

SAF Tehnika A/S
Consolidated Interim Report
for Q1 of financial year 2017/18
(July 1, 2017 – September 30, 2017)

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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 30.04.2017

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%

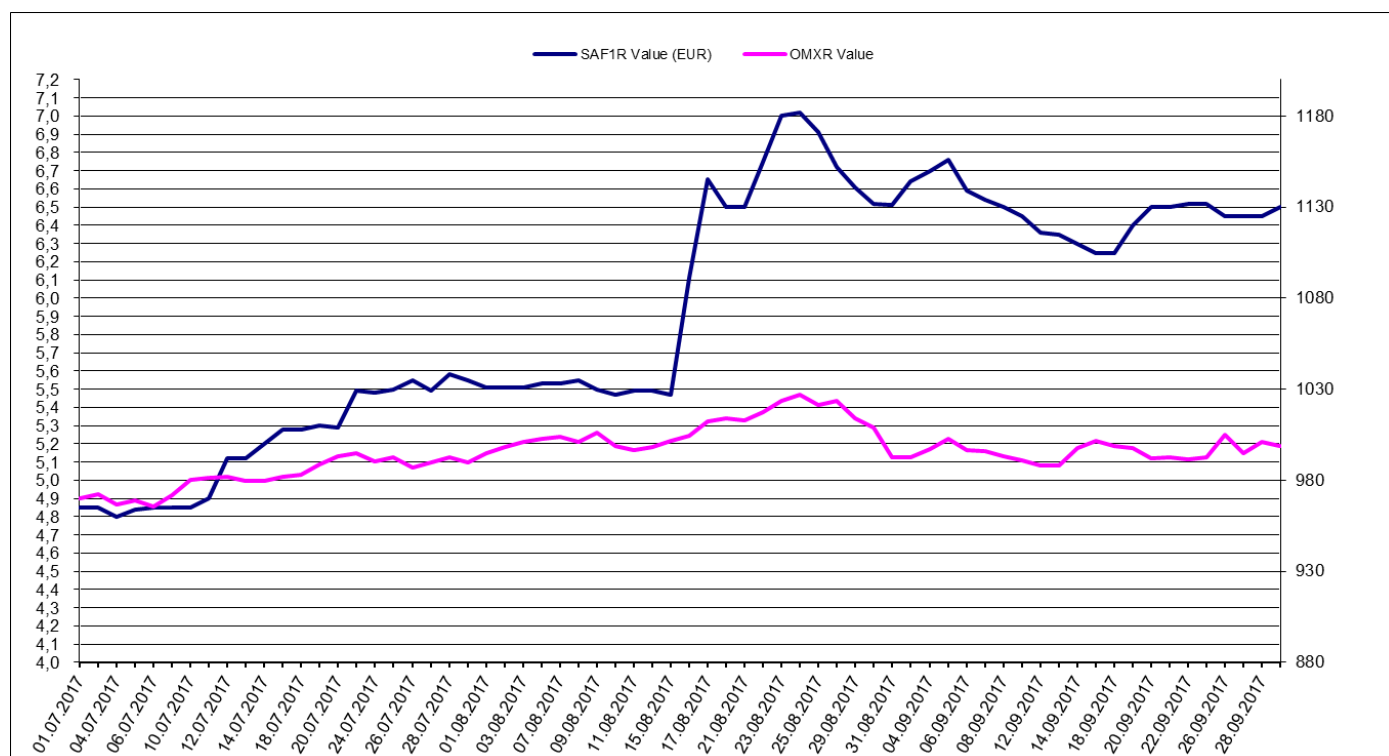
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2017 – September 30, 2017

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, 2017 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, 2017.

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

In the first quarter of the financial year 2017/2018, the Group's unaudited consolidated net turnover was 3.92 million euros, which is up 3%, or 100 thousand euros, compared to the first quarter of the financial year 2016/2017. The result is lower than the previous year's Q4 result, which was the highest in the last 10 years.

