

**SAF Tehnika**  
**Consolidated Interim Report**  
**for Q1 of financial year 2015/16**  
(July 1, 2015 – September 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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<b>Commercial Registry Nr.:</b>	<b>40003474109</b>
<b>VAT Registry Nr.:</b>	<b>LV40003474109</b>
<b>Beginning of financial year:</b>	<b>01.07.2015</b>
<b>End of financial year:</b>	<b>30.06.2016</b>
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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%
SWEDBANK AS clients account	5,31%

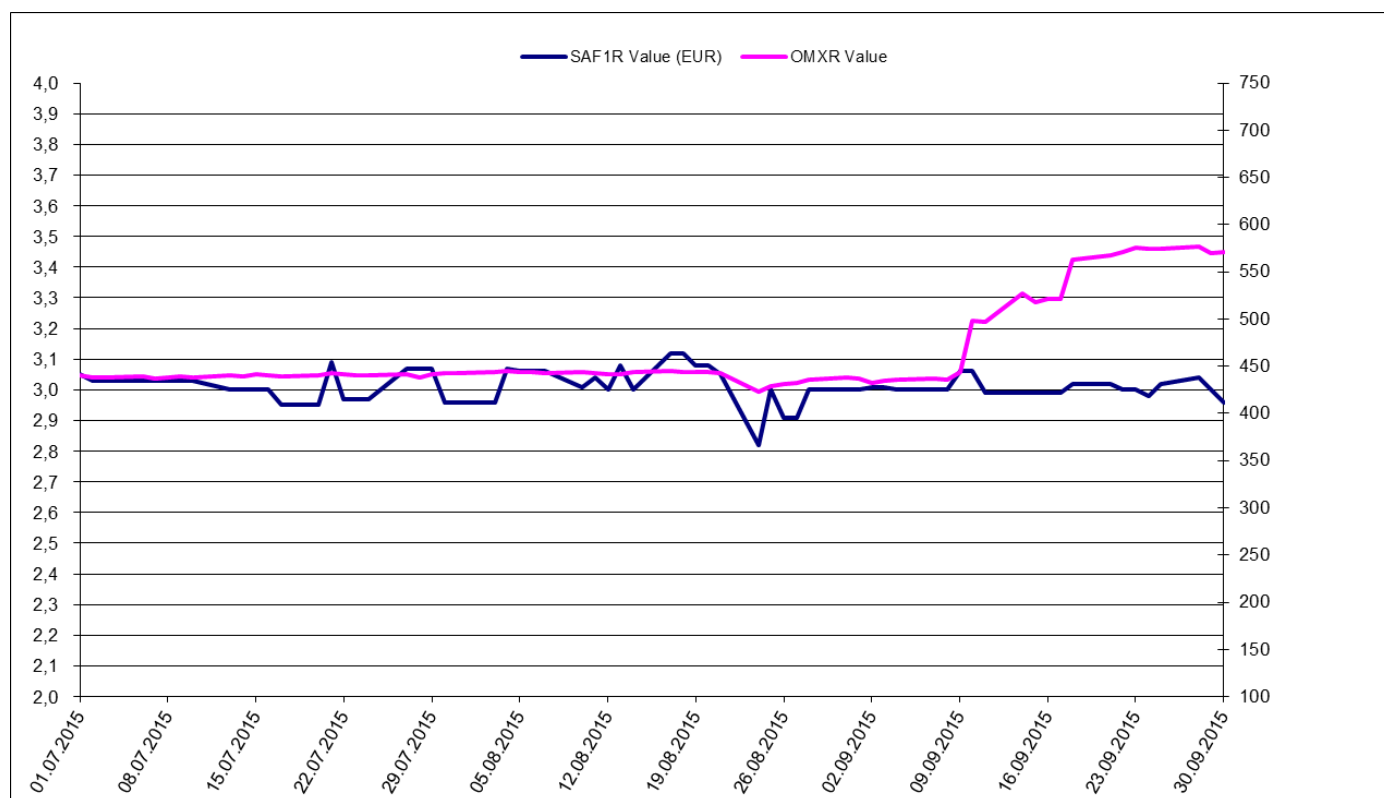
### SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2015 – September 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	owns no shares
Janis Bergs	Member	owns no shares

### SAF Tehnika Supervisory Board:

<b>Name</b>	<b>Position</b>	<b>Ownership interest (%)</b>
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 102 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 Dzirnava 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 Olšteins,**

born in 1968, is Member of the Supervisory Council. He has 20 years of experience in telecommunications. Since April 2015, Aivis 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 September 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, 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.



