

SAF Tehnika A/S
Consolidated Interim Report
for Q3 and 9 month of financial year 2018/2019
(July 1, 2018 – March 31, 2019)

TABLE OF CONTENTS

KEY DATA	3
Share and Shareholdings	4
Information on Management and Supervisory Board members	5
Information on professional and educational background of the management board members	6
Information on professional and educational background of the supervisory council members	8
Statement of Board's Responsibilities	10
Management Report.....	11
Consolidated Statement of Financial Position	15
Consolidated Statement of Profit or Loss for 9 month of the financial year 2018/2019	17
Consolidated cash flow statement for 9 months of the financial year 2018/2019	19
Statement of changes in consolidated equity for the 9 month period ended March 31, 2019	19
Note 1 Customer receivables	20
Note 2 Other current receivables	20
Note 3 Inventories	20
Note 4 Operating lease – assets and liabilities	21
Note 5 Non-current, intangible assets	21
Note 6 Tax liabilities.....	21
Note 7 Salary-related accrued expenses	22
Note 8 Segment information	23
Note 9 Bad receivables	25
Note 10 Salaries, bonuses and social expenses.....	25

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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Beginning of financial year:	01.07.2018
End of financial year:	30.06.2019
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Share and Shareholdings

SAF Tehnika shareholders (over 5%) as of 09.11.2018.

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 (inheritance estate)	6.08%

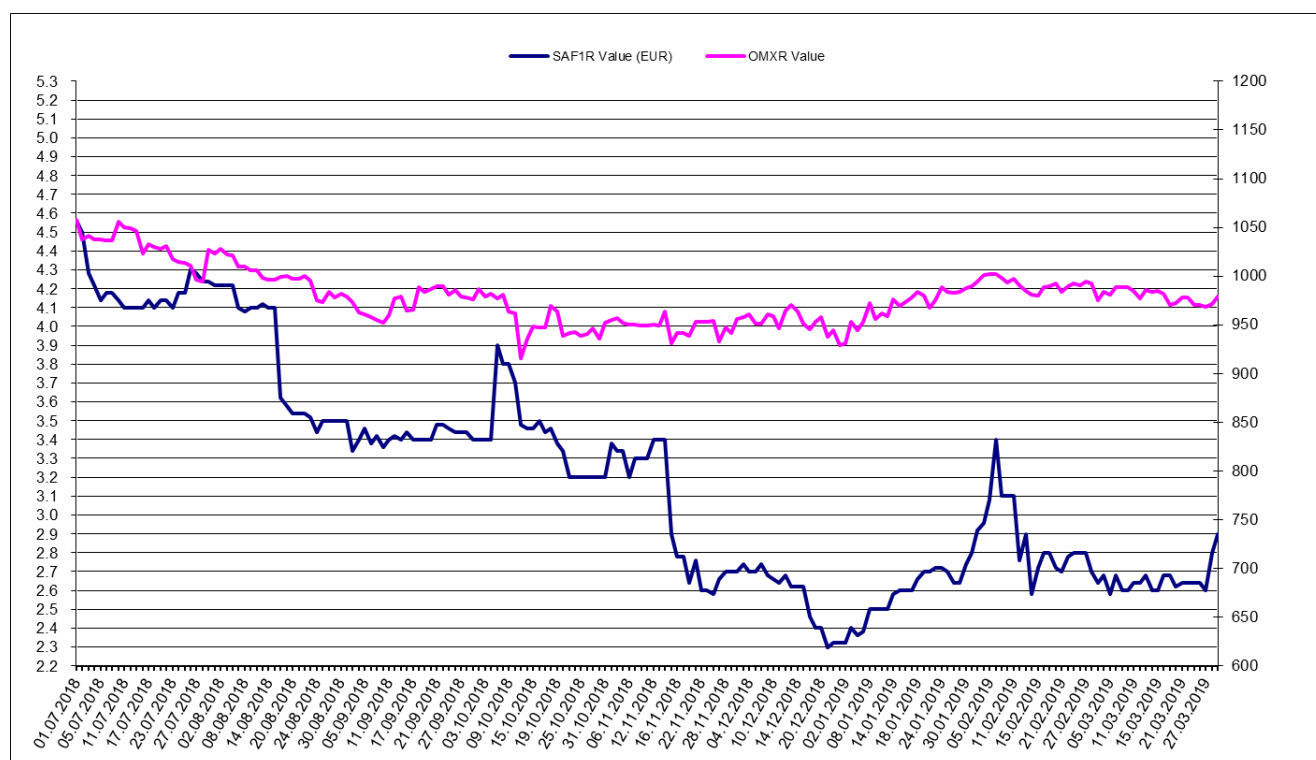
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2018 – March 31, 2019