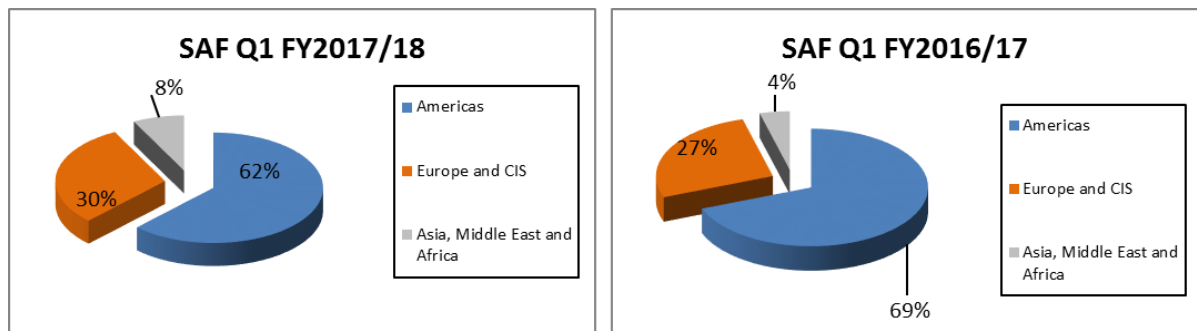
62% of the quarterly turnover (2.4 million euros) is made by sales in North/Latin Americas. The region's result is down 7% compared to last year's first quarter. Solutions tailored to specific customer needs still dominate sales in the region.

The turnover in the European and CIS region was 30% or 1.2 million euros, which is up 16% compared to the first quarter of the previous year, as well as equivalent to the average regional turnover.

In the AMEA (Asia, Middle East, Africa) region, the turnover was 8% or 0.3 million euros. Compared to the turnover in the same quarter of the previous financial year, the region's turnover increased by 80%.

The active exhibition season began in September. In the first quarter of the financial year 2017/2018, SAF Tehnika representatives took part in nine international exhibitions. The leading shows include *IBC* – this year it took place in Amsterdam, the Netherlands, and brought together major professionals of the Broadcasting industry from all over the world. SAF presented the trendiest products to the Broadcasting industry as well as a functioning radio link, which was specifically designed for the show, so that visitors could check product features right there on the spot. Furthermore, SAF prepared a variety of promotional materials and publications in printed press like *AGL* and *The Microwave Journal*.

Comparative charts of Q1 revenue breakdown by regions:



During the reporting quarter, the Group sold its products in 52 countries.

The Group's costs did not exceed the planned levels but were generally higher than during the same period a year ago due to investments in sales promotion in existing and new markets.

The Group closed Q1 of the FY 2017/2018 with profit of 389 thousand euros (unaudited), which is down 3% compared to Q1 last year. USD/EUR exchange rate negatively affected the Group's net results; it should be noted that the period between the two comparable quarters witnessed the most significant differences in EUR/USD exchange rate.

The unaudited consolidated result for the 3-month period of the financial year is 49 thousand euros. The Group's net cash balance at the end of the period was 6.55 million euros.

In the first quarter of the financial year 2017/2018, 50 thousand euros were invested in acquisition of fixed assets.

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.

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 2017, the Group numbered 191 employees (there were 184 employees on 30 September 2015).

KEY indicators

	Q1 2017/18	Q1 2016/17	Q1 2015/16
	EUR	EUR	EUR
Net Sales	3 923 367	3 819 408	3 536 780
Earnings before interest, taxes and depreciation (EBITDA)	488 152	488 453	475 535
<i>(EBITDA %)</i>	12%	13%	13,4%
Profit/loss before interest and taxes (EBIT)	626 141	480 810	372 101
<i>(EBIT %)</i>	16%	13%	11%
Net Profit	389 367	401 141	292 377
<i>share of the turnover %</i>	10%	11%	8%
Total assets	14 420 522	13 480 365	13 519 392
Total Owners equity	12 472 222	11 758 338	11 732 447
Return on equity (ROE) %	2,64%	2,98%	2,17%
Return on assets (ROA) %	3,17%	3,47%	2,53%
Liquidity ratio			
<i>Quick ratio %</i>	337%	340%	263%
<i>Current ratio %</i>	411%	458%	343%
Earnings per share	0,13	0,14	0,10
Last share price at the end of period	6,50	3,40	2,96
P/E	11,21	9,71	9,55
Number of employees at the end of reporting period	191	184	172

Consolidated Statement of Financial Position

	Note	30.09.2017	30.09.2016
CURRENT ASSETS		EUR	EUR
Cash and bank		6 557 737	5 847 111
Customer receivables	1		
Accounts receivable		1 363 559	1 945 864
Allowance for uncollectible receivables		-16 666	-13 748
Total		1 346 893	1 932 116
Other receivables			
Other current receivables	2	110 148	106 794
Total		110 148	106 794
Prepaid expenses			
Prepaid taxes		46 515	194 631
Other prepaid expenses		220 428	188 202
Total		266 943	382 833
Inventories	3		
Raw materials		1 804 110	826 773
Work-in-progress		2 157 369	2 109 608
Finished goods		1 264 744	1 292 044
Prepayments to suppliers		47 023	45 607
Total		5 273 246	4 274 032
TOTAL CURRENT ASSETS		13 554 966	12 542 886
NON-CURRENT ASSETS			
Long-term financial assets			
Investments in other companies		2 148	2 148
Long-term receivables	1	2 721	3 674
Deffered income tax		27 374	75 769
Total		32 243	81 591
NON-CURRENT physical assets	4		
Plant and equipment		3 896 069	3 739 084
Other equipment and fixtures		1 965 080	1 936 876
Accumulated depreciation		-5 180 215	-4 970 396
Unfinished renovation works		5 517	7 628
Other long-term assets		1 193	5 016
Total		687 644	718 208
Intangible assets	4		
Purchased licenses, trademarks etc.		126 216	133 601
Other long-term intangible assets		0	4 079
Total		126 216	137 680
TOTAL NON-CURRENT ASSETS		846 103	937 479
TOTAL ASSETS		14 401 069	13 480 365

