

SAF Tehnika
Consolidated Interim Report
for Q2 and 6 months
of financial year 2015/16
(July 1, 2015 – December 31, 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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Share and Shareholdings

SAF Tehnika shareholders (over 5%) as of 19.11.2015

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	8.69%

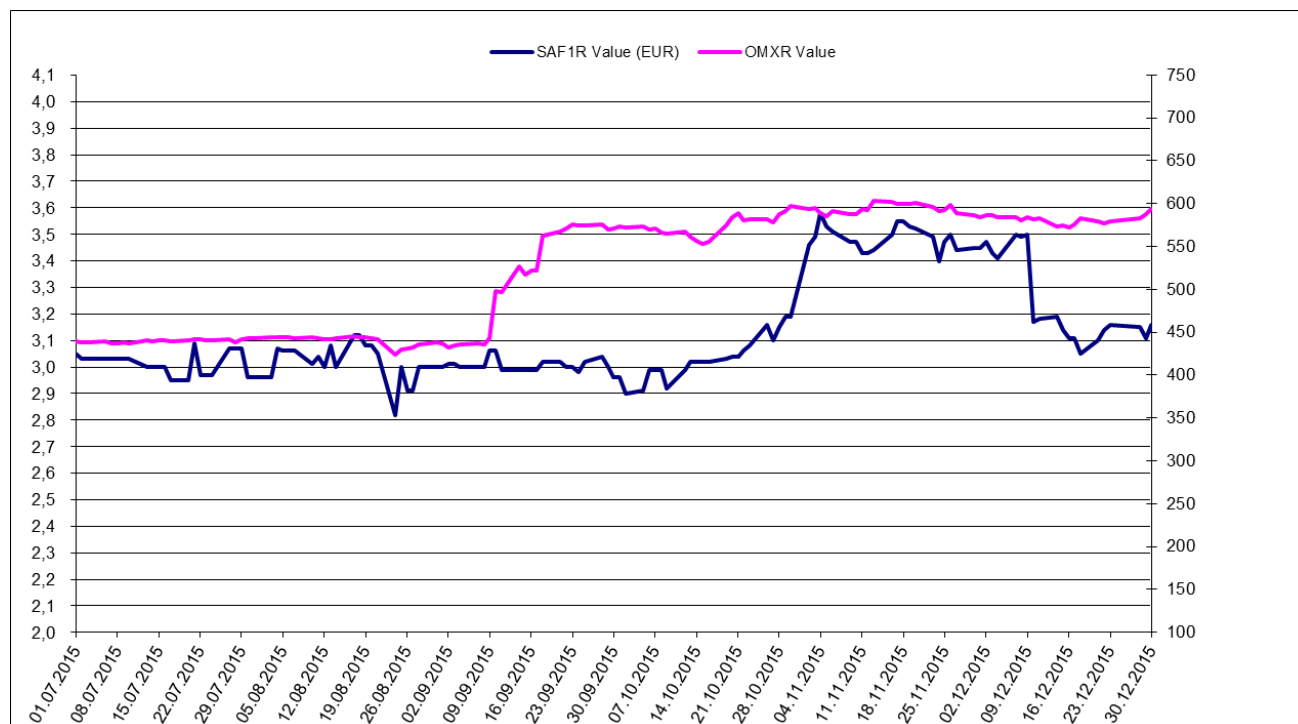
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2015 – December 31, 2015

Currency: EUR

Marketplace: NASDAQ OMX 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

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 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 Didzis Liepkalns private enterprise SAF. From 1987 to 1999 J. Ziema worked as an engineer at the Institute of Electronic Engineering and Computer Sciences. J. 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. 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 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 31 December 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.



