

SAF Tehnika A/S
Consolidated Interim Report
for Q1 of financial year 2016/17
(July 1, 2016 – September 30, 2016)

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KEY DATA

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

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

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

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

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Share and Shareholdings

SAF Tehnika shareholders (over 5%) as of 30.04.2016

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

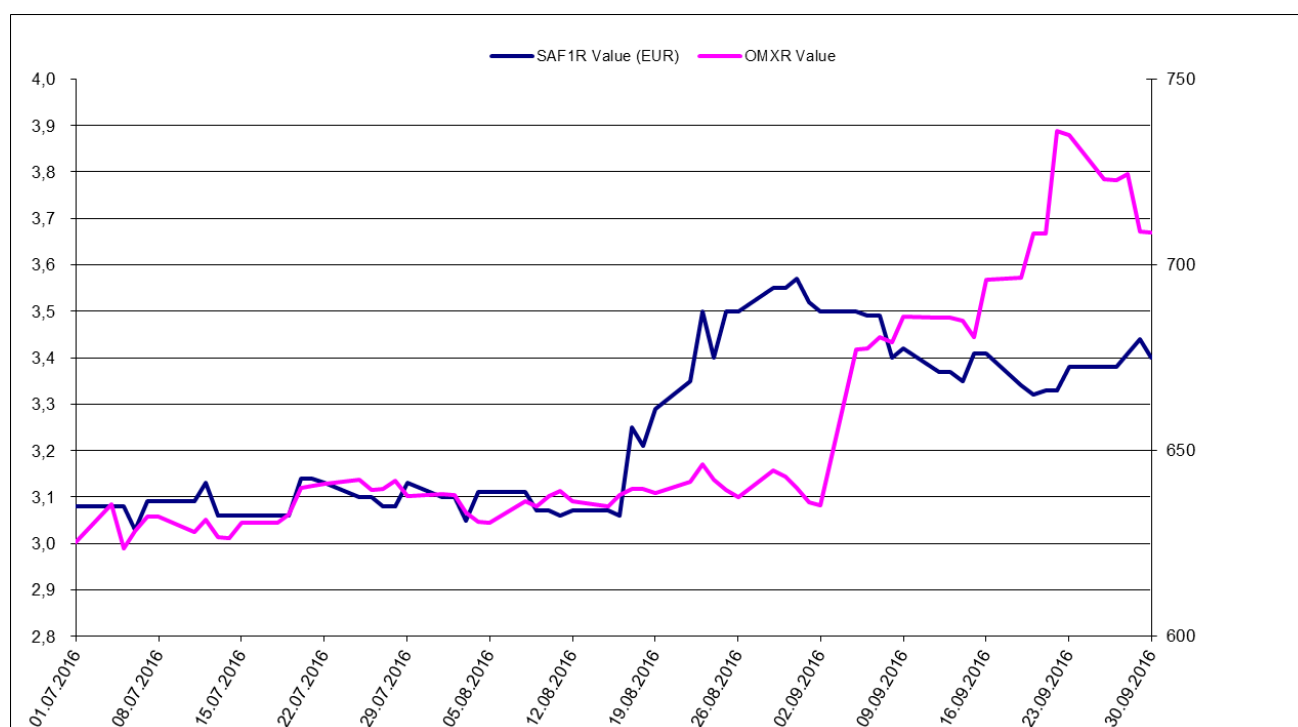
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2016 – September 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 Ziema, 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. Ziema worked as an engineer at the Institute of Electronic Engineering and Computer Sciences. Mr. Ziema 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. Grisāns 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. Grisāns 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. Grisāns 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.

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 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, 2016.

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 Q1 of the FY 2016/2017, the Group's unaudited consolidated net turnover was EUR 3.82 million, which is by 8%, or EUR 0.28 million, more than in Q1 of the FY 2015./2016, and by 3% more than in the closing quarter of the previous financial year.

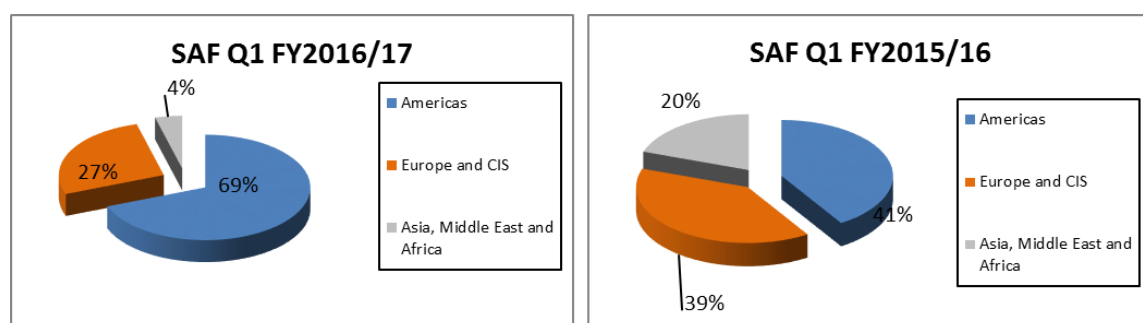
The major part of the Q1 turnover (69% or EUR 2.6 million) was made by sales in North/Latin Americas and was related to the development of data transmission solutions and products tailored to specific customer needs. This region's result is by EUR 1.2 million greater than in Q1 last year and exceeds the result in the preceding quarter by 25%.