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 (%)
Juris Zieme	Chairman	owns 8.71% of shares
Andrejs Grisans	Vice-Chairman	owns 10.03% of shares
Ivars Senbergs	Member	owns 2 shares
Aira Loite	Member	owns 7700 shares
Sanda Salma	Member	owns no shares

Information on professional and educational background of the management board members

Normunds Bergs, 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, 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, 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, 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

Juris Zieme, co-founder of the Company, is 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, co-founder of the Company, is Vice-Chairman of the Supervisory Council and Production Department Manager. 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. 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. Mr. Grisans has graduated Riga Technical University with a degree in radio engineering in 1980.

Ivars Šenbergs, 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. Mr. Šenbergs has graduated Faculty of Law, University of Latvia in 1986.

Aira Loite, Member of the Supervisory Council, since 2016 is Chief Financial Officer at Torgy Mek Group's and at the same time (since May 2018) also Director of SIA "Torgy Baltic" Ltd. From 2007 to 2015 she has been the Member of the Board of JSC "SAF Tehnika" and Director of Finance and Administration, and Managing Director since the end of 2011. From 2006 to 2007 she was Director of Business Information and Control Division at Lattelecom. From 2000 to 2006 she was a Member of the Board of Microlink Latvia and Head of Finance and Administration. A. Loite has graduated the University of Latvia in 1988 and holds Bachelor degree in Mathematics and MBA from Salford University, UK, obtained in 2009.

Sanda Šalma, Member of the Supervisory Council, employed by Microsoft Latvia, currently Small and Medium Business Lead for Baltic countries. From 2010 to 2012 worked for a developer

company RIX Technologies, participated in the work group of Latvian IT Cluster. From 2008 to 2010 was Citizenship & Education Project Lead at Microsoft Latvia. From 2000 to 2006 she was Sales Account Manager at Baltic Transshipment Center sales in Baltics and St. Petersburg. She has graduated The University of St.Petersburg and holds BSc in Psychology and MBA from RISEBA and Salford University, UK.

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 March, 2019 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, 2018.

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

The Group's unaudited consolidated net turnover of the third quarter (Q3) of the FY 2018/2019 was 3.65 million euros, which is by 25% more than in Q3 of the FY 2017/2018.

The turnover in North/Latin Americas was 66% or 2.4 million euros. Compared with the turnover of the same quarter last financial year, the region's turnover increased by 40%. It is the highest quarterly turnover since the beginning of the previous fiscal year (FY 2017/2018).

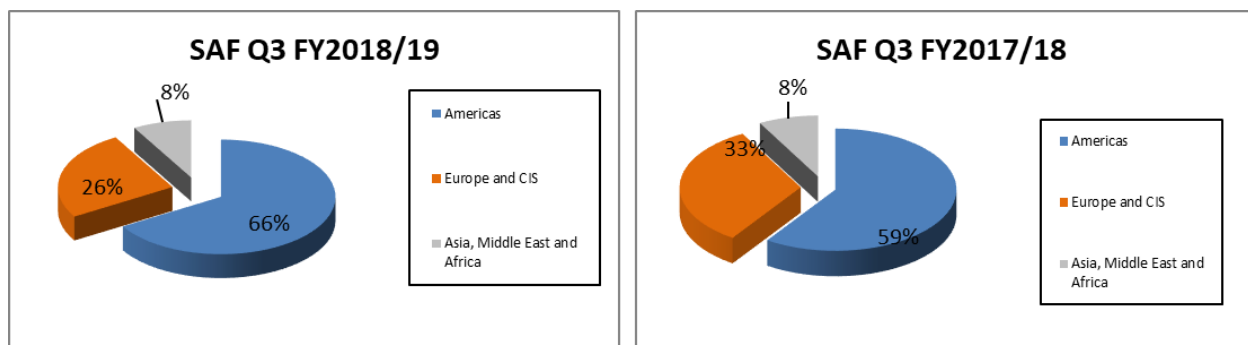
Sales in the European and CIS region is 25%, or 926 thousand euros, which is equivalent to the result of the Q3 of the previous financial year.

