

SAF Tehnika A/S
Consolidated Interim Report
for Q2 and 6 months
of financial year 2016/17
(July 1, 2016 – December 31, 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 19.11.2016

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%

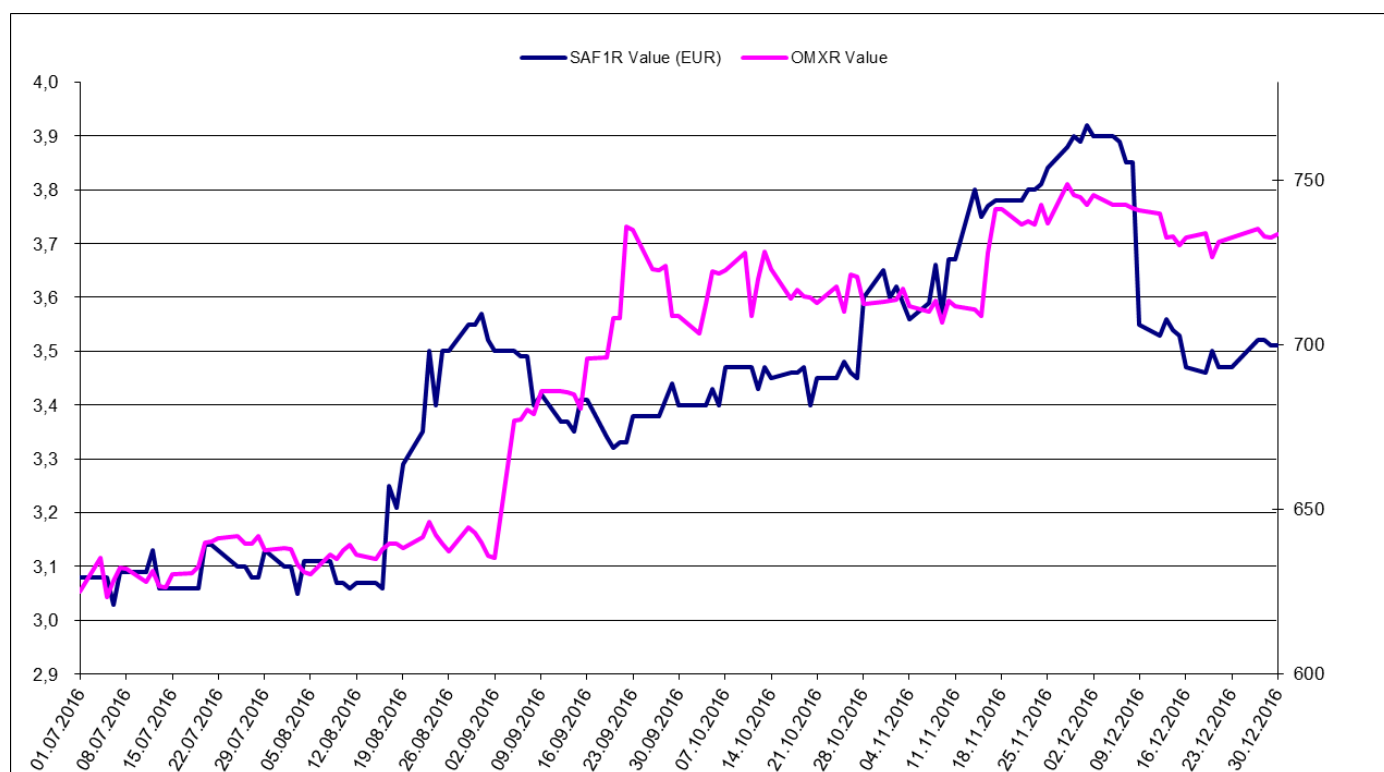
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2016 – December 31, 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. 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 31 December 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 Q2 of the FY 2016/2017, the Group's unaudited consolidated net turnover was EUR 4.34 million, which is by 25%, or EUR 0.89 million, more than in Q2 of the FY 2015/2016, and by 13% more than in Q1 of the year.

More than half of the quarterly turnover (51% or EUR 2.2 million) was made by sales in the European and CIS region and was related to the development of data transmission solutions and products tailored to specific customer needs. This region's result is by EUR 1.3 million greater than in Q2 last year and is two times higher than the results of the preceding quarter.

The turnover in North/Latin Americas was 33% or EUR 1.4 million. Due to the implementation of individual projects, the region's turnover decreased by 60% as compared to the same quarter of the previous FY.

In the AMEA (Asia, Middle East, Africa) region, revenues of Q2 amount to 16% of the total turnover. That is by EUR 0.35 million more than in Q2 last year.