The European and CIS region gave 27% of the turnover in Q1. The region's turnover decreased by 27% as compared to the same quarter of the previous FY. The above fluctuations are related to the implementation of individual projects.

In the AMEA (Asia, Middle East, Africa) region, revenues of Q1 amount to 4% from the total turnover. That is by EUR 0.5 million less than in Q1 last year, when the implementation of specific projects had its impact on the volume. As the region's economic activity is affected by oil price decrease, a 50% reduction was observed in Q1 as compared to the average sales volumes in the region.

In Q1 of the FY 2016/2017, SAF Tehnika was represented at seven international exhibitions, including the IBC Exhibition in Amsterdam, the Netherlands, which is the largest event, gathering high-profile experts in the Broadcasting industry from all over the world.

Comparative charts of Q1 revenue breakdown by regions:



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

The Group's costs did not exceed 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.

The Group finished Q1 of the FY 2016/2017 with profits of EUR 401 thousand (unaudited), which is by 109 thousand more than in Q1 of the previous financial year.

The Group had a positive net cash flow during the first three months of the financial year, equaling to EUR 64 thousand. As of the end of the reporting period, the net cash balance was EUR 5.8 million

Market overview

The microwave radio market has not experienced any rapid changes over the past quarter, and we believe no such changes are expected in the near future.

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.

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.

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

On 30 September 2016, the Group numbered 184 employees (there were 172 employees on 30 September 2015).

KEY indicators

	Q1 2016/17	Q1 2015/16	Q1 2014/15
	EUR	EUR	EUR
Net Sales	3 819 408	3 536 780	3 199 011
Earnings before interest, taxes and depreciation (EBITDA)	488 453	475 535	276 764
<i>(EBITDA %)</i>	13%	13%	8,7%
Profit/loss before interest and taxes (EBIT)	480 810	372 101	187 229
<i>(EBIT %)</i>	13%	11%	6%
Net Profit	401 141	292 377	285 124
<i>share of the turnover %</i>	11%	8%	9%
Total assets	13 480 365	13 519 392	12 561 690
Total Owners equity	11 758 338	11 732 447	10 614 176
Return on equity (ROE) %	2,98%	2,17%	2,32%
Return on assets (ROA) %	3,47%	2,53%	2,72%
Liquidity ratio			
<i>Quick ratio %</i>	340%	263%	284%
<i>Current ratio %</i>	458%	343%	356%
Earnings per share	0,14	0,10	0,10
Last share price at the end of period	3,40	2,96	1,75
P/E	9,71	9,55	6,88
Number of employees at the end of reporting period	184	172	162

Consolidated Statement of Financial Position

	Note	30.09.2016	30.09.2015
CURRENT ASSETS		EUR	EUR
Cash and bank		5 847 111	4 705 895
Short-term investments		0	1 892 618
Customer receivables	1		
Accounts receivable		1 945 864	1 232 465
Allowance for uncollectible receivables		-13 748	-10 825
Total		1 932 116	1 221 640
Other receivables			
Other current receivables	2	106 794	196 024
Total		106 794	196 024
Prepaid expenses			
Prepaid taxes		194 631	59 440
Other prepaid expenses		188 202	98 851
Total		382 833	158 291
Inventories	3		
Raw materials		826 773	1 164 615
Work-in-progress		2 109 608	2 091 209
Finished goods		1 292 044	1 171 598
Prepayments to suppliers		45 607	86 168
Total		4 274 032	4 513 590
TOTAL CURRENT ASSETS		12 542 886	12 688 058
NON-CURRENT ASSETS			
Long-term financial assets			
Investments in other companies		2 148	2 148
Long-term receivables	1	3 674	9 728
Deffered income tax		75 769	78 266
Total		81 591	90 142
NON-CURRENT physical assets	4		
Plant and equipment		3 739 084	3 503 783
Other equipment and fixtures		1 936 876	1 847 329
Accumulated depreciation		-4 970 396	-4 786 605
Unfinished renovation works		7 628	0
Other long-term assets		5 016	2 927
Total		718 208	567 434
Intangible assets	4		
Purchased licenses, trademarks etc.		133 601	172 190
Other long-term intangible assets		4 079	1 568
Total		137 680	173 758
TOTAL NON-CURRENT ASSETS		937 479	831 334
TOTAL ASSETS		13 480 365	13 519 392