LIABILITIES AND OWNERS' EQUITY	Note	30.09.2017	30.09.2016
CURRENT LIABILITIES		EUR	EUR
Debt obligations			
Short-term loans from financial institutons		6 511	8 584
Customer prepayments for goods and services		327 409	212 894
Accounts payable		521 450	696 379
Tax liabilities	5	386 708	197 071
Salary-related accrued expenses	6	618 214	532 895
Provisions for guarantees		6 294	15 759
Deffered income		62 260	58 445
TOTAL CURRENT LIABILITIES		1 928 847	1 722 027
OWNERS' EQUITY			
Share capital		4 158 252	4 158 252
Paid in capital over par		2 851 726	2 851 725
Other reserves		8 530	8 530
Retained earnings		5 065 006	4 327 801
Net profit for the financial year		389 367	401 141
Currency translation reserve		-659	10 889
TOTAL OWNERS' EQUITY		12 472 222	11 758 338
TOTAL LIABILITIES AND OWNERS' EQUITY		14 401 069	13 480 365

Consolidated Statement of Profit or Loss for 3 month of the financial year 2017/2018

	Note	30.09.2017	30.09.2016
		EUR	EUR
Net sales	7	3 923 367	3 819 408
Other operating income		89 865	5 966
Total income		4 013 232	3 825 374
Direct cost of goods sold or services rendered		-1 476 828	-1 640 234
Marketing, advertising and public relations expenses		-166 219	-127 607
Bad receivables	8	17 185	-8 346
Operating expenses		-314 988	-277 360
Salaries and social expenses	9	-1 166 504	-1 035 940
Bonuses and social expenses	9	-173 016	-152 463
Depreciation expense		-98 785	-87 312
Other expenses		-7 937	-15 302
Operating expenses		-3 387 091	-3 344 564
EBIT		626 141	480 810
Financial income (except ForEx rate difference)		6 139	825
Financial costs (except ForEx rate difference)		-31	-326
Foreign exchange +gain/(loss)		-195 884	-24 969
Financial items		-189 777	-24 470
EBT		436 364	456 340
Corporate income tax		-46 997	-55 199
Profit after taxes		389 367	401 141
Net profit/(loss)		389 367	401 141

*Earnings per share

EPS 30.09.2017. = 0.14 EUR

EPS 30.09.2016. = 0.13 EUR

Consolidated cash flow statement for 3 months of the financial year 2017/2018

	30.09.2017	30.09.2016
	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	-33 300	29 519
Cash received from customers	4 274 602	3 645 863
Cash paid to suppliers and employees	-4 357 338	-3 637 832
Paid/Received VAT, corporate income tax	49 436	21 488
NET CASH USED IN INVESTING ACTIVITIES (of which)	-44 146	-85 802
Cash paid for purchasing non-current physical assets	-50 284	-86 627
Interest received	6 138	825
NET CASH USED IN FINANCING ACTIVITIES (of which)	128 661	-3 511
Repayment of short-term loans	-3 886	-3 511
Cash received from EU funds	132 547	0
Effects of exchange rate changes	-1 866	-3 954
TOTAL CASH FLOW:	49 349	-63 748
Cash and cash equivalents as at the beginning of period	6 508 388	5 910 859
Cash and cash equivalents as at the end of period	6 557 737	5 847 111
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	49 349	-63 748

Statement of changes in consolidated equity for the 3 month period ended September 30, 2017

	Share capital	Share premium	Other reserves	Currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
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	-	-	-	-	-1 009 861	-1 009 861
Currency translation difference	-	-	-	-5 289	-	-5 288
Profit for the year	-	-	-	-	1 747 066	1 747 066
As at 30 June 2017	4 158 252	2 851 726	8 530	5 207	5 065 006	12 088 721
Currency translation difference	-	-	-	-5 866	-	-5 866
Profit for the period	-	-	-	-	389 367	389 367
As at 30 September 2017	4 158 252	2 851 726	8 530	-659	5 454 373	12 472 222

Notes for interim report

Note 1 Customer receivables

	30.09.2017	30.09.2016
	EUR	EUR
Long-term receivables	2 721	3 674
Accounts receivable	1 363 559	1 945 864
Provisions for bad and doubtful accounts receivable	(16 666)	(13 748)
Total short term accounts receivable	1 346 893	1 932 116
Total receivables	1 349 614	1 935 790

As compared to the same balance sheet date of the previous financial year the total receivables have decreased.