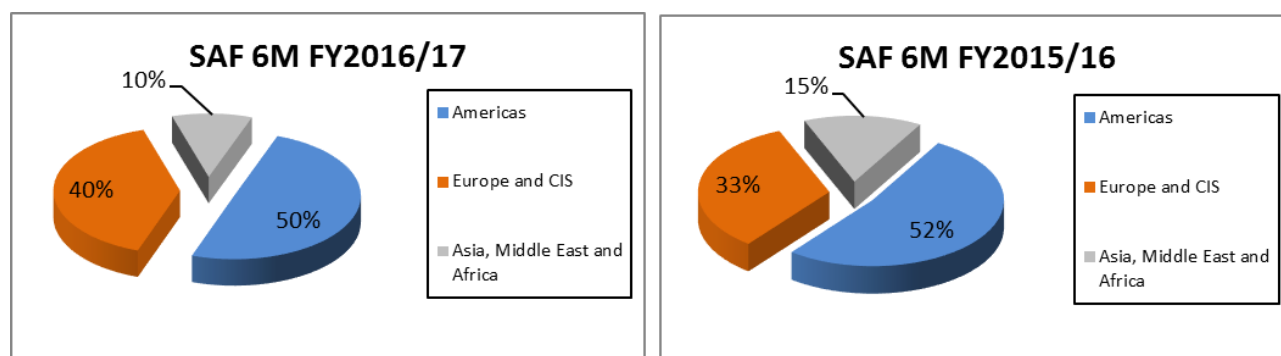
During the second quarter of the FY 2016/2017, SAF Tehnika participated in ten exhibitions in Europe, North America, Middle East and Africa.

As in previous years, SAF Tehnika took part in the most significant exhibition for wireless internet service providers in USA – WISPAPALOOZA, where it was one of the key sponsors of the event. For the first time we participated in the world's third largest technology exhibition GITEX, where along with five other Latvian companies we represented Latvia at the national stand.

The annual customer satisfaction survey took place in the second quarter to evaluate the quality of SAF products, sales specialists, technical support, and marketing campaigns.

In October, re-certification audit was conducted at SAF Tehnika along with migration from the quality management system standard ISO 9001:2008 to ISO 9001:2015, which includes new requirements relating to risk assessment.

Comparative charts of Q2 revenue breakdown by regions:

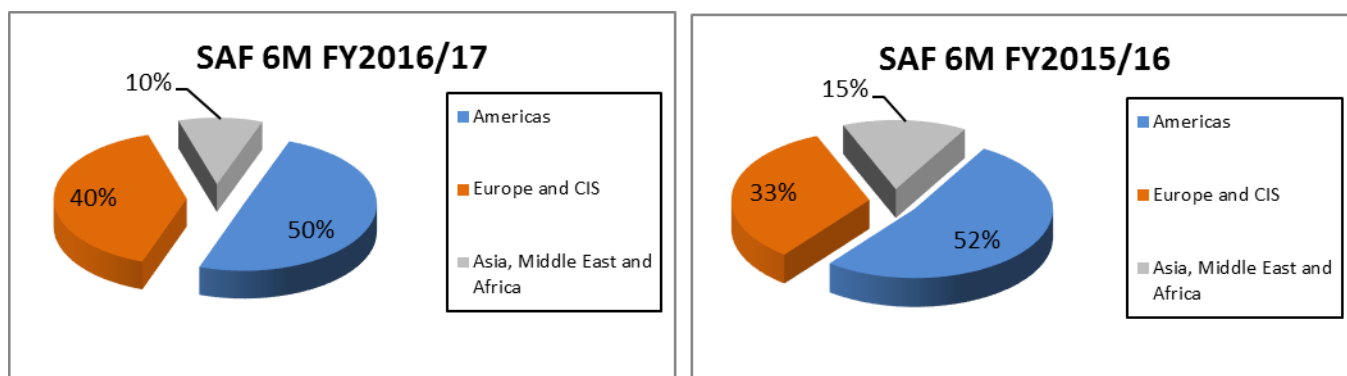


The Group's products were sold in 51 countries during the reporting quarter.

The Group's unaudited consolidated turnover for the 6-month period of the FY 2016/2017 was EUR 8.2 million, which is a 17% increase compared to the last fiscal year's revenues in the same period.

Despite the slight decline in Q2, the revenues in North/Latin Americas during the 6-month period exceeded 50% of the total Group's turnover and amounted to EUR 4.07 million, thus demonstrating a 12% increase against the results of the first half of the previous financial year. Revenues from the European and CIS region represented 40% of the total turnover, having increased by 40%, or EUR 936 thousand, against the previous year. Revenues from the AMEA (Asia, Middle East, Africa) region decreased by 18% or EUR 180 thousand, thus making 10% the Group's total 6-month turnover.