Zane Jozepa

CFO, Member of the Management Board

Management Report

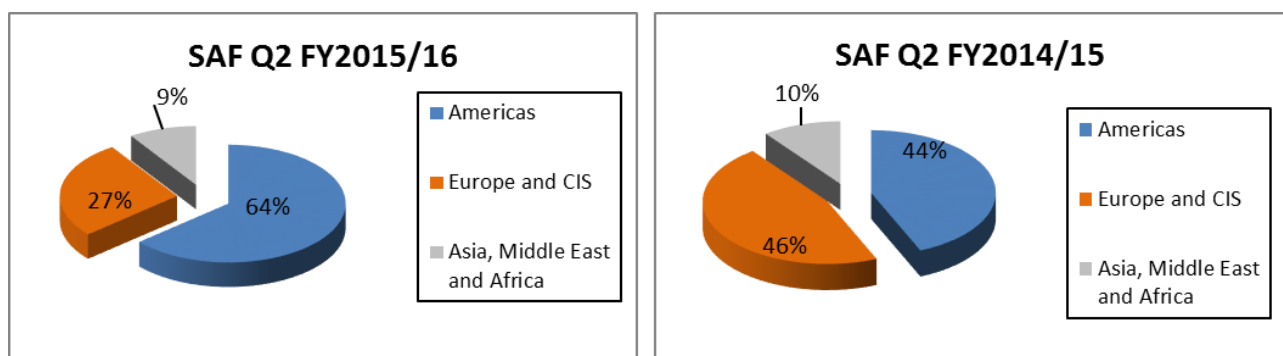
For Q2 of the FY 2015/2016, the Group's unaudited consolidated net turnover was 3.45 million euros, which is by 6%, or 0.2 million euros, less than in Q2 of the FY 2014/2015, and by 3% less than in Q1 this year.

The major part of the turnover in Q2 (64%), or 2.2 million euros, was made by sales in North/Latin Americas, which is by 51% more than in Q1 this year because of specific customer needs and development of tailored solutions and products for data transmission. This region's result rose by 38% as compared to Q2 of the previous year. The European and CIS region gave 27% of the turnover in Q2. The region's turnover decreased by 45% as compared to the same quarter of the previous FY, and was by 33%, or 0.46 million euros, less than in the previous quarter. The above fluctuations are due to implementation of individual projects. In the AMEA (Asia, Middle East, Africa) region, revenues of Q2 have returned to the average level of the previous year, amounting to 9% from the total turnover. That is by 14% less than in the previous quarter, when the volume of sales doubled owing to specific projects.

During Q2, SAF Tehnika participated in 5 exhibitions, including "Telecom Time" in Netherlands, "EUTC Annual Conference" in Dublin, Ireland. We participated in two large-scale exhibitions in North America: WISPAPALOOZA, which is considered to be the largest exhibition for wireless internet service providers in USA, and Canadian Wireless Show, one of the biggest trade fairs of this kind in Canada. We created a number of video tutorials and reviews that can be used when operating such products as *Spectrum Compact* and *SG-Compact*. In order to identify customer satisfaction with products, services, and technical support, as well as to improve our understanding of customer needs, we organized an extensive customer satisfaction survey.

In October, recertification audit was conducted in SAF Tehnika in accordance with ISO 9001:2008 requirements for the Quality management system. The audit found no inadequacies, and the Quality management system has been recertified for the next 3 years.

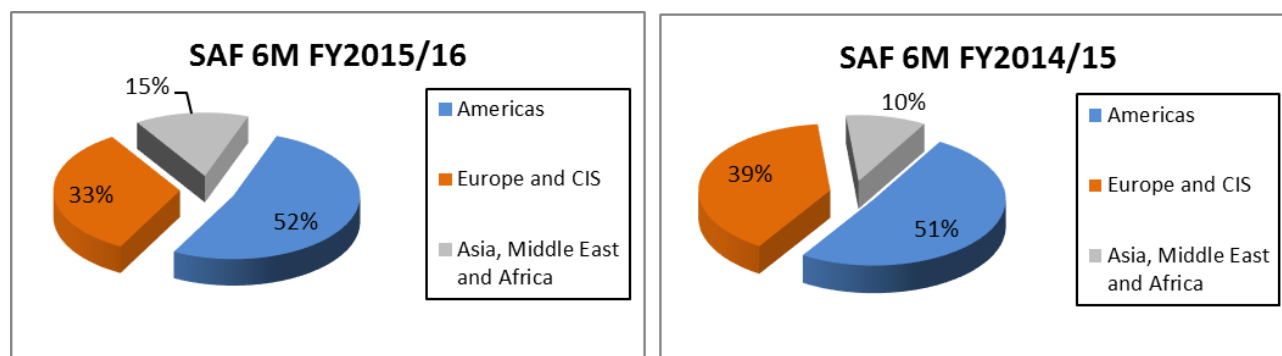
Chart 1: Comparative charts of Q2 revenue breakdown by regions:



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

For 6 months of the FY 2015/2016, the Group's unaudited consolidated turnover was 6.85 million euros, which is a 2% increase compared to revenues at the same period of the previous financial year. Revenue from the European and CIS region decreased by 14%, or 383 thousand euros. At the same time, revenues from the AMEA (Asia, Middle East, Africa) region show considerable increase (50% increase as compared to 6 months of the FY 2014/2015) amounting to 1.02 million euros, thus making 15% from the Group's total turnover within 6 months. Despite a minor decrease in Q1, North/Latin Americas generated (during a period of 6 months) revenue of more than 52% from the total turnover of the Group, which is 3.65 million euros, and demonstrate a 5% increase as compared to the result of the first half of the previous financial year.

Chart 2: Comparative charts of sales volumes (within 6 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 accrued performance bonuses. The Q2 presented a beneficial effect of the favorable EUR/USD exchange rate for the Group.

The Group closed Q2 of the FY 2015/2016 with the profit of 312 thousand euros (unaudited), which is by 112 thousand euros more comparing to revenues generated in Q2 of the previous financial year.

The unaudited consolidated result for 6 months of the FY 2015/2016 is the profit of 605 thousand euros, which is by 119 thousand euros more, comparing to the Group's result of 6 months of the previous FY 2014/2015 (the profit of 485 thousand euros). It should be noted that the profit of the first half of the previous financial year was largely made by revenues from currency fluctuations. In the reporting period, the Company managed to retrieve an old accounts receivable (written off as bad debt) in the amount of 57.7 thousand euros.

The Group had a positive net cash flow during 6 months of the present FY, equaling to 1.482 million euros. As of the end of the financial year (except for interest charges), the Group's net cash balance was 5.8 million euros. In December 2015, dividends were paid in the amount of 0.34 euros (thirty four cents) per share, or 1.009 million euros in total.

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.

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. 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 31 December 2015, the Group numbered 175 employees (there were 169 employees on 30 December 2014).

KEY indicators

	Q2 2014/15	Q2 2014/15	Q2 2013/14
	EUR	EUR	EUR
Net Sales	3 445 369	3 657 521	2 839 630
Earnings before interest, taxes and depreciation (EBITDA)	395 060	388 780	-225 911
<i>share of the turnover %</i>	11%	11%	-8%
Profit/loss before interest and taxes (EBIT)	292 513	298 057	-332 464
<i>share of the turnover %</i>	8%	8%	-12%
Net Profit	312 355	200 278	-357 877
<i>share of the turnover %</i>	9%	5%	-13%
Total assets	12 728 300	13 431 802	11 135 311
Total Owners equity	11 035 380	10 656 472	9 969 105
Return on equity (ROE) %	2,38%	1,54%	-3,21%
Return on assets (ROA) %	2,74%	1,88%	-3,59%
Liquidity ratio			
Quick ratio %	343%	183%	206%
Current ratio %	432%	253%	456%
Earnings per share	0,11	0,07	-0,12
Last share price at the end of period	3,16	1,83	2,28
P/E	5,54	6,54	-45,53
Number of employees at the end of reporting period	175	169	167

