

SAF Tehnika
Consolidated Interim Report
for Q3 and 9 months
of financial year 2015/16
(July 1, 2015 – March 31, 2016)

TABLE OF CONTENTS

Key data	3
Share and Shareholdings.....	4
Information on management and supervisory board members.....	5
Statement of Board's Responsibility.....	8
Management Report.....	9
Consolidated Statement of Financial Position.....	13
Consolidated Statement of Profit or Loss for 9 month of the financial year 2015/2016.....	14
Consolidated Statement of Profit or Loss for Q3 of the financial year 2015/2016	15
Consolidated cash flow statement for 9 months of the financial year 2015/2016	15
Statement of changes in consolidated equity for the 9 month period ended March 31 2016.....	16
Notes for Interim Report.....	17
Note 1 Customer receivables	17
Note 2 Other current receivables.....	17
Note 3 Inventories.....	17
Note 4 Non-current assets	18
Note 5 Tax liabilities	18
Note 6 Salary related accrued expenses	18
Note 7 Segment information	19
Note 8 Bad receivables.....	21
Note 9Salaries, bonuses and social expenses	21

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.

Legal address:	Ganibu Dambis 24a Riga, LV – 1005 Latvia
Commercial Registry Nr.:	40003474109
VAT Registry Nr.:	LV40003474109
Beginning of financial year:	01.07.2015
End of financial year:	30.06.2016
Phone:	+371 67046840
E-mail:	<u>info@saftehnika.com</u>

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%

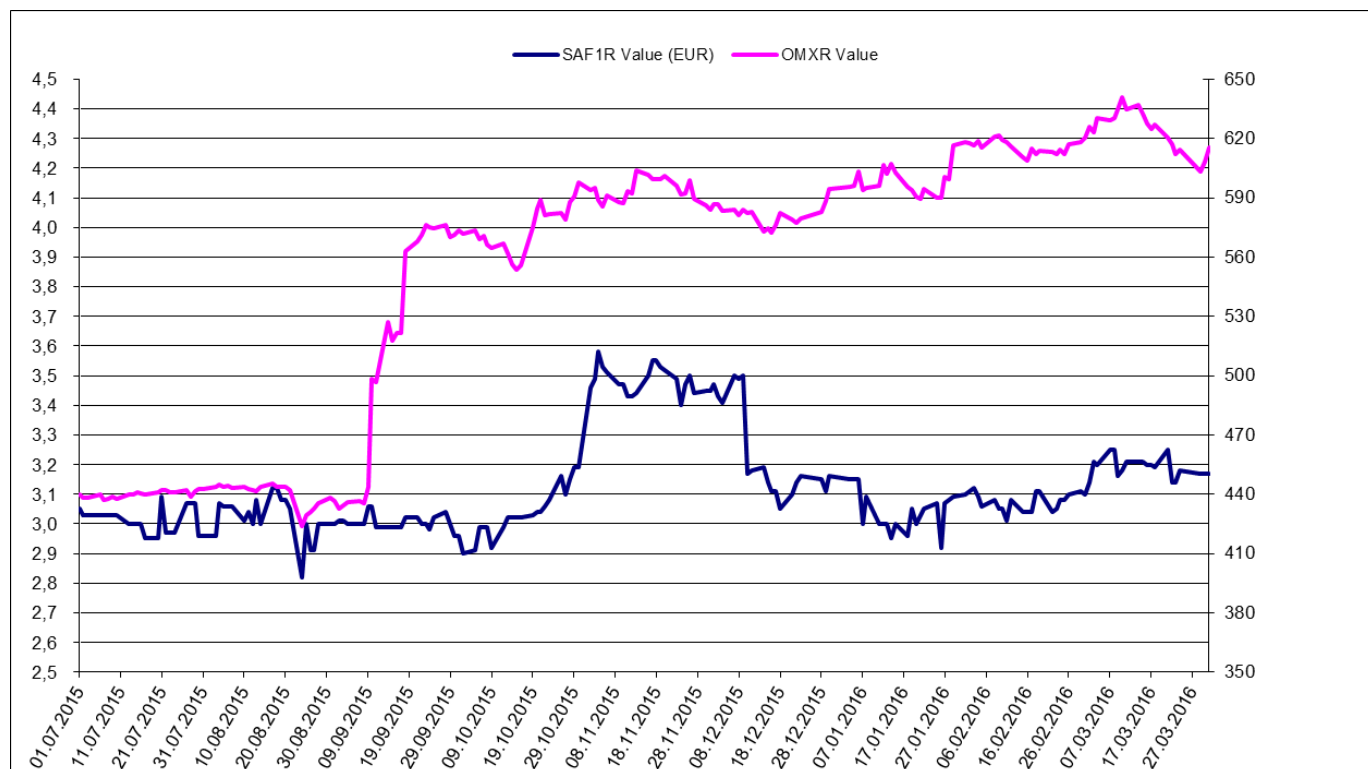
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2015 – March 31, 2016