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Zane Jozepa

CFO, Member of the Management Board

## Management Report

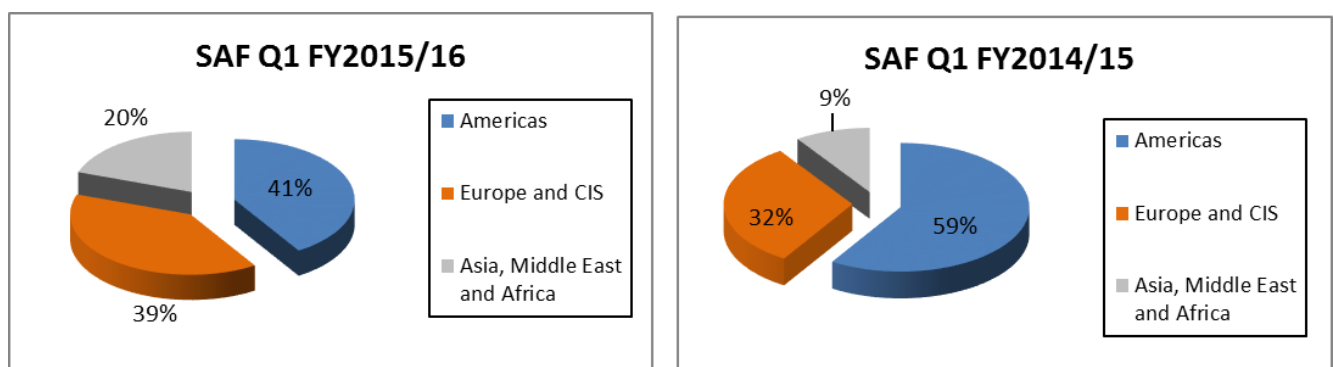
For Q1 of the FY 2015/2016, the Group's unaudited consolidated net turnover was 3.54 million euros, which is by 11% or 0.34 million euros more than in Q1 of the FY 2014/2015 and by 9% more than in previous quarter - Q4 of the FY 2014/2015.

Sales both in the European and CIS countries, and North/Latin Americas were alike, and reached 1.39 and 1.45 million euros, accordingly, in the reporting quarter, thus amounting to 80% from the total turnover.

This year revenues of Q1, as compared to Q1 of the previous FY, rose by 37% in the European and CIS region, and more than twice in the AMEA (Asia, Middle East, Africa) region. The successful performance is based on the development of various unique customer-tailored solutions and products in the area of data transmission for long-term cooperation partners. Although revenues from North/Latin Americas were by 23% and 0.43 million euros less than the turnover in the same quarter last year, on the whole the revenue amount was equal to that of the rest 3 quarters of the previous FY.

During Q1, SAF Tehnika participated in 5 exhibitions – “Andicom 2015” in Cartagena, Columbia, “CTIA 2015 Super Mobility Week” in Las Vegas, USA, “IBC 2015” in Amsterdam, the Netherlands, “European Microwave Week” in Paris, France, and “EUTC Annual Conference” in Dublin, Ireland. At all exhibitions we demonstrated the latest SAF product offers. Special attention was devoted to email marketing activities that contained information on new products, various campaigns, and other marketing activities. The annual customer satisfaction survey was carried out.

Chart 1: Comparative charts of Q1 revenue breakdown by regions:



The Group's products were sold in 47 countries during the reporting quarter.