Consolidated Statement of Financial Position

As of December 31, 2015

	Note	31.12.2015	31.12.2014
CURRENT ASSETS		EUR	EUR
Cash and bank		5 802 609	5 078 671
Customer receivables	1		
Accounts receivable		1 382 795	2 238 311
Due from joint venture		0	12 959
Allowance for uncollectible receivables		-8 669	-424 490
Total		1 374 126	1 826 780
Other receivables			
Other current receivables	2	129 097	114 889
Total		129 097	114 889
Prepaid expenses			
Prepaid taxes		50 454	92 587
Other prepaid expenses		84 954	106 930
Total		135 408	199 517
Inventories	3		
Raw materials		1 000 814	1 395 843
Work-in-progress		2 148 869	1 882 278
Finished goods		1 100 234	2 014 473
Prepayments to suppliers		15 691	53 025
Total		4 265 608	5 345 619
TOTAL CURRENT ASSETS		11 706 848	12 565 476
NON-CURRENT ASSETS			
Long-term financial assets			
Equity-accounted investments		0	8 806
Investments in other companies		2 148	1 188
Long-term receivables	1	7 680	28 938
Deferred income tax		78 266	98 683
Total		88 094	137 615
NON-CURRENT physical assets	4		
Plant and equipment		3 669 195	3 323 570
Other equipment and fixtures		1 886 122	1 838 667
Accumulated depreciation		-4 792 736	-4 641 862
Other long-term assets		14 070	7 593
Total		776 651	527 968
Intangible assets	4		
Purchased licenses, trademarks etc.		156 707	200 243
Other long-term intangible assets		0	500
Total		156 707	200 743
TOTAL NON-CURRENT ASSETS		1 021 452	866 326
TOTAL ASSETS		12 728 300	13 431 802

LIABILITIES AND OWNERS' EQUITY	Note	31.12.2015	31.12.2014
CURRENT LIABILITIES		EUR	EUR
Debt obligations			
Short-term loans from financial institutions		6 339	4 547
Customer prepayments for goods and services		232 932	282 866
Accounts payable		739 364	798 743
Tax liabilities	5	186 361	294 071
Salary-related accrued expenses	6	428 910	247 551
Debt to shareholders due to denomination of shares from LVL to EUR		0	59 403
Provisions for guarantees		21 335	14 643
Deffered income		77 679	1 073 506
TOTAL CURRENT LIABILITIES		1 692 920	2 775 330
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		604 732	485 402
Currency translation reserve		9 606	18 722
TOTAL OWNERS' EQUITY		11 035 380	10 656 472
TOTAL LIABILITIES AND OWNERS' EQUITY		12 728 300	13 431 802

Consolidated Statement of Profit or Loss for 6 month of the financial year 2015/2016

	Note	31.12.2015	31.12.2014
		EUR	EUR
Net sales	7	6 982 149	6 856 532
Other operating income		129 403	116 729
Total income		7 111 552	6 973 261
Direct cost of goods sold or services rendered		-3 386 676	-3 784 888
Marketing, advertising and public relations expenses		-228 859	-223 006
Bad receivables	8	16 021	-55 203
Operating expenses		-570 403	-491 236
Salaries and social expenses	9	-1 844 363	-1 609 533
Bonuses and social expenses	9	-276 078	-124 721
Depreciation expense		-205 981	-180 258
Other expenses		49 401	-19 130
Operating expenses		-6 446 938	-6 487 975
EBIT		664 614	485 286
Financial income (except ForEx rate difference)		5 650	560
Financial costs (except ForEx rate difference)		-170	0
Foreign exchange +gain/(loss)		61 238	238 641
Financial items		66 718	239 201
Share of profit/(loss) of equity-accounted investees		0	-1 016
EBT		731 332	723 471
Corporate income tax		-126 600	-238 069
Profit after taxes		604 732	485 402
Net profit/(loss)		604 732	485 402

