

SAF Tehnika A/S
Consolidated Interim Report
for Q3 and 9 month of financial year 2019/2020
(July 1, 2019 – March 31, 2020)

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 2019/2020.....	17
Consolidated cash flow statement for 9 months of the financial year 2019/2020.....	19
Statement of changes in consolidated equity for the 9 month period ended March 31, 2020.....	19
Note 1 Customer receivables	20
Note 2 Other current receivables	20
Note 3 Inventories.....	20
Note 4 Non-current, intangible assets.....	21
Note 5 Operating lease liabilities.....	21
Note 6 Salary-related accrued expenses	21
Note 7 Segment information.....	21
Note 8 Bad receivables	24
Note 9 Salaries, bonuses and social expenses.....	24

KEY DATA

SAF Tehnika (hereinafter – the Group) is a manufacturer of wireless data transmission equipment. The company’s activities can be divided into three categories:

- Digital microwave radio equipment for voice and data transmission;
- Microwave spectrum analyzers and signal generators;
- Wireless sensor network solutions for environmental monitoring.

The company’s 20 years of experience and knowledge have enabled it to develop a number of innovations, including the launch of the world’s smallest microwave spectrum analyzers to the market – the Spectrum Compact series, as well as the introduction of wireless sensor network solutions – the Aranet brand.

SAF Tehnika products are found in more than 130 countries worldwide. The company has a total of 200 employees, most of them are considered to be leading experts in their field not only locally, but also globally.

The company’s products are used by both the public and private sectors in areas such as mobile communications, internet service providing, industrial production, finance, horticulture, media and many others.

The company’s activities are based on the concern for the highest quality, customer-focused business philosophy and openness.

Currently, the Group consists of the joint stock company registered in Latvia – AS SAF Tehnika (hereinafter – the Parent company), and subsidiaries “SAF North America” LLC and “SAF Services” LLC wholly owned by the Parent company. Both subsidiaries are established in the US and operate in Denver, Colorado. AS SAF Tehnika is a public joint stock company established under applicable law of the Republic of Latvia. Shares of AS SAF Tehnika are listed on Nasdaq Riga Stock Exchange.

Legal address:	Ganību dambis 24a Rīga, LV-1005 Latvija
Commercial Registry Nr.:	40003474109
VAT Registry Nr.:	LV40003474109
Beginning of financial year:	01.07.2019
End of financial year:	30.06.2020
Phone:	+371 67046840
E-mail:	info@saftehnika.com

Share and Shareholdings

SAF Tehnika shareholders (over 5%) as of 30.06.2019.

Shareholder	Ownership interest (%)
Didzis Liepkalns	17.05%
SIA „Koka zirgs”	10.75%
Andrejs Grišāns	10.03%
Normunds Bergs	9.74%
Juris Ziema	8.71%