The Group closed Q1 of the FY 2015/2016 with the profit of 292 thousand euros (unaudited), which is by 7 thousand euros more comparing to profit generated in Q1 of the previous financial

year. It should be noted that the profit of Q1 of the previous financial year was largely made by income from currency fluctuations.

The Group had a positive net cash flow during 3 months of the present FY, equaling to 385 thousand euros. As of the end of the period, the Group's net cash balance was 4.7 million euros.

### **Market overview**

Speaking from the perspective of SAF Tehnika, the microwave radio market has not experienced any rapid changes recently, and is not expected to any time soon. 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, including both SAF Tehnika and the market in general.

### **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. Although the result of the reporting period is positive, the Board of SAF Tehnika cannot provide certain prognosis for sales figures and operational results.

On September 30, 2015, the Group numbered 172 employees (there were 162 employees on September 30, 2014).

## KEY indicators

	Q1 2015/16	Q1 2014/15	Q1 2013/14
	EUR	EUR	EUR
Net Sales	3 536 780	3 199 011	3 413 901
Earnings before interest, taxes and depreciation (EBITDA)	475 535	276 764	335 687
<i>share of the turnover %</i>	13%	9%	9,8%
Profit/loss before interest and taxes (EBIT)	372 101	187 229	233 924
<i>share of the turnover %</i>	11%	6%	7%
Net Profit	292 377	285 124	129 956
<i>share of the turnover %</i>	8%	9%	4%
Total assets	13 519 392	12 561 690	11 939 929
Total Owners equity	11 732 447	10 614 176	10 334 311
Return on equity (ROE) %	2,15%	2,32%	1,09%
Return on assets (ROA) %	2,52%	2,72%	1,26%
Liquidity ratio			
<i>Quick ratio %</i>	263%	284%	159%
<i>Current ratio %</i>	343%	356%	353%
Earnings per share	0,10	0,10	0,04
Last share price at the end of period	2,96	1,75	2,01
P/E	6,88	17,50	28,66
Number of employees at the end of reporting period	172	162	163

## Consolidated Statement of Financial Position

As of September 30, 2015

	Note	30.09.2015	30.09.2014
<b>CURRENT ASSETS</b>		<b>EUR</b>	<b>EUR</b>
<b>Cash and bank</b>		<b>4 705 895</b>	<b>5 526 629</b>
<b>Short-term investments</b>	<b>1</b>	<b>1 892 618</b>	<b>0</b>
<b>Customer receivables</b>	<b>2</b>		
Accounts receivable		1 232 465	1 647 029
Due from joint venture		0	48 186
Allowance for uncollectible receivables		-10 825	-380 296
<b>Total</b>		<b>1 221 640</b>	<b>1 314 919</b>
<b>Other receivables</b>			
Other current receivables	<b>3</b>	196 024	89 317
<b>Total</b>		<b>196 024</b>	<b>89 317</b>
<b>Prepaid expenses</b>			
Prepaid taxes		59 440	126 022
Other prepaid expenses		98 851	134 485
<b>Total</b>		<b>158 291</b>	<b>260 507</b>
<b>Inventories</b>	<b>4</b>		
Raw materials		1 164 615	1 023 304
Work-in-progress		2 091 209	1 944 742
Finished goods		1 171 598	1 487 544
Prepayments to suppliers		86 168	51 498
<b>Total</b>		<b>4 513 590</b>	<b>4 507 088</b>
<b>TOTAL CURRENT ASSETS</b>		<b>12 688 058</b>	<b>11 698 460</b>
<b>NON-CURRENT ASSETS</b>			
<b>Long-term financial assets</b>			
Equity-accounted investments		0	11 231
Investments in other companies		2 148	1 188
Long-term receivables	<b>2</b>	9 728	34 261
Deffered income tax		78 266	98 684
<b>Total</b>		<b>90 142</b>	<b>145 364</b>
<b>NON-CURRENT physical assets</b>	<b>5</b>		
Plant and equipment		3 503 783	3 257 054
Other equipment and fixtures		1 847 329	1 882 894
Accumulated depreciation		-4 786 605	-4 614 444
Other long-term assets		2 927	2 630
<b>Total</b>		<b>567 434</b>	<b>528 134</b>
<b>Intangible assets</b>	<b>5</b>		
Purchased licenses, trademarks etc.		172 190	189 234
Other long-term intangible assets		1 568	498
<b>Total</b>		<b>173 758</b>	<b>189 732</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>831 334</b>	<b>863 230</b>
<b>TOTAL ASSETS</b>		<b>13 519 392</b>	<b>12 561 690</b>