The AMEA (Asia, Middle East, Africa) region had a turnover of 8%, or 0.3 million. Compared with the same quarter last FY, the region's turnover increased by 30%.

During the reporting period, SAF Tehnika participated in a series of industry exhibitions, including the WISPAmerica trade fair in Cincinnati, USA, and Asia's largest telecommunications exhibition Telecoms World Asia, which took place in Bangkok, Thailand. SAF Tehnika had the Aranet booth at the horticulture exhibition Horticonact GO in the Netherlands.

SAF Tehnika continues to expand its product range. In early March, a new microwave radio product – Integra E – with a data transfer rate of up to 10 Gbps was put on sale. The product is designed for customers who require high data rates, such as wireless internet service providers. The announcement of the product was followed by an extensive marketing campaign in e-mails, social networks, homepage, blog and other channels. In addition, SAF Tehnika continues to develop the group of Aranet products. As the biggest news, Aranet4 (<https://aranet4.com/>) can be mentioned – an indoor air quality monitoring tool designed for both home users and as an integrated solution for business customers. Aranet4 measures CO₂ (and notifies when its level in the room is exceeded), temperature, relative humidity and atmospheric pressure.

Comparative charts of Q3 sales volumes by regions:

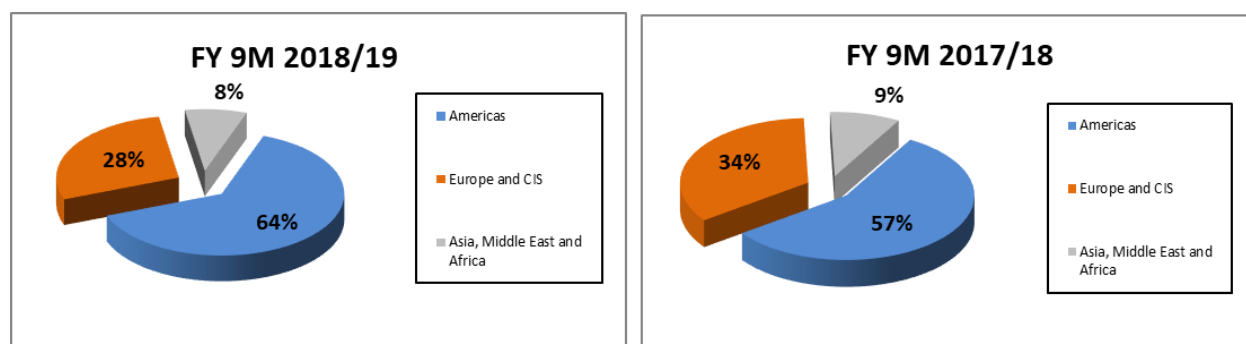


During the reporting quarter, the Group sold its products in 54 countries.

The Group's unaudited consolidated turnover for the 9-month period of the FY 2018/2019 was 10.61 million euros, which is a 2% rise compared to the revenues of the same period in the previous financial year.

During the 9-month period, revenues in North/Latin Americas represented 64% of the total Group's turnover and amounted to 6.8 million euros, thus demonstrating a 14% increase against the results of 9 months of the previous financial year. Revenues from the European and CIS countries represented 28% of the total turnover, having decreased by 17%, or 590 thousand euros, against the previous year. Last year's successful results in the region were related to the development of a data transmission solution tailored to customer-specific needs. Revenues from the AMEA (Asia, Middle East, Africa) region decreased by 6%, or 58 thousand euros, thus making 8% of the Group's total 9-month turnover.