*Earnings per share

EPS 31.12.2015. = 0.20 EUR

EPS 31.12.2014. = 0.16EUR

Consolidated Statement of Profit or Loss for Q2 of the financial year 2015/2016

	31.12.2015	31.12.2014
	EUR	EUR
Net sales	3 445 369	3 657 521
Other operating income	118 833	111 274
Total income	3 564 202	3 768 795
Direct cost of goods sold or services rendered	-1 637 653	-2 061 204
Marketing, advertising and public relations expenses	-111 461	-104 345
Bad receivables	2 278	-44 194
Operating expenses	-291 702	-250 923
Salaries and social expenses	-957 013	-832 281
Bonuses and social expenses	-234 829	-87 047
Depreciation expense	-102 547	-90 723
Other expenses	61 238	-21
Operating expenses	-3 271 689	-3 470 738
EBIT	292 513	298 057
Financial income (except ForEx rate difference)	5 650	4
Financial costs (except ForEx rate difference)	-1	0
Foreign exchange +gain/(loss)	75 541	83 043
Financial items	81 190	83 047
Share of profit/(loss) of equity-accounted investees	0	-443
EBT	373 703	380 661
Corporate income tax	-61 348	-180 383
Net profit/(loss)	312 355	200 278

*Earnings per share

EPS 31.12.2015. = 0.11 EUR

EPS 31.12.2014. = 0.07 EUR

Consolidated cash flow statement for 6 months of the financial year 2015/2016

	31.12.2015	31.12.2014
	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	658 234	855 909
Cash received from customers	6 837 757	7 479 114
Cash paid to suppliers and employees	-6 153 669	-6 703 612
Paid/Received VAT, corporate income tax	-25 854	80 407
NET CASH USED IN INVESTING ACTIVITIES (of which)	1 602 771	-156 171
Cash paid/received for short-term investments	1 923 541	0
Cash paid for purchasing non-current physical assets	-326 420	-156 731
Interest received	5 650	560
NET CASH USED IN FINANCING ACTIVITIES (of which)	-772 437	285 397
Repayment of short-term loans	-2 718	177 766
Cash received from EU funds	240 142	226 438
Dividends paid	-1 009 861	-118 807
Effects of exchange rate changes	-6 252	10 980
TOTAL CASH FLOW:	1 482 316	996 116
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	5 802 609	5 078 671
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	1 482 316	996 116

Statement of changes in consolidated equity for the 6 months period ended December 31 2015

	Share capital	Share premium	Other reserves	Currency translation reserve	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	-	-	-	370	-	370
Profit for the period	-	-	-	-	604 732	604 732
As at 31 December 2015	4 158 252	2 851 725	8 530	9 606	4 007 267	11 035 380

Notes for interim report

Note 1 Customer receivables

	31.12.2015 EUR	31.12.2014 EUR
Long-term receivables	7 680	28 938
Accounts receivable	1 382 795	2 238 311
Due from joint venture	-	12 959
Provisions for bad and doubtful accounts receivable	(8 669)	(424 490)
Total short term accounts receivable	1 374 126	1 826 780
Total receivables	1 381 806	1 855 718

As compared to the same balance sheet date of the previous financial year, total receivables decreased by 38%, though sales volumes increased during the first half of the year. Provisions for doubtful accounts receivable decreased by 416 thousand euros, because last year the Group wrote off bad debts. Provisions for doubtful accounts receivable as well as bad debt write-offs are performed in accordance with the Group's provision calculation policy.

Note 2 Other current receivables

	31.12.2015 EUR	31.12.2014 EUR
Other current receivables	129 097	114 889

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

	31.12.2015 EUR	31.12.2014 EUR
Raw materials	1 629 655	1 910 321
Allowance for slow-moving items	(628 841)	(514 478)
Work-in-progress	2 148 869	1 882 278
Finished goods	1 100 234	2 014 473
Prepayments to suppliers	15 691	53 025
	4 265 608	5 345 619

As compared to December 31, 2015, total inventories decreased by 23 %. 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 4 Non-current assets

	31.12.2015	31.12.2014
	EUR	EUR
Plant and equipment	3 669 195	3 323 570
Other equipment and fixtures	1 886 122	1 838 667
Accumulated depreciation	(4 792 736)	(4 641 862)
Other long term assets	14 070	7 593
	776 651	527 968
Purchased licenses, trademarks etc.	156 707	200 243
Other long term intangible assets	-	500
	156 707	200 743

During 6 months of FY 2015/2016, the Group acquired fixed assets and intangible assets in the amount of 326 thousand euros – mainly, in order to ensure production and testing processes, as well as to acquire office equipment.