<b>LIABILITIES AND OWNERS' EQUITY</b>	<b>Note</b>	<b>30.09.2015</b>	<b>30.09.2014</b>
<b>CURRENT LIABILITIES</b>		<b>EUR</b>	<b>EUR</b>
<b>Debt obligations</b>			
Short-term loans from financial institutions		9 057	8 686
Customer prepayments for goods and services		86 490	272 004
Accounts payable		690 689	1 069 915
Tax liabilities	<b>6</b>	377 075	167 450
Salary-related accrued expenses	<b>7</b>	411 201	337 350
Other accrued expenses		18 461	0
Provisions for guarantees		18 211	14 643
Deffered income		175 761	77 467
<b>TOTAL CURRENT LIABILITIES</b>		<b>1 786 945</b>	<b>1 947 515</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		4 412 396	3 252 648
Net profit for the financial year		292 377	285 124
Currency translation reserve		9 167	-1 507
<b>TOTAL OWNERS' EQUITY</b>		<b>11 732 447</b>	<b>10 614 175</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>13 519 392</b>	<b>12 561 690</b>

### Consolidated Statement of Profit or Loss for 3 month of the financial year 2015/2016

	<b>Note</b>	<b>30.09.2015</b>	<b>30.09.2014</b>
		<b>EUR</b>	<b>EUR</b>
Net sales	<b>8</b>	3 536 780	3 199 011
Other operating income		10 570	5 455
<b>Total income</b>		<b>3 547 350</b>	<b>3 204 466</b>
Direct cost of goods sold or services rendered		-1 749 023	-1 723 684
Marketing, advertising and public relations expenses		-117 398	-118 661
Bad receivables	<b>9</b>	13 743	-11 009
Operating expenses		-278 701	-240 313
Salaries and social expenses	<b>10</b>	-887 350	-777 252
Bonuses and social expenses	<b>10</b>	-41 249	-37 674
Depreciation expense		-103 434	-89 535
Other expenses		-11 837	-19 109
<b>Operating expenses</b>		<b>-3 175 249</b>	<b>-3 017 237</b>
<b>EBIT</b>		<b>372 101</b>	<b>187 229</b>
Financial income (except ForEx rate difference)		0	556
Financial costs (except ForEx rate difference)		-169	0
Foreign exchange +gain/(loss)		-14 303	155 598
<b>Financial items</b>		<b>-14 472</b>	<b>156 154</b>
Share of profit/(loss) of equity-accounted investees		0	-573
<b>EBT</b>		<b>357 629</b>	<b>342 810</b>
Corporate income tax		-65 252	-57 686
<b>Profit after taxes</b>		<b>292 377</b>	<b>285 124</b>
<b>Net profit/(loss)</b>		<b>292 377</b>	<b>285 124</b>