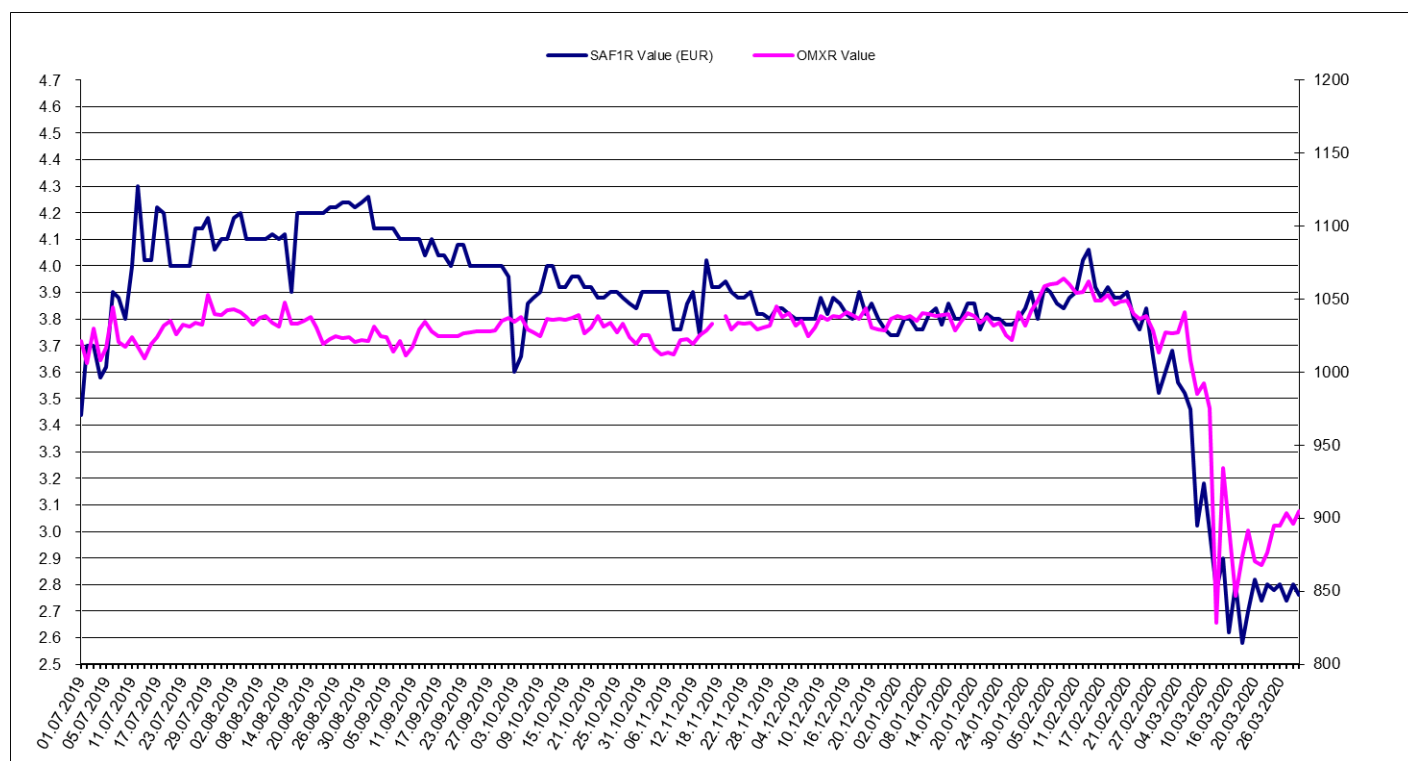
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2019 – March 31, 2020

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, 2020 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, 2019.

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 for the third quarter of the financial year 2019/2020 was EUR 4.52 million, which is 24% more than in the third quarter of the financial year 2018/2019.

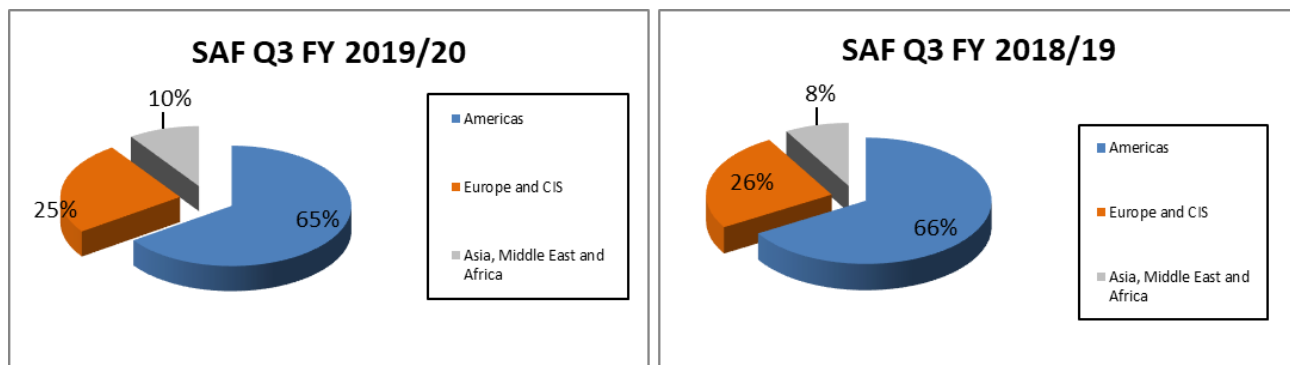
The turnover in North and Latin Americas was 65% or EUR 2.95 million. Compared to the turnover of the same quarter last financial year, the region's turnover has increased by 22%.