Comparative charts of sales volumes (within 6 months) by regions:



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 and savings for bonuses. In Q2, the Group had a positive impact from the favorable EUR/USD exchange rate.

The Group finished Q2 of the FY 2016/2017 with profits of EUR 425 thousand (unaudited), which is by 112 thousand more than in Q2 of the previous financial year.

The unaudited consolidated result for the 6-month period of the FY 2016/2017 is EUR 826 thousand in profit, which is 221 thousand more comparing to the Group's result of 6 months in the previous FY 2015/2016 (the profit of EUR 605 thousand).

During the 6-month period of the financial year, the Group had a negative net cash flow equaling to EUR 490 thousand. In December 2016, dividends were paid in the amount of EUR 0.34 (thirty-four cents) per share, or a total of EUR 1.009 million. As of the end of the reporting period, the net cash balance of the Group was EUR 5.4 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 31 December 2016, the Group numbered 184 employees (there were 175 employees on 31 December 2015).

KEY indicators

	Q2 2016/17	Q2 2015/16	Q2 2014/15
	EUR	EUR	EUR
Net Sales	4 335 389	3 445 369	3 445 369
Earnings before interest, taxes and depreciation (EBITDA)	442 955	395 060	395 060
<i>share of the turnover %</i>	10%	11%	11%
Profit/loss before interest and taxes (EBIT)	353 849	292 513	292 513
<i>share of the turnover %</i>	8%	8%	8%
Net Profit	424 743	312 355	312 355
<i>share of the turnover %</i>	10%	9%	9%
Total assets	13 442 412	12 728 300	12 728 300
Total Owners equity	11 178 798	11 035 380	11 035 380
Return on equity (ROE) %	3,16%	2,38%	2,38%
Return on assets (ROA) %	3,70%	2,74%	2,74%
Liquidity ratio			
Quick ratio %	239%	343%	343%
Current ratio %	315%	432%	432%
Earnings per share	0,14	0,11	0,11
Last share price at the end of period	3,51	3,16	3,16
P/E	9,00	10,19	6,72
Number of employees at the end of reporting period	184	175	175

Consolidated Statement of Financial Position

	Note	31.12.2016	31.12.2015
CURRENT ASSETS		EUR	EUR
Cash and bank		5 421 341	5 802 609
Short-term investments		0	0
Customer receivables	1		
Accounts receivable		1 691 112	1 382 795
Allowance for uncollectible receivables		-37 194	-8 669
Total		1 653 918	1 374 126
Other receivables			
Other current receivables	2	46 130	129 097
Total		46 130	129 097
Prepaid expenses			
Prepaid taxes		262 460	50 454
Other prepaid expenses		160 753	84 954
Total		423 213	135 408
Inventories	3		
Raw materials		1 644 297	1 000 814
Work-in-progress		1 959 993	2 148 869
Finished goods		1 274 008	1 100 234
Prepayments to suppliers		114 885	15 691
Total		4 993 183	4 265 608
TOTAL CURRENT ASSETS		12 537 785	11 706 848
NON-CURRENT ASSETS			
Long-term financial assets			
Investments in other companies		2 148	2 148
Long-term receivables	1	3 470	7 680
Deffered income tax		75 769	78 266
Total		81 387	88 094
NON-CURRENT physical assets	4		
Plant and equipment		3 754 779	3 669 195
Other equipment and fixtures		1 931 845	1 886 122
Accumulated depreciation		-5 018 687	-4 792 736
Other long-term assets		51	14 070
Total		667 988	776 651
Intangible assets	4		
Purchased licenses, trademarks etc.		124 683	156 707
Other long-term intangible assets		30 569	0
Total		155 252	156 707
TOTAL NON-CURRENT ASSETS		904 627	1 021 452
TOTAL ASSETS		13 442 412	12 728 300

LIABILITIES AND OWNERS' EQUITY	Note	31.12.2016	31.12.2015
CURRENT LIABILITIES		EUR	EUR
Debt obligations			
Short-term loans from financial institutons		6 450	6 339
Customer prepayments for goods and services		190 612	232 932
Accounts payable		1 105 425	739 364
Tax liabilities	5	267 470	186 361
Salary-related accrued expenses	6	615 341	428 910
Provisions for guarantees		15 759	21 335
Deffered income		62 557	77 679
TOTAL CURRENT LIABILITIES		2 263 614	1 692 920
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		3 317 940	3 402 535
Net profit for the financial year		825 884	604 732
Currency translation reserve		16 467	9 606
TOTAL OWNERS' EQUITY		11 178 798	11 035 380
TOTAL LIABILITIES AND OWNERS' EQUITY		13 442 412	12 728 300