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 Q3 of the FY 2015/2016, the Group's unaudited consolidated net turnover was 3.03 million EUR, which is by 10%, or 0.2 million EUR, more than in Q3 of the FY 2014/2015, but by 12% less than in Q2 this year.

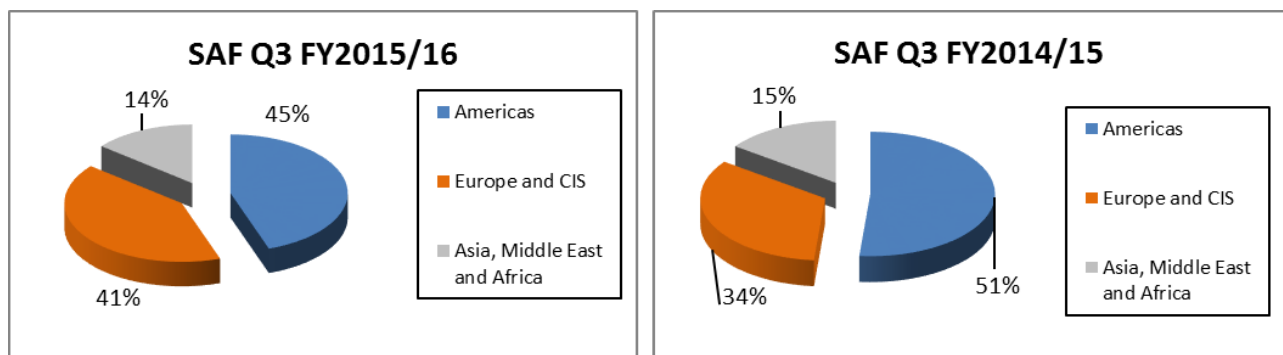
The major part of the turnover in Q3 (45%), or 1.35 million EUR, was made by sales in North/Latin Americas, which is by 38% less than in Q2 this year, when the turnover increase was related to the development of data transmission solutions and products tailored to specific customer needs. This region's result is by 4% worse than in Q3 last year.

The European and CIS region gave 41% of the turnover in Q3. The region's turnover increased by 35% as compared to the same quarter of the previous FY and Q2 this year. The above fluctuations are due to implementation of individual projects.

In the AMEA (Asia, Middle East, Africa) region, revenues of Q3 have exceeded the average level of the previous year, amounting to 14% from the total turnover. That is by 33% more than in the previous quarter, which became possible owing to specific projects.

During Q3, SAF Tehnika participated in 3 exhibitions, including "Telecom Infra" in Rotterdam, Netherlands, and two large-scale exhibitions in North America: "WISP America 2015" in Las Vegas, USA, and TESSCO One show in Phoenix, USA. In Q3 this year, Integra product line trainings were first organized for customers in North America. A company's newsletter is prepared and sent to customers on a regular basis, as well as articles are published in various publications of partners/distributors and trade papers. With the purpose to increase the company's recognition among young specialists, SAF Tehnika participated in Career Days – the annual event organized by Riga Technical University, which attracts a wide range of interested parties.