The turnover in Europe and CIS countries amounts to 25 % or EUR 1.13 million, which is 25% more than the volume of the third quarter of the previous financial year. The AMEA (Asia, Middle East, Africa) region had a turnover of 10% or EUR 435 thousand. It is up by 44% compared with the turnover of the same quarter last financial year.

In the third quarter of the financial year, SAF Tehnika participated in Distributech Exhibition (USA). The Aranet brand was presented at Saudi IoT exhibition dedicated to the Internet of things in Saudi Arabia, as well as at the horticulture specialized exhibition Horticonact GO in the Netherlands. SAF Tehnika also participated in RTU Career Days in Ķīpsala, Riga. During the quarter, the Group created a separate website dedicated to the Spectrum Compact product line: www.spectrumcompact.com

Since the beginning of March, due to the global COVID-19 pandemic, participation in all subsequent events has been canceled.

Comparative charts of Q3 sales volumes by regions:



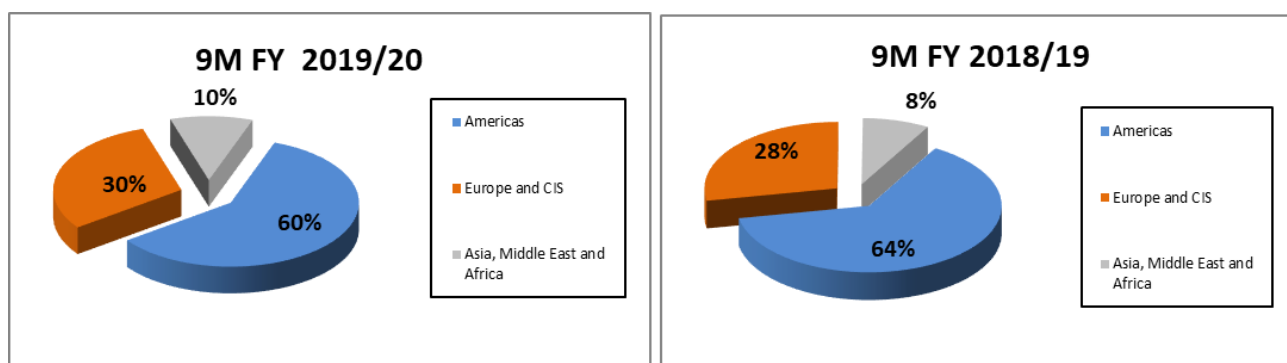
The Group sold its products to 54 countries during the reporting quarter.

The Group's unaudited consolidated turnover for the 9-month period of the financial year 2019/2020 was EUR 13.23 million, which is 25% more than the amount of revenue in the same period in the previous financial year.

During the 9-month period, revenues in North and Latin Americas represented 59% of the total Group's turnover and amounted to EUR 7.86 million, thus demonstrating a 16% increase

against the results of 9 months of the previous financial year. Revenue from the European and CIS countries represented 30% of the total turnover, having increased by 34% against 9 months of the previous year, and amounted to EUR 3.99 million. Revenue from the AMEA (Asia, Middle East, Africa) region has increased by 59% or EUR 511 thousand, thus making 11% of the Group’s total turnover.

Comparative charts of 9-month sales volumes by regions:



The Group’s expenditures did not exceed the planned volumes, but were generally higher than in the same period a year earlier, due to wage growth, investments to increase sales in existing and new market segments. The Group continues to invest in the development of new products and modification of existing products.

The Group ended the third quarter of the financial year 2019/2020 with a profit of EUR 158 thousand (unaudited). The result of the Q3 of the previous year was a loss of EUR 22 thousand. The USD/EUR exchange rate also positively affected the net result of the Group’s activities. Assessing the risks of receivables in the context of a global pandemic, additional provision for insecure debts has been made.

The unaudited consolidated result for the 9-month period of the financial year 2019/2020 is profit of EUR 610 thousand. The Group’s result of 9 months in the previous financial year 2018/2019 was a loss of EUR 511 thousand.