Comparative charts of 9-month sales volumes by region:



The Group's expenditures did not exceed the planned levels, but were generally higher than during this period a year ago, due to investments in existing and new market segments to promote sales. The group continues to invest in designing of new products and product modifications.

The Group finished the Q3 of the FY 2018/2019 with losses of 22 thousand euros (unaudited). The net result of the Group's activities was positively influenced by the USD / EUR exchange rate. There was a loss of 353 thousand EUR in the third quarter of the previous year.

The unaudited consolidated result for the 9-month period of the FY 2018/2019 is loss of 512 thousand euros. The Group's result of 9 months of the previous FY 2017/2018 was a loss of 222 thousand euros.

During 9 months of the financial year, the Group had a positive net cash flow equaling to 1.1 million euros. The Group's net cash balance was 4.2 million euros at the end of the period.

In Q3 of the FY 2018/2019, 166 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, however, competition is increasing, especially in the segment of standard equipment.

There is still an increase in demand for radio systems that provide enhanced data transmission rate and can be enhanced or updated in order to increase data transmission capacity.

Guidelines

SAF Tehnika is the company with long-standing experience and expertise in microwave radio development and production.

The Group continues to explore market demand and problematic issues in order to be able to provide necessary product modifications, as well as continues investments in product development, increasingly focusing on the diversification of its product portfolio.

The Company's goal is to stabilize sales levels to ensure a positive net result in the long term. The Board of SAF Tehnika retains caution and refrains from making certain predictions regarding future sales volumes and financial results.

On 31 March 2019, the Group had 194 employees (there were 192 employees on 31 March 2018).

KEY indicators

	Q3 2018/19	Q3 2017/18	Q3 2016/17
	EUR	EUR	EUR
Net Sales	3,652,233	2,915,722	3,776,193
Earnings before interest, taxes and depreciation (EBITDA)	85,726	-165,350	499,750
<i>share of the turnover %</i>	2%	-6%	13.2%
Profit/loss before interest and taxes (EBIT)	-81,840	-257,477	408,446
<i>share of the turnover %</i>	-2%	-9%	11%
Net Profit	-21,801	-352,667	324,081
<i>share of the turnover %</i>	-1%	-12%	9%
Total assets	13,759,190	10,981,525	13,949,869
Total Owners equity	9,367,356	9,862,838	11,499,916
Return on equity (ROE) %	-0.17%	-2.96%	2.37%
Return on assets (ROA) %	-0.23%	-3.51%	2.86%
Liquidity ratio			
<i>Quick ratio %</i>	131%	349%	222%
<i>Current ratio %</i>	187%	443%	298%
Earnings per share	-0.01	-0.12	0.11
Last share price at the end of period	2.90	3.95	3.95
P/E	-17.06	32.92	6.81
Number of employees at the end of reporting period	194	192	192

Consolidated Statement of Financial Position

	Note	31.03.2019	31.03.2018
CURRENT ASSETS		EUR	EUR
Cash and bank		4 218 900	3 902 961
Customer receivables	1		
Accounts receivable		1 441 743	952 930
Allowance for uncollectible receivables		-25 237	-19 792
Total		1 416 506	933 138
Other receivables			
Other current receivables	2	17 860	115 163
Short-term operating lease	4	238 412	0
Short-term loans		102 359	0
Total		358 630	115 163
Prepaid expenses			
Prepaid taxes		159 573	98 757
Other prepaid expenses		202 128	240 378
Total		361 701	339 135
Inventories	3		
Raw materials		1 588 908	1 175 171
Work-in-progress		1 962 007	2 119 764
Finished goods		1 755 747	1 474 183
Prepayments to suppliers		110 913	27 076
Total		5 417 575	4 796 194
TOTAL CURRENT ASSETS		11 773 313	10 086 591
NON-CURRENT ASSETS			
Long-term financial assets			
Long-term operating lease	4	1 180 973	0
Investments in other companies		8 106	8 106
Long-term receivables	1	1 633	2 177
Total		1 190 712	10 283
NON-CURRENT physical assets	5		
Plant and equipment		4 219 981	4 043 112
Other equipment and fixtures		1 997 211	1 955 360
Accumulated depreciation		-5 548 504	-5 269 556
Unfinished renovation works		0	0
Other long-term assets		560	1 718
Total		669 248	730 634
Intangible assets	5		
Purchased licenses, trademarks etc.		125 917	151 744
Other long-term intangible assets		0	2 273
Total		125 917	154 017
TOTAL NON-CURRENT ASSETS		1 985 877	894 934
TOTAL ASSETS		13 759 190	10 981 525