\*Earnings per share

EPS 30.09.2015. = 0.10 EUR

EPS 30.09.2014. = 0.10 EUR

## Consolidated cash flow statement for 3 months of the financial year 2015/2016

	30.09.2015	30.09.2014
	EUR	EUR
<b>CASH GENERATED FROM OPERATIONS (of which)</b>	<b>343 511</b>	<b>1 173 461</b>
Cash received from customers	3 396 765	4 262 234
Cash paid to suppliers and employees	-3 090 705	-3 078 884
Paid/Received VAT, corporate income tax	37 451	-9 889
<b>NET CASH USED IN INVESTING ACTIVITIES (of which)</b>	<b>-38 819</b>	<b>-67 542</b>
Cash paid/received for short-term investments	1 117	0
Cash paid for purchasing non-current physical assets	-39 936	-67 554
Interest received	0	12
<b>NET CASH USED IN FINANCING ACTIVITIES (of which)</b>	<b>71 616</b>	<b>330 105</b>
Repayment of short-term loans	682	178 095
Cash received from EU funds	70 934	152 010
<b>Effects of exchange rate changes</b>	<b>9 293</b>	<b>8 049</b>
<b>TOTAL CASH FLOW:</b>	<b>385 602</b>	<b>1 444 074</b>
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	4 705 895	5 526 629
<b>NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>385 602</b>	<b>1 444 074</b>

### Statement of changes in consolidated equity for the 3 months period ended September 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>-562</b>	<b>3 252 648</b>	<b>10 329 996</b>
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
<b>As at 30 June 2014</b>	<b>4 158 252</b>	<b>2 851 725</b>	<b>8 530</b>	<b>9 236</b>	<b>4 412 396</b>	<b>11 440 139</b>
Currency translation difference	-	-	-	-69	-	-69
Profit for the period	-	-	-	-	292 377	292 377
<b>As at 30 September 2015</b>	<b>4 158 252</b>	<b>2 851 725</b>	<b>8 530</b>	<b>9 167</b>	<b>4 704 773</b>	<b>11 732 447</b>

## Notes for interim report

### Note 1 Short-term investments

	30.09.2015 EUR	30.09.2014 EUR
Short-term investments	<u>1 892 618</u>	<u>-</u>

Short-term investments consist of deposits with a maturity period of more than 90 days in DNB Banka AS. The average annual interest rate for short-term placements in euros is 0.2% and in other currencies – 0.7%.

### Note 2 Customer receivables

	30.09.2015 EUR	30.09.2014 EUR
<b>Long-term receivables</b>	9 728	34 261
Accounts receivable	1 232 465	1 647 029
Due from joint venture	-	48 186
Provisions for bad and doubtful accounts receivable	(10 825)	(380 296)
<b>Total short term accounts receivable</b>	<u>1 221 640</u>	<u>1 314 919</u>
<b>Total receivables</b>	<u>1 231 368</u>	<u>1 349 180</u>

Total receivables decreased by 9 % although sales increased in Q1 comparing with the previous financial year. Provisions for doubtful accounts receivable decreased by 369 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 3 Other current receivables

	30.09.2015 EUR	30.09.2014 EUR
Other current receivables	<u>196 024</u>	<u>89 317</u>

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 4 Inventories

	30.09.2015 EUR	30.09.2014 EUR
Raw materials	1 793 615	1 582 672
Allowance for slow-moving items	(628 841)	(559 368)
Work-in-progress	2 091 209	1 944 742
Finished goods	1 171 598	1 487 544
Prepayments to suppliers	86 168	51 498
	<u>4 513 590</u>	<u>4 507 088</u>



As compared to September 30, 2014, total inventories remained unchanged. With the decrease in volumes of Finished goods, there is an increase in Work-in-progress and Raw materials due to currently existing orders from specific customers and produced components that are necessary to ensure prompt production and delivery of equipment to affiliated company.

The Group maintains the specific volume of raw materials and basic materials in order to be able to deliver all products within the Group's product portfolio in line with competitive terms.

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

**Note 5 Non-current assets**

	<b>30.09.2015</b>	<b>30.09.2014</b>
	<b>EUR</b>	<b>EUR</b>
Plant and equipment	3 503 783	3 257 054
Other equipment and fixtures	1 847 329	1 882 894
Accumulated depreciation	(4 786 605)	(4 614 444)
Other long term assets	2 927	2 630
	<b>567 434</b>	<b>528 134</b>
Purchased licenses, trademarks etc.	172 190	189 234
Other long term intangible assets	1 568	498
	<b>173 758</b>	<b>189 732</b>

During 3 months of FY 2015/2016, the Group acquired fixed assets and intangible assets in the amount of 40 thousand euros – mainly, in order to ensure production and testing processes, as well as to acquire office equipment.