The Group’s net cash flow for the 9-month period of the financial year was positive – EUR 1.14 million. The Group’s net cash balance was EUR 3.76 million at the end of the period. In the third quarter of the financial year 2019/2020, EUR 59 thousand were invested in acquisition of fixed assets.

Market Overview

There has been no rapid change in the microwave radio market over the last quarter. However, at the end of the quarter, the World Health Organization announced the global COVID-19 pandemic. We believe that changes in the microwave radio market are not expected in the near term,

but, in the longer term, there may be certain customer segments that could reconsider investment volumes in network construction. SAF regularly works with all clients to identify and minimize risks in a timely manner, as well as works with IoT segment solutions in order to diversify SAF Tehnika product portfolio.

There is still an increase in demand for radio systems that provide enhanced data transfer rates.

Guidelines

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

During the Covid-19 pandemic, all offices and the manufacturing facility of SAF Tehnika are operating normally, the company manufactures and ships its products worldwide. At the manufacturing facility, the work is organized in such a way as to minimize physical proximity, ensure frequent cleaning and the availability of disinfectants. The company has accumulated enough materials, adjusted supply chains and is able to fulfill most of the orders within normal lead times. This applies to all SAF product families – microwave links, Spectrum Compact and Aranet.

The Group continues to study market demand and problematic issues in order to be able to offer the necessary product modifications both on a daily basis and in the context of changing global circumstances. Investment in product development continues.

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.

The Group employed 206 employees on 31 March 2020 (194 employees – on 31 March 2019).

KEY indicators

	Q3 2019/20	Q3 2018/19	Q3 2017/18
	EUR	EUR	EUR
Net Sales	4,517,091	3,652,233	2,915,722
Earnings before interest, taxes and depreciation (EBITDA)	267,518	85,726	-165,350
<i>share of the turnover %</i>	6%	2%	-5.7%
Profit/loss before interest and taxes (EBIT)	80,004	-81,840	-257,477
<i>share of the turnover %</i>	2%	-2%	-9%
Net Profit	158,995	-21,801	-352,667
<i>share of the turnover %</i>	4%	-1%	-12%
Total assets	13,943,425	13,759,190	10,981,525
Total Owners equity	10,079,091	9,367,356	9,862,838
Return on equity (ROE) %	1.13%	-0.17%	-2.96%
Return on assets (ROA) %	1.59%	-0.23%	-3.51%
Liquidity ratio			
<i>Quick ratio %</i>	142%	131%	349%
<i>Current ratio %</i>	218%	187%	443%
Earnings per share	0.05	-0.01	-0.12
Last share price at the end of period	2.76	2.90	5.45
P/E	11.50	-17.06	45.42
Number of employees at the end of reporting period	206	194	192

Consolidated Statement of Financial Position

	Note	31.03.2020	31.03.2019
CURRENT ASSETS		EUR	EUR
Cash and bank		3 761 704	4 218 900
Customer receivables	1		
Accounts receivable		2 201 998	1 441 743
Allowance for uncollectible receivables		-309 625	-25 237
Total		1 892 373	1 416 506
Other receivables			
Other current receivables	2	68 518	17 860
Short-term loans		65 835	102 359
Total		134 353	120 219
Prepaid expenses			
Prepaid taxes		32 339	159 573
Other prepaid expenses		206 418	202 128
Total		238 757	361 701
Inventories	3		
Raw materials		1 180 308	1 588 908
Work-in-progress		2 544 625	1 962 007
Finished goods		2 220 123	1 755 747
Prepayments to suppliers		22 099	110 913
Total		5 967 154	5 417 575
TOTAL CURRENT ASSETS		11 994 341	11 534 901
NON-CURRENT ASSETS			
Long-term financial assets			
Investments in other companies		8 106	8 106
Long-term receivables	1	1 088	1 633
Total		9 194	9 739
NON-CURRENT physical assets	4		
Plant and equipment		4 292 435	4 219 981
Other equipment and fixtures		2 061 756	1 997 211
Accumulated depreciation		-5 733 171	-5 548 504
Prepayments for noncurrent physical assets		6 144	560
Long-term investment - lease		1 124 712	1 419 385
Total		1 751 876	2 088 632
Intangible assets	4		
Purchased licenses, trademarks etc.		188 014	125 917
Total		188 014	125 917
TOTAL NON-CURRENT ASSETS		1 949 084	2 224 288
TOTAL ASSETS		13 943 425	13 759 190