LIABILITIES AND OWNERS' EQUITY	Note	31.03.2019	31.03.2018
CURRENT LIABILITIES		EUR	EUR
Debt obligations			
Short-term loans from financial institutons		104	65
Customer prepayments for goods and services		384 593	13 596
Accounts payable		1 234 926	468 989
Accrued short-term operating lease liabilities	4	242 137	0
Tax liabilities	6	173 645	107 736
Salary-related accrued expenses	7	859 117	429 149
Provisions for guarantees		11 184	6 294
Deffered income		305 154	92 858
TOTAL CURRENT LIABILITIES		3 210 861	1 118 687
Accrued long-term operating lease liabilities	4	1 180 973	0
TOTAL NON-CURRENT LIABILITIES		1 180 973	0
TOTAL LIABILITIES		4 391 834	1 118 687
OWNERS' EQUITY			
Share capital		4 158 252	4 158 252
Paid in capital over par		2 851 726	2 851 726
Other reserves		8 530	8 530
Retained earnings		2 855 657	3 074 985
Net profit for the financial year		-511 983	-221 721
Currency translation reserve		5 174	-8 934
TOTAL OWNERS' EQUITY		9 367 356	9 862 838
TOTAL LIABILITIES AND OWNERS' EQUITY		13 759 190	10 981 525

Consolidated Statement of Profit or Loss for 9 month of the financial year 2018/2019

	Note	31.03.2019	31.03.2018
		EUR	EUR
Net sales	8	10 612 607	10 410 602
Other operating income		32 975	269 919
Total income		10 645 582	10 680 521
Direct cost of goods sold or services rendered		-4 974 587	-4 473 017
Marketing, advertising and public relations expenses		-537 897	-479 171
Bad receivables	9	-8 755	14 059
Operating expenses		-927 464	-1 077 607
Salaries and social expenses	10	-3 805 694	-3 694 711
Bonuses and social expenses	10	-631 631	-462 271
Depreciation expense		-290 516	-288 016
Amortization of operating lease		-74 483	0
Other expenses		-30 615	-30 221
Operating expenses		-11 281 642	-10 490 955
EBIT		-636 060	189 566
Financial income (except ForEx rate difference)		22 405	16 041
Financial costs (except ForEx rate difference)		-9 016	-36
Foreign exchange +gain/(loss)		117 425	-340 954
Financial items		130 814	-324 949
EBT		-505 246	-135 383
Corporate income tax		-6 737	-86 338
Profit after taxes		-511 983	-221 721
Net profit/(loss)		-511 983	-221 721

*Earnings per share

EPS 31.03.2019. = -0.17 EUR

EPS 31.03.2018. = -0.07 EUR

Consolidated Statement of Profit or Loss for Q3 of the financial year 2018/2019

	31.03.2019	31.03.2018
	EUR	EUR
Net sales	3 652 233	2 915 722
Other operating income	7 612	72 660
Total income	3 659 845	2 988 382
Direct cost of goods sold or services rendered	-1 567 522	-1 307 334
Marketing, advertising and public relations expenses	-164 342	-122 129
Bad receivables	-4 692	11 307
Operating expenses	-273 374	-388 396
Salaries and social expenses	-1 315 544	-1 257 642
Bonuses and social expenses	-240 766	-81 888
Depreciation expense	-93 083	-92 127
Amortization of operating lease	-74 483	0
Other expenses	-7 879	-7 651
Operating expenses	-3 741 685	-3 245 859
EBIT	-81 840	-257 477
Financial income (except ForEx rate difference)	9 757	4 795
Financial costs (except ForEx rate difference)	-9 014	-4
Foreign exchange +gain/(loss)	66 033	-98 189
Financial items	66 776	-93 398
EBT	-15 064	-350 875
Corporate income tax	-6 737	-1 793
Net profit/(loss)	-21 801	-352 668