LIABILITIES AND OWNERS' EQUITY	Note	30.09.2016	30.09.2015
CURRENT LIABILITIES		EUR	EUR
Debt obligations			
Short-term loans from financial institutons		8 584	9 057
Customer prepayments for goods and services		212 894	86 490
Accounts payable		696 379	690 689
Tax liabilities	5	197 071	377 075
Salary-related accrued expenses	6	532 895	411 201
Other accrued expenses		0	18 461
Provisions for guarantees		15 759	18 211
Deffered income		58 445	175 761
TOTAL CURRENT LIABILITIES		1 722 027	1 786 945
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		4 327 801	4 412 396
Net profit for the financial year		401 141	292 377
Currency translation reserve		10 889	9 167
TOTAL OWNERS' EQUITY		11 758 338	11 732 447
TOTAL LIABILITIES AND OWNERS' EQUITY		13 480 365	13 519 392

Consolidated Statement of Profit or Loss for 3 month of the financial year 2016/2017

	Note	30.09.2016	30.09.2015
		EUR	EUR
Net sales	7	3 819 408	3 536 780
Other operating income		5 966	10 570
Total income		3 825 374	3 547 350
Direct cost of goods sold or services rendered		-1 640 234	-1 749 023
Marketing, advertising and public relations expenses		-127 607	-117 398
Bad receivables	8	-8 346	13 743
Operating expenses		-277 360	-278 701
Salaries and social expenses	9	-1 035 940	-887 350
Bonuses and social expenses	9	-152 463	-41 249
Depreciation expense		-87 312	-103 434
Other expenses		-15 302	-11 837
Operating expenses		-3 344 564	-3 175 249
EBIT		480 810	372 101
Financial income (except ForEx rate difference)		825	0
Financial costs (except ForEx rate difference)		-326	-169
Foreign exchange +gain/(loss)		-24 969	-14 303
Financial items		-24 470	-14 472
EBT		456 340	357 629
Corporate income tax		-55 199	-65 252
Profit after taxes		401 141	292 377
Net profit/(loss)		401 141	292 377

*Earnings per share

EPS 30.09.2016. = 0.14 EUR

EPS 30.09.2015. = 0.10 EUR

Consolidated cash flow statement for 3 months of the financial year 2016/2017

	30.09.2016	30.09.2015
	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	29 519	343 511
Cash received from customers	3 645 863	3 396 765
Cash paid to suppliers and employees	-3 637 832	-3 090 705
Paid/Received VAT, corporate income tax	21 488	37 451
NET CASH USED IN INVESTING ACTIVITIES (of which)	-85 802	-38 819
Cash paid/received for short-term investments	0	1 117
Cash paid for purchasing non-current physical assets	-86 627	-39 936
Interest received	825	0
NET CASH USED IN FINANCING ACTIVITIES (of which)	-3 511	71 616
Repayment of short-term loans	-3 511	682
Cash received from EU funds	0	70 934
Effects of exchange rate changes	-3 954	9 293
TOTAL CASH FLOW:	-63 748	385 602
Cash and cash equivalents as at the beginning of period	5 910 859	4 320 293
Cash and cash equivalents as at the end of period	5 847 111	4 705 895
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	-63 748	385 602

Statement of changes in consolidated equity for the 3 month period ended September 30, 2016

	Share capital	Share premium	Other reserves	Currency translation	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
As at 30 June 2014	4 158 252	2 851 725	8 530	9 236	4 412 396	11 440 139
Dividend relating to 2013/2014	-	-	-	-	-1 009 862	-1 009 862
Currency translation difference	-	-	-	1 260	-	1 260
Profit for the year	-	-	-	-	925 267	925 267
As at 30 June 2015	4 158 252	2 851 725	8 530	10 496	4 327 801	11 356 804
Dividend relating to 2014/2015	-	-	-	-	0	0
Currency translation difference	-	-	-	393	-	393
Profit for the period	-	-	-	-	401 141	401 141
As at 31 March 2016	4 158 252	2 851 725	8 530	10 889	4 728 942	11 758 338

Notes for interim report

Note 1 Customer receivables

	30.09.2016	30.09.2015
	EUR	EUR
Long-term receivables	3 674	9 728
Accounts receivable	1 945 864	1 232 465
Provisions for bad and doubtful accounts receivable	(13 748)	(10 825)
Total short term accounts receivable	1 932 116	1 221 640
Total receivables	1 935 790	1 231 368

While the turnover has grown during last two quarters, the total receivables also increased by 57% as compared to the same balance sheet date of the previous financial year

Note 2 Other current receivables

	30.09.2016	30.09.2015
	EUR	EUR
Other current receivables	106 794	196 024

Other current receivables include the amounts of calculated co-financing from EU funds for ongoing product development projects. Co-financing is assigned via competence center “LEO pētījumu centrs” (LEO) and will be received when project documentation and results are reviewed and accepted by project sponsor.