Note 5 Tax liabilities

	31.12.2015	31.12.2014
	EUR	EUR
Tax liabilities	186 361	294 071

As the Group's financial result was profit the respective Corporate Income tax liability was accrued. The decrease is related to salary payments for December made with VSAOI un IIN. (Mandatory payments of State social insurance and Personal income tax)

Note 6 Salary-related accrued expenses

	31.12.2015	31.12.2014
	EUR	EUR
Salary-related accrued expenses	428 910	247 551

The total amount of salary-related settlement increased by 73% as compared to 31.12.2014, due to provisions for performance bonuses.

Note 7 Segment information

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

CFIP –product line is represented by:

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

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

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

Integra – is a next generation radio system employing latest modem technology on the market as well as radio technology in an innovative packaging.

Spectrum Compact is the latest product line in SAF's portfolio, it is a measurement tool for field engineers for telecom, broadcasting and other industries using radio technologies. It comprises of a number of units covering several frequency bands and proving various functionality.

This note provides information about division of the Group's turnover and balance items by structural units by product type for 6 month of the financial year 2015/16 and financial year 2014/15.

	CFM; CFIP; FreeMile		Other		Total	
	2015/16 EUR	2014/15 EUR	2015/16 EUR	2014/15 EUR	2015/16 EUR	2014/15 EUR
Segment assets	5 787 506	6 460 637	1 115 620	1 560 729	6 903 126	8 021 366
Undivided assets					5 825 174	5 410 436
Total assets					12 728 300	13 431 802
Segment liabilities	980 963	994 751	119 268	263 864	1 100 231	1 258 615
Undivided liabilities					592 689	1 516 715
Total liabilities					1 692 920	2 775 330
Net sales	5 653 587	5 152 550	1 328 562	1 703 982	6 982 149	6 856 532
Segment results	1 207 419	1 263 521	988 695	835 763	2 196 114	2 099 284
Undivided expenses					-1 660 903	-1 613 998
Profit from operations					535 211	485 286
Other income					129 403	560
Other expenses					-170	0
Financial income/expenses, net					66 888	238 641
Share of profit/(loss) of equity-accounted investees					0	-1 016
Profit before taxes					731 332	723 471
Corporate income tax					-126 600	-238 069
Profit after taxes					604 732	485 402
Net profit					604 732	485 402
Other information						
Additions of property plant and equipment and intangible assets	260 767	52 654	7 600	0	268 367	52 654
Undivided additions					62 677	109 808
Total additions of property plant and equipment and intangible assets					331 044	162 462
Depreciation and amortization	86 012	76 326	158	93	86 170	76 419
Undivided depreciation					119 811	103 839
Total depreciation and amortization					205 981	180 258

b) This note provides information about division of the Group's turnover and assets by geographical regions (customer location) for 6 month of the financial year 2015/16 and financial year 2014/15.

	Net sales		Assets	
	2015/16 EUR	2014/15 EUR	31.12.2015 EUR	31.12.2014 EUR
Americas	3 645 996	3 476 369	925 981	893 054
Europe, CIS	2 319 632	2 703 486	300 415	813 507
Asia, Africa, Middle East	1 016 520	676 677	155 409	149 157
	6 982 149	6 856 532	1 381 806	1 855 718
Unallocated assets	-	-	11 346 494	11 576 084
	6 982 149	6 856 532	12 728 300	13 431 802

Note 8 Bad receivables

	31.12.2015	31.12.2014
	EUR	EUR
Bad receivables	<u>16 021</u>	<u>(55 203)</u>

The total amount of bad receivables as of the end of the period has decreased; decrease in provisions makes a positive effect in income statement.

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

	31.12.2015	31.12.2014
	EUR	EUR
Salaries and social expenses	1 844 363	1 609 533
Bonuses and social expenses	276 078	124 721
	<u>2 120 441</u>	<u>1 734 254</u>

Salaries and social expenses, in comparison with the 6 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.