*Earnings per share

EPS 31.03.2019. = -0.01 EUR

EPS 31.03.2018. = -0.12 EUR

Consolidated cash flow statement for 9 months of the financial year 2018/2019

	31.03.2019	31.03.2018
	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	1 241 937	-770 316
Cash received from customers	13 088 346	11 796 863
Cash paid to suppliers and employees	-12 033 524	-12 489 081
Paid/Received VAT, corporate income tax	187 115	-78 098
NET CASH USED IN INVESTING ACTIVITIES (of which)	-253 829	-198 496
Cash paid for purchasing shares in subsidiary	0	-5 958
Cash paid for purchasing non-current physical assets	-272 733	-208 562
Interest received	18 904	16 024
NET CASH USED IN FINANCING ACTIVITIES (of which)	197 742	-1 702 171
Short-term loans	120 160	0
Repayment of short-term loans	-9	-10 332
Cash received from EU funds	77 591	298 182
Dividends paid	0	-1 990 021
Effects of exchange rate changes	-90 950	65 556
TOTAL CASH FLOW:	1 094 900	-2 605 427
Cash and cash equivalents as at the beginning of period	3 124 000	6 508 388
Cash and cash equivalents as at the end of period	4 218 900	3 902 961
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	1 094 900	-2 605 427

Statement of changes in consolidated equity for the 9 month period ended March 31, 2019

	Share capital	Share premium	Other reserves	Currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
As at 30 June 2017	4 158 252	2 851 726	8 530	5 207	5 065 006	12 088 721
Dividend relating to 2016/2017	-	-	-	-	-1 990 021	-1 990 021
Currency translation difference	-	-	-	-3 195	-	-3 195
Profit for the year	-	-	-	-	-219 328	-219 328
As at 30 June 2018	4 158 252	2 851 726	8 530	2 012	2 855 657	9 876 177
Currency translation difference	-	-	-	3 162	-	3 162
Profit for the period	-	-	-	-	-511 983	-511 983
As at 31 March 2019	4 158 252	2 851 726	8 530	5 174	2 343 674	9 367 356

Notes for interim report

Note 1 Customer receivables

	31.03.2019	31.03.2018
	EUR	EUR
Long-term receivables	1 633	2 177
Accounts receivable	1 441 743	952 930
Provisions for bad and doubtful accounts receivable	(25 237)	(19 792)
Total short term accounts receivable	1 416 506	933 138
Total receivables	1 418 139	935 315

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

Note 2 Other current receivables

	31.03.2019	31.03.2018
	EUR	EUR
Other current receivables	17 860	115 163

Other current receivables include the amounts of calculated co-financing from Investment and Development Agency of Latvia (LIAA) for export and competitiveness projects. In 2018, the item included funding for the development project administered by the competence center "LEO Pētījumu centrs".

Note 3 Inventories

	31.03.2019	31.03.2018
	EUR	EUR
Raw materials	2 214 466	1 800 039
Allowance for slow-moving items	(625 558)	(624 868)
Work-in-progress	1 962 007	2 119 764
Finished goods	1 755 747	1 474 183
Prepayments to suppliers	110 913	27 076
	5 417 575	4 796 194

As compared to 31 March 2018, total inventories increased by 12%.

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 Operating lease – assets and liabilities

	31.03.2019	31.03.2018
	EUR	EUR
Short-term operating lease	238 412	-
Long-term operating lease	1 180 973	-
	1 419 385	-
Accrued short-term operating lease liabilities	242 137	-
Accrued long-term operating lease liabilities	1 180 973	-
	1 423 110	-

As a result of implementing IFRS 16 “Leases”, the Group has made estimates in connection with the concluded operating lease contracts, assuming that it will continue to lease the premises the next 5 (five) years in accordance with the concluded contracts on the lease of the premises.