LIABILITIES AND OWNERS' EQUITY	Note	31.03.2020	31.03.2019
CURRENT LIABILITIES		EUR	EUR
Debt obligations			
Short-term loans from financial institutons		0	104
Short-term loans		14 304	0
Customer prepayments for goods and services		315 033	384 593
Accounts payable		604 576	1 234 926
Accrued short-term operating lease liabilities	5	314 270	314 270
Tax liabilities		178 561	173 645
Salary-related accrued expenses	6	1 086 279	859 117
Provisions for guarantees		7 932	11 184
Deffered income		135 851	71 212
TOTAL CURRENT LIABILITIES		2 656 807	3 049 051
NON-CURRENT LIABILITIES			
Long-term liabilities			
Long-term deffered income		397 150	233 943
Accrues long-term operating lease liabilities	5	810 376	1 108 840
TOTAL LONG-TERM LIABILITIES		1 207 526	1 342 783
TOTAL LIABILITIES		3 864 333	4 391 834
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		2 441 356	2 855 657
Net profit for the financial year		610 570	-511 983
Currency translation reserve		8 657	5 174
TOTAL OWNERS' EQUITY		10 079 091	9 367 356
TOTAL LIABILITIES AND OWNERS' EQUITY		13 943 425	13 759 190

Consolidated Statement of Profit or Loss for 9 month of the financial year 2019/2020

	Note	31.03.2020	31.03.2019
		EUR	EUR
Net sales	7	13 228 486	10 612 607
Other operating income		164 451	32 975
Total income		13 392 938	10 645 582
Direct cost of goods sold or services rendered		-5 376 158	-4 974 587
Marketing, advertising and public relations expenses		-491 143	-537 897
Bad receivables	8	-296 707	-8 755
Operating expenses		-868 797	-927 464
Salaries and social expenses	9	-4 366 946	-3 805 694
Bonuses and social expenses	9	-892 651	-631 631
Depreciation expense		-333 519	-290 516
Amortization of operating lease		-224 590	-74 483
Other expenses		-30 276	-30 615
Operating expenses		-12 880 786	-11 281 642
EBIT		512 151	-636 060
Financial income (except ForEx rate difference)		9 688	22 405
Financial costs (except ForEx rate difference)		-16 581	-9 016
Foreign exchange +gain/(loss)		108 396	117 425
Financial items		101 503	130 814
EBT		613 654	-505 246
Corporate income tax		-3 084	-6 737
Profit after taxes		610 570	-511 983
Net profit/(loss)		610 570	-511 983

*Earnings per share

EPS 31.03.2020. = 0.21 EUR

EPS 31.03.2019. = -0.17 EUR

Consolidated Statement of Profit or Loss for Q3 of the financial year 2019/2020

	31.03.2020	31.03.2019
	EUR	EUR
Net sales	4 517 091	3 652 233
Other operating income	57 874	7 612
Total income	4 574 965	3 659 845
Direct cost of goods sold or services rendered	-1 632 011	-1 567 522
Marketing, advertising and public relations expenses	-123 915	-164 342
Bad receivables	-287 510	-4 692
Operating expenses	-291 850	-273 374
Salaries and social expenses	-1 536 014	-1 315 544
Bonuses and social expenses	-425 726	-240 766
Depreciation expense	-112 605	-93 083
Amortization of operating lease	-74 909	-74 483
Other expenses	-10 421	-7 879
Operating expenses	-4 494 961	-3 741 685
EBIT	80 004	-81 840
Financial income (except ForEx rate difference)	1 096	9 757
Financial costs (except ForEx rate difference)	-5 532	-9 014
Foreign exchange +gain/(loss)	84 440	66 033
Financial items	80 004	66 776
EBT	160 008	-15 064
Corporate income tax	-1 013	-6 737
Net profit/(loss)	158 995	-21 801