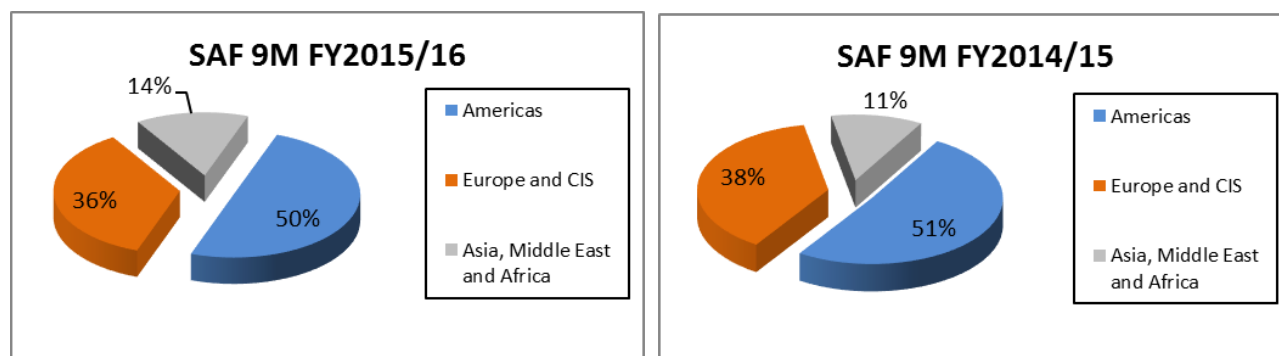
Comparative charts of Q3 revenue breakdown by regions:



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

For 9 months of the FY 2015/2016, the Group's unaudited consolidated turnover was 10 million EUR, which is a 4% increase compared to revenues at the same period of the previous financial year. Revenue from the European and CIS region decreased by 2%, or by 59 thousand EUR. At the same time, revenues from the AMEA (Asia, Middle East, Africa) region show considerable increase (33% increase as compared to 9 months of the FY 2014/2015) amounting up to 1.44 million EUR, thus making 14% from the Group's total turnover within 9 months. Despite a decrease in Q3, North/South Americas (during a period of 9 months) still generate 50% from the total turnover of the Group, which is 5 million EUR, and demonstrate a 2% increase as compared to the result of the first 9 months of the previous financial year.

Comparative charts of sales volumes (within 9 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, and changes in compensation. Revenues of the reporting period were less than planned, which resulted in a negative profit before taxes and interest payments – 61 thousand EUR.

The Group closed Q3 of the FY 2015/2016 with the loss of 251 thousand EUR (unaudited), which is by 697 thousand worse than in Q3 of the previous financial year. The falling USD/EUR exchange rate at the end of March had a negative impact on the Group's activity net result. It should be noted that the biggest EUR/USD rate difference is exactly between the two comparison quarters.

The unaudited consolidated result for 9 months of the FY 2015/2016 is the profit of 353 thousand EUR, which is by 578 thousand less, comparing to the Group's result of 9 months of the previous FY 2014/2015 (the profit of 932 thousand EUR). The profit of 9 months of the previous financial year was largely made by revenues from currency fluctuations – the profit of 425 thousand EUR last year versus the loss of 150 thousand EUR this year.

The Group had a positive net cash flow during 9 months of the FY, equaling to 1.34 million EUR. As of the end of the financial year, the Group's net cash balance was 5.6 million EUR. 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. A demand for SAF products and services was satisfactory and in line with the trends of the previous reporting years, when Q3 showed lower quarterly figures.

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. Such requirements increasingly set the trend for introducing new products, 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 negative, the Board of SAF Tehnika maintains cautious optimism but cannot provide certain prognosis for sales figures and operational results.

On 31 March 2016, the Group numbered 183 employees (there were 172 employees on 31 March 2015).