Note 5 Non-current, intangible assets

	31.03.2019	31.03.2018
	EUR	EUR
Plant and equipment	4 219 981	4 043 112
Other equipment and fixtures	1 997 211	1 955 360
Accumulated depreciation	(5 548 504)	(5 269 556)
Other long term assets	560	1 718
	669 248	730 634
Purchased licenses, trademarks etc.	125 917	151 744
Other long-term intangible assets	-	2 273
	125 917	154 017
Total non-current, intangible assets	795 165	884 651

During Q3, the Group acquired fixed assets and intangible assets in the amount of 166 thousand euros – mainly, in order to ensure production and testing processes, as well as to acquire office equipment.

Note 6 Tax liabilities

	31.03.2019	31.03.2018
	EUR	EUR
Tax liabilities	173 645	107 736

The increase in the balance sheet is related to the fact that in the previous period wages for March were paid in March. In the reporting period, March salary costs carried out in April.

Note 7 Salary-related accrued expenses

	31.03.2019	31.03.2018
	EUR	EUR
Salary-related accrued expenses	<u>859 117</u>	<u>429 149</u>

The increase in the balance sheet is related to the fact that in the previous period wages for March were paid in March. In the reporting period, March salary costs carried out in April.

Note 8 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 2018/19 and financial year 2017/18.

	CFM; CFIP; FreeMile		Other		Total	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
	EUR	EUR	EUR	EUR	EUR	EUR
Segment assets	6 997 201	5 769 596	1 253 706	1 258 824	8 250 907	7 028 420
Undivided assets					5 508 283	3 953 105
Total assets					13 759 190	10 981 525
Segment liabilities	1 815 136	632 322	180 644	41 361	1 995 780	673 683
Undivided liabilities					2 396 054	445 004
Total liabilities					4 391 834	1 118 687
Net sales	9 677 669	9 752 880	934 938	657 722	10 612 607	10 410 602
Segment results	3 097 935	3 200 691	476 947	361 650	3 574 882	3 562 341
Undivided expenses					-4 243 917	-3 642 694
Profit from operations					-669 035	-80 353
Other income					32 975	269 919
Financial income (except ForEx rate difference)					22 405	16 041
Financial costs (except ForEx rate difference)					-9 016	-36
Foreign exchange +gain/(loss)					117 425	-340 954
Profit before taxes					-505 246	-135 383
Corporate income tax					-6 737	-86 338
Profit after taxes					-511 983	-221 721
Net profit					-511 983	-221 721
Other information						
Additions of property plant and equipment and intangible assets	134 830	160 240	0	0	134 830	160 240
Undivided additions					152 717	162 757
Total additions of property plant and equipment and intangible assets					287 547	322 997
Depreciation and amortization	145 800	164 022	0	0	145 800	164 022
Undivided depreciation					144 716	123 994
Total depreciation and amortization					290 516	288 016

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 2018/19 compared to the same period of financial year 2017/18.

	Net sales		Assets	
	2018/19	2017/18	31.03.2019	31.03.2018
	EUR	EUR	EUR	EUR
Americas	6 757 648	5 905 891	968 594	547 424
Europe, CIS	2 986 864	3 578 506	301 735	325 130
Asia, Africa, Middle East	868 094	926 206	147 810	62 761
	10 612 607	10 410 602	1 418 139	935 315
Unallocated assets	-	-	12 341 051	10 046 210
	10 612 607	10 410 602	13 759 190	10 981 525

Note 9 Bad receivables

	31.03.2019	31.03.2018
	EUR	EUR
Bad receivables	<u>(8 755)</u>	<u>14 059</u>

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 10 Salaries, bonuses and social expenses

	31.03.2019	31.03.2018
	EUR	EUR
Salaries and social expenses	3 805 694	3 694 711
Bonuses and social expenses	631 631	462 271
	<u>4 437 325</u>	<u>4 156 982</u>

As compared to the period of 9 months of FY 2017/2018, the amount of salaries and related social payments has increased by 3%, which reflects the changes in staff composition (employees with critical competencies).