Consolidated Statement of Profit or Loss for 6 month of the financial year 2016/2017

	Note	31.12.2016	31.12.2015
		EUR	EUR
Net sales	7	8 154 797	6 982 149
Other operating income		7 061	129 403
Total income		8 161 858	7 111 552
Direct cost of goods sold or services rendered		-3 543 576	-3 386 676
Marketing, advertising and public relations expenses		-287 241	-228 859
Bad receivables	8	-30 610	16 021
Operating expenses		-631 207	-570 403
Salaries and social expenses	9	-2 179 697	-1 844 363
Bonuses and social expenses	9	-456 663	-276 078
Depreciation expense		-176 418	-205 981
Other expenses		-21 787	49 401
Operating expenses		-7 327 199	-6 446 938
EBIT		834 659	664 614
Financial income (except ForEx rate difference)		2 651	5 650
Financial costs (except ForEx rate difference)		-9 151	-170
Foreign exchange +gain/(loss)		175 175	61 238
Financial items		168 675	66 718
EBT		1 003 334	731 332
Corporate income tax		-177 450	-126 600
Profit after taxes		825 884	604 732
Net profit/(loss)		825 884	604 732

*Earnings per share

EPS 31.12.2016. = 0.28 EUR

EPS 31.12.2015. = 0.20 EUR

Consolidated Statement of Profit or Loss for Q2 of the financial year 2016/2017

	31.12.2016	31.12.2015
	EUR	EUR
Net sales	4 335 389	3 445 369
Other operating income	1 095	118 833
Total income	4 336 484	3 564 202
Direct cost of goods sold or services rendered	-1 903 342	-1 637 653
Marketing, advertising and public relations expenses	-159 634	-111 461
Bad receivables	-22 264	2 278
Operating expenses	-353 847	-291 702
Salaries and social expenses	-1 143 757	-957 013
Bonuses and social expenses	-304 200	-234 829
Depreciation expense	-89 106	-102 547
Other expenses	-6 485	61 238
Operating expenses	-3 982 635	-3 271 689
EBIT	353 849	292 513
Financial income (except ForEx rate difference)	1 826	5 650
Financial costs (except ForEx rate difference)	-8 825	-1
Foreign exchange +gain/(loss)	200 144	75 541
Financial items	193 145	81 190
EBT	546 994	373 703
Corporate income tax	-122 251	-61 348
Net profit/(loss)	424 743	312 355

*Earnings per share

EPS 31.12.2016. = 0.14 EUR

EPS 31.12.2015. = 0.11 EUR

Consolidated cash flow statement for 6 months of the financial year 2016/2017

	31.12.2016	31.12.2015
	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	692 421	658 234
Cash received from customers	8 392 988	6 837 757
Cash paid to suppliers and employees	-7 743 408	-6 153 669
Paid/Received VAT, corporate income tax	42 841	-25 854
NET CASH USED IN INVESTING ACTIVITIES (of which)	-136 341	1 602 771
Cash paid/received for short-term investments	0	1 923 541
Cash paid for purchasing non-current physical assets	-138 992	-326 420
Interest received	2 651	5 650
NET CASH USED IN FINANCING ACTIVITIES (of which)	-951 212	-772 438
Repayment of short-term loans	-5 645	-2 718
Cash received from EU funds	64 295	240 142
Dividends paid	-1 009 862	-1 009 862
Effects of exchange rate changes	-94 386	-6 252
TOTAL CASH FLOW:	-489 518	1 482 316
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	5 421 341	5 802 609
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	-489 518	1 482 316

Statement of changes in consolidated equity for the 6 month period ended December 31, 2016

	Share capital	Share premium	Other reserves	Currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
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	-	-	-	-	-1 009 862	-1 009 862
Currency translation difference	-	-	-	1 260	-	1 260
Profit for the year	-	-	-	-	925 267	925 267
As at 30 June 2016	4 158 252	2 851 725	8 530	10 496	4 327 801	11 356 804
Dividend relating to 2015/2016	-	-	-	-	-1 009 862	-1 009 862
Currency translation difference	-	-	-	5 972	-	5 972
Profit for the period	-	-	-	-	825 884	825 884
As at 31 December 2016	4 158 252	2 851 725	8 530	16 468	4 143 823	11 178 798