KEY indicators

	Q3 2015/16	Q3 2014/15	Q3 2013/14
	EUR	EUR	EUR
Net Sales	3 025 455	2 740 935	2 311 882
Earnings before interest, taxes and depreciation (EBITDA)	44 272	318 591	-209 213
<i>share of the turnover %</i>	1%	12%	-9,0%
Profit/loss before interest and taxes (EBIT)	-60 832	219 320	-317 313
<i>share of the turnover %</i>	-2%	8%	-14%
Net Profit	-251 278	446 536	-352 558
<i>share of the turnover %</i>	-8%	16%	-15%
Total assets	12 396 376	12 755 872	11 271 163
Total Owners equity	10 791 338	11 036 919	9 624 778
Return on equity (ROE) %	-2,00%	3,41%	-3,15%
Return on assets (ROA) %	-2,30%	4,12%	-3,60%
Liquidity ratio			
Quick ratio %	353%	339%	215%
Current ratio %	438%	408%	313%
Earnings per share	-0,08	0,15	-0,12
Last share price at the end of period	3,17	2,13	1,90
P/E	13,21	3,87	-10,56
Number of employees at the end of reporting period	183	172	169

Consolidated Statement of Financial Position

As of March 31, 2015

	Note	31.03.2016	31.03.2015
CURRENT ASSETS		EUR	EUR
Cash and bank		5 663 844	5 826 690
Customer receivables	1		
Accounts receivable		1 283 051	1 132 476
Allowance for uncollectible receivables		-46 080	-62 802
Total		1 236 971	1 069 674
Other receivables			
Other current receivables	2	126 901	114 889
Total		126 901	114 889
Prepaid expenses			
Prepaid taxes		145 270	26 815
Other prepaid expenses		108 232	66 543
Total		253 502	93 358
Inventories	3		
Raw materials		909 122	1 358 372
Work-in-progress		2 142 941	2 019 975
Finished goods		1 080 218	1 266 963
Prepayments to suppliers		17 075	32 020
Total		4 149 356	4 677 330
TOTAL CURRENT ASSETS		11 430 574	11 781 941
NON-CURRENT ASSETS			
Long-term financial assets			
Equity-accounted investments		0	1 767
Investments in other companies		2 148	1 188
Long-term receivables	1	4 082	23 615
Deferred income tax		78 266	98 683
Total		84 496	125 253
NON-CURRENT physical assets	4		
Plant and equipment		3 716 552	3 485 346
Other equipment and fixtures		1 889 082	1 865 013
Accumulated depreciation		-4 869 535	-4 716 182
Other long-term assets		2 651	12 555
Total		738 750	646 732
Intangible assets	4		
Purchased licenses, trademarks etc.		142 556	201 946
Total		142 556	201 946
TOTAL NON-CURRENT ASSETS		965 802	973 931
TOTAL ASSETS		12 396 376	12 755 872

LIABILITIES AND OWNERS' EQUITY	Note	31.03.2016	31.03.2015
CURRENT LIABILITIES		EUR	EUR
Debt obligations			
Short-term loans from financial institutions		10 703	9 400
Customer prepayments for goods and services		84 615	121 984
Accounts payable		578 173	629 672
Tax liabilities	5	237 505	291 322
Salary-related accrued expenses	6	607 423	515 283
Provisions for guarantees		21 335	66 297
Deffered income		65 284	84 995
TOTAL CURRENT LIABILITIES		1 605 038	1 718 953
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		353 454	931 938
Currency translation reserve		16 842	-47 367
TOTAL OWNERS' EQUITY		10 791 338	11 036 919
TOTAL LIABILITIES AND OWNERS' EQUITY		12 396 376	12 755 872

Consolidated Statement of Profit or Loss for 9 month of the financial year 2015/2016