Note 2 Other current receivables

	30.09.2017	30.09.2016
	EUR	EUR
Other current receivables	110 148	106 794

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

	30.09.2017	30.09.2016
	EUR	EUR
Raw materials	2 373 691	1 357 436
Allowance for slow-moving items	(569 581)	(530 663)
Work-in-progress	2 157 369	2 109 608
Finished goods	1 264 744	1 292 044
Prepayments to suppliers	47 023	45 607
	5 273 246	4 274 032

As compared to 30 September 2016, total inventories grew by 23%.

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

	30.09.2017	30.09.2016
	EUR	EUR
Plant and equipment	3 896 069	3 739 084
Other equipment and fixtures	1 965 080	1 936 876
Accumulated depreciation	(5 180 215)	(4 970 396)
Unfinished renovation works	5 517	7 628
Other long term assets	1 193	5 016
	687 644	718 208
Purchased licenses, trademarks etc.	126 216	133 601
Other long-term intangible assets	-	4 079
	126 216	137 680
Total non-current, intangible assets	813 860	855 888

During Q1, the Group acquired fixed assets and intangible assets in the amount of 50 thousand euros – mainly, in order to ensure production and testing processes, as well as to acquire office equipment.

Note 5 Tax liabilities

	30.09.2017	30.09.2016
	EUR	EUR
Tax liabilities	386 708	197 071

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

Note 6 Salary-related accrued expenses

	30.09.2017	30.09.2016
	EUR	EUR
Salary-related accrued expenses	618 214	532 895

The total amount of salary-related settlement increased by 16% as compared to 30.09.2016, 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 2017/18 and financial year 2016/17.

	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	6 572 187	6 507 267	1 274 645	1 047 614	7 846 832	7 554 881
Undivided assets					6 554 237	5 925 484
Total assets					14 401 069	13 480 365
Segment liabilities	1 175 796	1 156 467	61 554	48 550	1 237 350	1 205 017
Undivided liabilities					691 497	517 010
Total liabilities					1 928 847	1 722 027
Net sales	3 641 195	3 814 584	282 172	4 824	3 923 367	3 819 408
Segment results	1 490 000	1 459 204	157 976	76 482	1 647 976	1 535 686
Undivided expenses					-1 111 701	-1 060 841
Profit from operations					536 275	474 845
Other income					96 003	5 966
Other expenses					-31	0
Financial income/expenses, net					-195 883	-24 471
Profit before taxes					436 364	456 340
Corporate income tax					-46 997	-55 199
Profit after taxes					389 367	401 141
Net profit					389 367	401 141
Other information						
Additions of property plant and equipment and intangible assets	27 591	28 155	0	0	27 591	28 155
Undivided additions					28 119	47 346
Total additions of property plant and equipment and intangible assets					55 710	75 501
Depreciation and amortization	41 209	50 166	0	304	41 209	50 470
Undivided depreciation					57 576	36 842
Total depreciation and amortization					98 785	87 312

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 2017/18 and financial year 2016/17.

	Net sales		Assets	
	2017/18	2016/17	30.09.2017	30.09.2016
	EUR	EUR	EUR	EUR
Americas	2 443 103	2 640 266	657 058	1 164 430
Europe, CIS	1 182 857	1 020 138	593 865	624 217
Asia, Africa, Middle East	297 407	159 004	98 691	147 143
	3 923 367	3 819 408	1 349 614	1 935 790
Unallocated assets	-	-	13 051 455	11 544 575
	3 923 367	3 819 408	14 401 069	13 480 365

Note 8 Bad receivables

	30.09.2017	30.09.2016
	EUR	EUR
Bad receivables	17 185	(8 346)

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

	30.09.2017	30.09.2016
	EUR	EUR
Salaries and social expenses	1 166 504	1 035 940
Bonuses and social expenses	173 016	152 463
	1 339 519	1 188 403

As compared to the period of 3 months of FY 2016/2017, the amount of salaries and related social payments has increased by 12%, which reflects the increase in fixed remuneration for SAF Tehnika employees with critical competencies and increase in the number of the Group's employees.