Notes for interim report

Note 1 Customer receivables

	31.12.2016	31.12.2015
	EUR	EUR
Long-term receivables	3 470	7 680
Accounts receivable	1 691 113	1 382 795
Provisions for bad and doubtful accounts receivable	(37 194)	(8 669)
Total short term accounts receivable	1 653 918	1 374 126
Total receivables	1 657 388	1 281 806

While the turnover has grown during last two quarters, the total receivables also increased by 30% as compared to the same balance sheet date of the previous financial year

Note 2 Other current receivables

	31.12.2016	31.12.2015
	EUR	EUR
Other current receivables	46 130	129 097

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

	31.12.2016	31.12.2015
	EUR	EUR
Raw materials	2 258 659	1 629 655
Allowance for slow-moving items	(614 362)	(628 841)
Work-in-progress	1 959 993	2 148 869
Finished goods	1 274 008	1 100 234
Prepayments to suppliers	114 885	15 691
	4 993 183	4 265 608

As compared to 31 December 2015, total inventories grew by 17%.

The Group maintains the amount of raw materials and auxiliary supplies at the defined 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

	31.12.2016	31.12.2015
	EUR	EUR
Plant and equipment	3 754 779	3 669 195
Other equipment and fixtures	1 931 845	1 886 122
Accumulated depreciation	(5 018 687)	(4 792 736)
Other long term assets	51	14 070
	667 988	776 651
Purchased licenses, trademarks etc.	124 683	156 707
Other long-term intangible assets	30 569	-
	155 252	156 707
Total non-current, intangible assets	823 240	933 358

During 6 months of FY 2016/2017, the Group acquired fixed assets and intangible assets in the amount of 138 thousand euros – mainly, in order to ensure production and testing processes, as well as to acquire office equipment.

Note 5 Tax liabilities

	31.12.2016	31.12.2015
	EUR	EUR
Tax liabilities	267 470	186 361

As the Group's financial result was profit, potential Corporate Income Tax liabilities were accrued.

Note 6 Salary-related accrued expenses

	31.12.2016	31.12.2015
	EUR	EUR
Salary-related accrued expenses	615 341	428 910

The total amount of salary-related settlement increased by 43% as compared to 31.12.2016, due to increase in the number of employees, changes in compensation, and savings for 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 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	6 927 296	5 787 506	1 164 311	1 115 620	8 091 607	6 903 126
Undivided assets					5 350 805	5 825 174
Total assets					13 442 412	12 728 300
Segment liabilities	1 400 686	980 963	86 520	119 268	1 487 206	1 100 231
Undivided liabilities					776 408	592 689
Total liabilities					2 263 614	1 692 920
Net sales	7 684 878	5 653 587	469 919	1 328 562	8 154 797	6 982 149
Segment results	2 814 443	1 207 419	432 538	988 695	3 246 981	2 196 114
Undivided expenses					-2 419 382	-1 660 903
Profit from operations					827 599	535 211
Other income					7 061	129 403
Other expenses					0	-170
Financial income/expenses, net					168 674	66 888
Profit before taxes					1 003 334	731 332
Corporate income tax					-177 450	-126 600
Profit after taxes					825 884	604 732
Net profit					825 884	604 732
Other information						
Additions of property plant and equipment and intangible assets	39 359	260 767	0	7 600	39 359	268 367
Undivided additions					77 769	62 677
Total additions of property plant and equipment and intangible assets					117 128	331 044
Depreciation and amortization	77 844	86 012	609	158	78 453	86 170
Undivided depreciation					97 965	119 811
Total depreciation and amortization					176 418	205 981

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 2016/17 and financial year 2015/16.

	Net sales		Assets	
	2016/17	2015/16	31.12.2016	31.12.2015
	EUR	EUR	EUR	EUR
Americas	4 065 305	3 645 996	787 579	925 982
Europe, CIS	3 254 750	2 319 632	613 170	300 415
Asia, Africa, Middle East	834 743	1 016 521	256 638	155 409
	8 154 797	6 982 149	1 657 388	1 381 806
Unallocated assets	-	-	11 785 024	11 346 494
	8 154 797	6 982 149	13 442 412	12 728 300

Note 8 Bad receivables

	31.12.2016	31.12.2015
	EUR	EUR

Bad receivables

	(30 610)	16 021
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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

	31.12.2016	31.12.2015
	EUR	EUR

Salaries and social expenses

2 179 697

1 844 363

Bonuses and social expenses

456 663

276 078

2 636 360

2 120 441

As compared to the period of 6 months of FY 2015/2016, the amount of salaries and related social payments has increased by 24%, 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.