	Note	31.03.2016	31.03.2015
		EUR	EUR
Net sales	7	10 007 604	9 597 467
Other operating income		250 598	198 633
Total income		10 258 202	9 796 100
Direct cost of goods sold or services rendered		-4 845 986	-4 801 441
Marketing, advertising and public relations expenses		-372 815	-358 388
Bad receivables	8	-22 645	312 492
Operating expenses		-909 584	-799 937
Salaries and social expenses	9	-2 876 147	-2 543 575
Bonuses and social expenses	9	-343 090	-236 760
Depreciation expense		-311 085	-279 529
Other expenses		26 932	-384 356
Operating expenses		-9 654 420	-9 091 494
EBIT		603 782	704 606
Financial income (except ForEx rate difference)		6 169	2 802
Financial costs (except ForEx rate difference)		-170	-32
Foreign exchange +gain/(loss)		-150 113	427 226
Financial items		-144 114	429 996
Share of profit/(loss) of equity-accounted investees		0	-971
EBT		459 668	1 133 631
Corporate income tax		-106 214	-201 693
Profit after taxes		353 454	931 938
Net profit/(loss)		353 454	931 938

*Earnings per share

EPS 31.03.2016. = 0.12 EUR

EPS 31.03.2015. = 0.31EUR

Consolidated Statement of Profit or Loss for Q3 of the financial year 2015/2016

	31.03.2016	31.03.2015
	EUR	EUR
Net sales	3 025 455	2 740 935
Other operating income	121 195	81 904
Total income	3 146 650	2 822 839
Direct cost of goods sold or services rendered	-1 459 310	-1 016 553
Marketing, advertising and public relations expenses	-143 956	-135 382
Bad receivables	-38 666	367 695
Operating expenses	-339 181	-308 701
Salaries and social expenses	-1 031 784	-934 042
Bonuses and social expenses	-67 012	-112 039
Depreciation expense	-105 104	-99 271
Other expenses	-22 469	-365 226
Operating expenses	-3 207 482	-2 603 519
EBIT	-60 832	219 320
Financial income (except ForEx rate difference)	519	2 242
Financial costs (except ForEx rate difference)	0	-32
Foreign exchange +gain/(loss)	-211 351	188 585
Financial items	-210 832	190 795
Share of profit/(loss) of equity-accounted investees	0	45
EBT	-271 664	410 160
Corporate income tax	20 386	36 376
Net profit/(loss)	-251 278	446 536

*Earnings per share

EPS 31.03.2016. = -0.08 EUR

EPS 31.03.2015. = 0.15 EUR

Consolidated cash flow statement for 9 months of the financial year 2015/2016

	31.03.2016	31.03.2015
	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	416 047	1 773 572
Cash received from customers	9 682 120	11 372 621
Cash paid to suppliers and employees	-9 210 822	-9 727 880
Paid/Received VAT, corporate income tax	-55 251	128 831
NET CASH USED IN INVESTING ACTIVITIES (of which)	1 522 339	-358 441
Investment in equity-accounted investees	0	-132
Cash paid/received for short-term investments	1 893 735	0
Cash paid for purchasing non-current physical assets	-377 743	-358 869
Interest received	6 347	560
NET CASH USED IN FINANCING ACTIVITIES (of which)	-655 008	367 170
Repayment of short-term loans	2 328	182 619
Paid interest	0	-95
Cash received from EU funds	352 525	303 453
Dividends paid	-1 009 861	-118 807
Effects of exchange rate changes	60 173	-38 167
TOTAL CASH FLOW:	1 343 551	1 744 135
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	5 663 844	5 826 690
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	1 343 551	1 744 135

Statement of changes in consolidated equity for the 9 month period ended March 31 2016

Statement of changes in consolidated equity for the 9 months period ended March 31 2016

	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	-	-	-	7 606	-	7 606
Profit for the period	-	-	-	-	353 454	353 454
As at 31 March 2016	4 158 252	2 851 725	8 530	16 842	3 755 989	10 791 338

Notes for interim report

Note 1 Customer receivables

	31.03.2016 EUR	31.03.2015 EUR
Long-term receivables	4 082	23 615
Accounts receivable	1 283 051	1 132 476
Due from joint venture	-	-
Provisions for bad and doubtful accounts receivable	(46 080)	(62 802)
Total short term accounts receivable	1 236 971	1 069 674
Total receivables	1 241 053	1 093 289

As compared to the same balance sheet date of the previous financial year, total receivables increased by 10%, same as the turnover.