*Earnings per share

EPS 31.03.2020. = 0.05 EUR

EPS 31.03.2019. = -0.01 EUR

Consolidated cash flow statement for 9 months of the financial year 2019/2020

	31.03.2020	31.03.2019
	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	1 225 946	1 241 937
Cash received from customers	13 797 874	13 088 346
Cash paid to suppliers and employees	-12 745 963	-12 033 524
Paid/Received VAT, corporate income tax	174 035	187 115
NET CASH USED IN INVESTING ACTIVITIES (of which)	-252 680	-253 829
Cash paid for purchasing non-current physical assets	-260 747	-272 733
Interest received	8 067	18 904
NET CASH USED IN FINANCING ACTIVITIES (of which)	208 358	197 742
Short-term loans	39 248	120 160
Repayment of short-term loans	-390	-9
Cash received from EU funds	169 500	77 591
Effects of exchange rate changes	-36 852	-90 950
TOTAL CASH FLOW:	1 144 772	1 094 900
Cash and cash equivalents as at the beginning of period	2 616 931	3 124 000
Cash and cash equivalents as at the end of period	3 761 704	4 218 900
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	1 144 773	1 094 900

Statement of changes in consolidated equity for the 9 month period ended March 31, 2020

	Share capital	Share premium	Other reserves	Currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
As at 30 June 2018	4 158 252	2 851 726	8 530	2 012	2 885 657	9 876 177
Currency translation difference	-	-	-	4 333	-	4 333
Loss for the year	-	-	-	-	-414 301	-414 301
As at 30 June 2019	4 158 252	2 851 726	8 530	6 345	2 471 356	9 466 209
Currency translation difference	-	-	-	2 312	-	2 312
Profit for the year	-	-	-	-	610 570	610 570
As at 31 March 2020	4 158 252	2 851 726	8 530	8 657	3 081 926	10 079 091

Notes for interim report

Note 1 Customer receivables

	31.03.2020	31.03.2019
	EUR	EUR
Long-term receivables	1 088	1 633
Accounts receivable	2 201 998	1 441 743
Provisions for bad and doubtful accounts receivable	(309 625)	(25 237)
Total short-term accounts receivable	1 892 373	1 416 506
Total receivables	1 893 461	1 418 139

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

Note 2 Other current receivables

	31.03.2020	31.03.2019
	EUR	EUR
Other current receivables	68 518	17 860

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

	31.03.2020	31.03.2019
	EUR	EUR
Raw materials	1 759 311	2 214 466
Allowance for slow-moving items	(579 003)	(625 558)
Work-in-progress	2 544 625	1 962 007
Finished goods	2 220 123	1 755 747
Prepayments to suppliers	22 099	110 913
	5 967 154	5 417 575

As compared to 31 March 2019, total inventories increased by 11%.

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.

The composition of inventories has changed – more materials are sent to production, and the balance of inventories of semi-finished and finished products has grown.

Note 4 Non-current, intangible assets

	31.03.2020	31.03.2019
	EUR	EUR
Plant and equipment	4 292 435	4 110 396
Other equipment and fixtures	2 061 756	1 978 351
Accumulated depreciation	(5 733 171)	(5 481 368)
Prepayments for noncurrent physical assets	6 144	560
Long-term investment lease*	1 124 712	1 419 3895
	1 751 876	2 088 632
Purchased licenses, trademarks etc.	188 014	125 917
	188 014	125 917
Total non-current, intangible assets	1 939 890	2 214 549

*See Note 5 Operating lease liabilities

During Q3 FY 2019/2020, the Group acquired fixed assets and intangible assets in the amount of 59 thousand euros – mainly, in order to ensure production and testing processes, as well as to acquire office equipment.

Note 5 Operating lease liabilities

	31.03.2020	31.03.2019
	EUR	EUR
Accrued short-term operating lease liabilities	314 270	314 270
Accrued long-term operating lease liabilities	810 376	1 108 840
	1 124 646	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 6 Salary-related accrued expenses

	31.03.2020	31.03.2019
	EUR	EUR
Salary-related accrued expenses	1 086 279	859 117

The increase in the balance sheet is due to fluctuations in vacation and bonus savings between periods, and due to the increase in wages.