**Note 6 Tax liabilities**

	<b>30.09.2015</b>	<b>30.09.2014</b>
	<b>EUR</b>	<b>EUR</b>
Tax liabilities	<b>377 075</b>	<b>167 450</b>

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

**Note 7 Salary-related accrued expenses**

	<b>30.09.2015</b>	<b>30.09.2014</b>
	<b>EUR</b>	<b>EUR</b>
Salary-related accrued expenses	<b>411 201</b>	<b>337 350</b>

Salary related accrued expenses increased by 22% comparing September 30, 2014.

### **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 3 month of the financial year 2015/16 and financial year 2014/15.

	CFM; CFIP; FreeMile		Other		Total	
	2015/16 EUR	2014/16 EUR	2015/16 EUR	2014/16 EUR	2015/16 EUR	2014/16 EUR
<b>Segment assets</b>	5 363 313	4 901 567	1 459 842	1 797 445	6 823 155	6 699 012
Undivided assets					6 696 237	5 862 678
<b>Total assets</b>					<b>13 519 392</b>	<b>12 561 690</b>
<b>Segment liabilities</b>	942 279	1 169 240	199 427	444 700	1 141 706	1 613 940
Undivided liabilities					645 239	333 575
<b>Total liabilities</b>					<b>1 786 945</b>	<b>1 947 515</b>
<b>Net sales</b>	2 858 450	2 381 612	678 330	817 399	3 536 780	3 199 011
<b>Segment results</b>	632 501	647 265	382 687	269 342	1 015 188	916 607
Undivided expenses					-653 657	-729 378
<b>Profit from operations</b>					<b>361 531</b>	<b>187 229</b>
Other income					10 570	556
Other expenses					-169	0
Financial income/expenses, net					-14 303	155 598
Share of profit/(loss) of equity-accounted investees					0	-573
<b>Profit before taxes</b>					<b>357 629</b>	<b>342 810</b>
Corporate income tax					-65 252	-57 686
<b>Profit after taxes</b>					<b>292 377</b>	<b>285 124</b>
<b>Net profit</b>					<b>292 377</b>	<b>285 124</b>
<b>Other information</b>						
Additions of property plant and equipment and intangible assets	14 294	2 226	0	0	14 294	2 226
Undivided additions					31 199	63 938
<b>Total additions of property plant and equipment and intangible assets</b>					<b>45 493</b>	<b>66 164</b>
Depreciation and amortization	60 354	38 742	0	93	60 354	38 835
Undivided depreciation					43 080	50 700
<b>Total depreciation and amortization</b>					<b>103 434</b>	<b>89 535</b>

b) This note provides information about division of the Group's turnover and assets by geographical regions (customer location) for 3 month of the financial year 2015/16 and financial year 2014/15.

	Net sales		Assets	
	2015/16 EUR	2014/15 EUR	30.09.2015 EUR	30.09.2014 EUR
Americas	1 450 862	1 883 993	553 777	735 913
Europe, CIS	1 391 070	1 011 709	538 225	392 108
Asia, Africa, Middle East	694 848	303 309	139 366	221 160
	<b>3 536 780</b>	<b>3 199 011</b>	<b>1 231 368</b>	<b>1 349 181</b>
Unallocated assets	-	-	12 288 024	11 212 509
	<b>3 536 780</b>	<b>3 199 011</b>	<b>13 519 392</b>	<b>12 561 690</b>

**Note 9 Bad receivables**

	<b>30.09.2015</b>	<b>30.09.2014</b>
	<b>EUR</b>	<b>EUR</b>
Bad receivables	<b>13 743</b>	<b>(11 009)</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.

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

	<b>30.09.2015</b>	<b>30.09.2014</b>
	<b>EUR</b>	<b>EUR</b>
Salaries and social expenses	887 350	777 252
Bonuses and social expenses	41 249	37 674
	<b>928 599</b>	<b>814 926</b>

Salaries and social expenses, in comparison with the 3 months period of the previous financial year increased by 14% 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.