Note 3 Inventories

	30.09.2016	30.09.2015
	EUR	EUR
Raw materials	1 357 436	1 793 615
Allowance for slow-moving items	(530 663)	(629 000)
Work-in-progress	2 109 608	2 091 209
Finished goods	1 292 044	1 171 598
Prepayments to suppliers	45 607	86 168
	4 274 032	4 513 590

As compared to 30 September 2015, total inventories decreased by 9%.

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, intangible assets

	30.09.2016	30.09.2015
	EUR	EUR
Plant and equipment	3 739 084	3 503 783
Other equipment and fixtures	1 936 876	1 847 329
Accumulated depreciation	(4 970 396)	(4 786 605)
Unfinished renovation works	7 628	-
Other long term assets	5 016	2 927
	718 208	567 434
Purchased licenses, trademarks etc.	133 601	172 190
Other long-term intangible assets	4 079	1 568
	137 680	173 758
Total non-current, intangible assets	855 888	741 192

During Q1, the Group acquired fixed assets and intangible assets in the amount of 87 thousand euros – mainly, in order to ensure production and testing processes, as well as to acquire office equipment.

Note 5 Tax liabilities

	30.09.2016	30.09.2015
	EUR	EUR
Tax liabilities	197 071	377 075

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

	30.09.2016	30.09.2015
	EUR	EUR
Salary-related accrued expenses	532 895	411 201

The total amount of salary-related settlement increased by 30% as compared to 30.09.2015, due to increase in the number of employees and changes in compensation.

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 3 month of the financial year 2016/17 and financial year 2015/16.

	CFM; CFIP; FreeMile		Other		Total	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
	EUR	EUR	EUR	EUR	EUR	EUR
Segment assets	6 507 267	5 363 313	1 047 614	1 459 842	7 554 881	6 823 155
Undivided assets					5 925 484	6 696 237
Total assets					13 480 365	13 519 392
Segment liabilities	1 156 467	942 279	48 550	199 427	1 205 017	1 141 706
Undivided liabilities					517 010	645 239
Total liabilities					1 722 027	1 786 945
Net sales	3 814 584	2 858 450	4 824	678 330	3 819 408	3 536 780
Segment results	1 459 204	632 501	76 482	382 687	1 535 686	1 015 188
Undivided expenses					-1 060 841	-653 657
Profit from operations					474 845	361 531
Other income					5 966	10 570
Other expenses					0	-169
Financial income/expenses, net					-24 471	-14 303
Profit before taxes					456 340	357 629
Corporate income tax					-55 199	-65 252
Profit after taxes					401 141	292 377
Net profit					401 141	292 377
Other information						
Additions of property plant and equipment and intangible assets	28 155	14 294	0	0	28 155	14 294
Undivided additions					47 346	31 199
Total additions of property plant and equipment and intangible assets					75 501	45 493
Depreciation and amortization	50 166	60 354	304	0	50 470	60 354
Undivided depreciation					36 842	43 080
Total depreciation and amortization					87 312	103 434

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 2016/17 and financial year 2015/16.

	Net sales		Assets	
	2016/17	2015/16	30.09.2016	30.09.2015
	EUR	EUR	EUR	EUR
Americas	2 640 266	1 450 862	1 164 430	553 777
Europe, CIS	1 020 138	1 391 070	624 217	538 225
Asia, Africa, Middle East	159 003	694 848	147 143	139 366
	3 819 408	3 536 780	1 935 790	1 231 368
Unallocated assets	-	-	11 544 575	12 288 024
	3 819 408	3 536 780	13 480 365	13 519 392

Note 8 Bad receivables

	30.09.2016	30.09.2015
	EUR	EUR
Bad receivables	(8 346)	13 743

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

	30.09.2016	30.09.2015
	EUR	EUR
Salaries and social expenses	1 035 940	887 350
Bonuses and social expenses	152 463	41 249
	1 188 403	928 599

As compared to the period of 3 months of FY 2015/2016, the amount of salaries and related social payments has increased by 27%, which reflects the increase in fixed remuneration for SAF Tehnika employees with critical competencies, increase in the number of the Group's employees, and savings for bonuses. Bonuses are paid if the financial and development objectives are met.