	1 877 900	1 445 314
Unallocated assets	-	-	11 541 442	12 201 505
	13 706 812	12 852 646	13 419 342	13 646 819

Note 8 Bad receivables

	30.06.2016 EUR	30.06.2015 EUR
Bad receivables	(20 768)	345 774

The total amount of bad receivables as of the end of the period has decreased. The major change is related to writing off bad receivables in the amount of 341 thousand EUR as irretrievable losses in the previous financial year.

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

	30.06.2016 EUR	30.06.2015 EUR
Salaries and social expenses	3 893 641	3 488 423
Bonuses and social expenses	665 132	464 048
	4 558 773	3 952 471

Salaries and social expenses, in comparison with previous financial year increased by 15% 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.