Note 7 Segment information

a) The Group's economic activities can be divided into two parts – activities with products developed and manufactured by SAF – as one of the structural entities, which includes Integra, Phoenix, CFIP radio systems, Spectrum Compact analyzers, Signal Generators and Aranet Internet of Things (IoT) product range, and activities related to products purchased from other suppliers, trade in antennas, cables, SAF-branded (OEM-ed) and various additional products – as another structural entity.

The family of the Group's basic products includes:

- Integra – a full outdoor, single-unit radio system, which was supplemented with Inetgra E and Integra X products during FY18/19. Integra is a next generation radio system that uses the latest signal processing components and radio technologies;
- Phoenix – a hybrid radio system of distributed configuration (IDU+ODU) for customers who need additional connection interfaces and functionality;
- CFIP – radio systems that include functional but lower capacity products.
- CFL Sprint Series – radio systems with ultra low latency for custom applications.
- Spectrum Compact and Signal Generator – measuring units designed for field engineers operating in radio networks of such industries as telecommunications, TV/Radio, etc. The product line includes several devices with different functionalities and designed for use in different frequency ranges;
- Aranet – an internet of things (IoT) solution for environmental monitoring.

SAF Tehnika offers its radio systems in many different frequency ranges from 1.4 GHz to 86 GHz, therefore, its products can be used in almost every country in the world.

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 2019/20 and financial year 2018/19.

	CFM; CFIP; FreeMile		Other		Total	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	EUR	EUR	EUR	EUR	EUR	EUR
Segment assets	7 806 268	6 997 201	1 261 841	1 253 706	9 068 109	8 250 907
Undivided assets					4 875 316	2 913 233
Total assets					13 943 425	11 164 140
Segment liabilities	1 293 764	1 815 136	54 565	180 644	1 348 329	1 995 780
Undivided liabilities					2 516 004	768 383
Total liabilities					3 864 333	2 764 163
Net sales	12 398 416	9 677 669	830 070	934 938	13 228 486	10 612 607
Segment results	4 865 961	3 097 935	681 805	476 947	5 547 766	3 574 882
Undivided expenses					-5 200 066	-4 243 917
Profit from operations					347 700	-669 035
Other income					164 451	32 975
Financial income (except ForEx rate difference)					9 688	22 405
Financial costs (except ForEx rate difference)					-16 581	-9 016
Foreign exchange +gain/(loss)					108 396	117 425
Profit before taxes					613 654	-505 246
Corporate income tax					-3 084	-6 737
Profit after taxes					610 570	-511 983
Net profit					610 570	-511 983
Other information						
Additions of property plant and equipment and intangible assets	37 871	134 830	0	0	37 871	134 830
Undivided additions					235 919	152 717
Total additions of property plant and equipment and intangible assets					273 790	287 547
Depreciation and amortization	305 811	145 800	0	0	305 811	145 800
Undivided depreciation					252 298	144 716
Total depreciation and amortization					558 109	290 516

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 2019/20 compared to the same period of financial year 2018/19.

	Net sales		Assets	
	2019/20	2018/19	31.03.2020	31.03.2019
	EUR	EUR	EUR	EUR
Americas	7 861 050	6 757 648	1 475 569	968 594
Europe, CIS	3 988 353	2 986 864	334 113	301 735
Asia, Africa, Middle East	1 379 084	868 094	83 779	147 810
	13 228 486	10 612 607	1 893 461	1 418 139
Unallocated assets	-	-	12 049 963	12 341 051
	13 228 486	10 612 607	13 943 425	13 759 190

Note 8 Bad receivables

	31.03.2020	31.03.2019
	EUR	EUR
Bad receivables	<u>(296 707)</u>	<u>(8 755)</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. Assessing the risks of receivables in the context of a global pandemic, additional provision for insecure debts has been made.

Note 9 Salaries, bonuses and social expenses

	31.03.2020	31.03.2019
	EUR	EUR
Salaries and social expenses	4 366 946	3 805 694
Bonuses and social expenses	892 651	631 631
	<u>5 259 597</u>	<u>4 437 325</u>

Compared to the 9-month period of the previous financial year 2018/2019, the amount of wages and corresponding social costs increased by 18%, reflecting changes in the number of employees, structure (employees with critical competences) and changes in remuneration.