Note 2 Other current receivables

	31.03.2016 EUR	31.03.2015 EUR
Other current receivables	126 901	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

	31.03.2016 EUR	31.03.2015 EUR
Raw materials	1 491 627	1 901 508
Allowance for slow-moving items	(582 505)	(543 136)
Work-in-progress	2 142 941	2 019 975
Finished goods	1 080 218	1 266 963
Prepayments to suppliers	17 075	32 020
	4 149 356	4 677 330

As compared to March 31, 2015, total inventories decreased by 11 %. With the decrease in volumes of Finished goods, there is an increase in Work-in-progress 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

	31.03.2016	31.03.2015
	EUR	EUR
Plant and equipment	3 716 552	3 485 346
Other equipment and fixtures	1 889 082	1 865 013
Accumulated depreciation	(4 869 535)	(4 716 182)
Other long term assets	2 651	12 555
	738 750	646 732
Purchased licenses, trademarks etc.	142 556	201 946
	142 556	201 946

During 9 months of FY 2015/2016, the Group acquired fixed assets and intangible assets in the amount of 378 thousand euros – mainly, in order to ensure production and testing processes, as well as to acquire office equipment.

Note 5 Tax liabilities

	31.03.2016	31.03.2015
	EUR	EUR
Tax liabilities	237 505	291 322

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

	31.03.2016	31.03.2015
	EUR	EUR
Salary-related accrued expenses	607 423	515 283

The total amount of salary-related settlement increased by 18% as compared to 31.03.2015, 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 9 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	5 575 672	5 341 089	1 121 138	1 384 870	6 696 810	6 725 959
Undivided assets					5 699 566	6 029 913
Total assets					12 396 376	12 755 872
Segment liabilities	893 540	889 728	83 404	143 008	976 944	1 032 736
Undivided liabilities					628 094	686 217
Total liabilities					1 605 038	1 718 953
Net sales	8 370 011	6 652 767	1 637 593	2 944 700	10 007 604	9 597 467
Segment results	2 040 066	2 135 663	1 201 058	808 542	3 241 124	2 944 205
Undivided expenses					-2 887 940	-2 239 599
Profit from operations					353 184	704 606
Other income					250 598	2 802
Other expenses					-170	-32
Financial income/expenses, net					-143 944	427 226
Share of profit/(loss) of equity-accounted investees					0	-971
Profit before taxes					459 668	1 133 631
Corporate income tax					-106 214	-201 693
Profit after taxes					353 454	931 938
Net profit					353 454	931 938
Other information						
Additions of property plant and equipment and intangible assets	281 350	130 136	7 600	0	288 950	130 136
Undivided additions					112 256	247 322
Total additions of property plant and equipment and intangible assets					401 206	377 458
Depreciation and amortization	153 883	116 525	158	93	154 041	116 618
Undivided depreciation					157 044	162 911
Total depreciation and amortization					311 085	279 529

b) This note provides information about division of the Group's turnover and assets by geographical regions (customer location) for 9 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	4 998 093	4 885 638	523 459	578 327
Europe, CIS	3 565 589	3 624 650	472 826	361 175
Asia, Africa, Middle East	1 443 923	1 087 179	244 768	153 787
	10 007 604	9 597 467	1 241 053	1 093 289
Unallocated assets	-	-	11 155 323	11 662 583
	10 007 604	9 597 467	12 396 376	12 755 872

Note 8 Bad receivables

	31.03.2016	31.03.2015
	EUR	EUR
Bad receivables	<u>(22 645)</u>	<u>312 492</u>

The total amount of bad receivables as of the end of the period has decreased. The major change is related to writing off bad receivables in the amount of 341 thousand EUR as irretrievable losses in the previous financial year.

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

	31.03.2016	31.03.2015
	EUR	EUR
Salaries and social expenses	2 876 147	2 543 575
Bonuses and social expenses	343 090	236 760
	<u>3 219 237</u>	<u>2 780 335</u>

Salaries and social expenses, in comparison with the 9 months period of the previous financial year increased by 16% 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.