

SAF Tehnika A/S
Consolidated Interim Report
for Q2 and 6 month of financial year 2017/18
(July 1, 2017 – December 31, 2017)

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KEY DATA

SAF Tehnika (hereinafter – the Group) is a telecommunications equipment company engaged in the development, production and distribution of digital microwave radio equipment. SAF Tehnika products provide wireless backhaul solutions for digital voice and data transmission covering wide frequency range and providing equipment for both licensed and un-licensed frequencies.

Know-how in modern wireless data transmission technologies, creativity in solutions, accuracy in design, precision in production and logistics make SAF Tehnika a unique designer and manufacturer of point-to-point microwave data transmission equipment. Located in Northern Europe, SAF Tehnika managed to acquire and consolidate valuable locally available intellectual resources of the microelectronics industry and spread its presence to more than 130 countries, covering all relevant market segments worldwide within just a decade.

Currently the Group consists of SAF Tehnika JSC (hereinafter – the Parent) operating from Riga, Latvia, a wholly owned subsidiary “SAF North America” LLC and “SAF Services” LLC. Both of the mentioned companies are operating from Denver, CO serving North American market.

SAF Tehnika JSC is a public joint stock company incorporated under the laws of the Republic of Latvia. The shares of AS SAF Tehnika are quoted on Nasdaq Riga stock exchange.

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Share and Shareholdings

SAF Tehnika shareholders (over 5%) as of 10.11.2017.

Shareholder	Ownership interest (%)
Didzis Liepkalns	17.05%
Andrejs Grišāns	10.03%
Normunds Bergs	9.74%
SIA „Koka zirgs”	8.84%
Juris Zieme	8.71%
Vents Lācars	6.08%

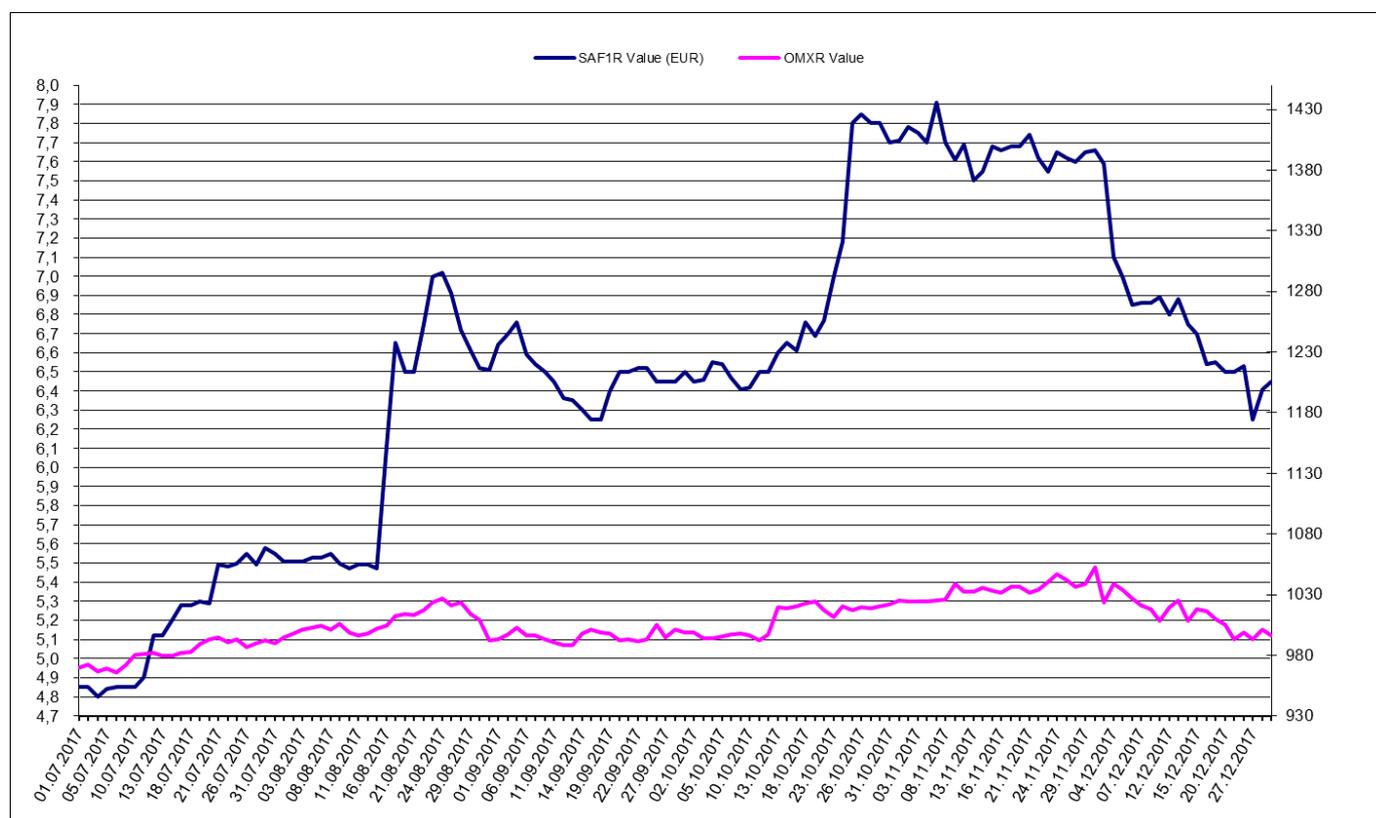
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2017 – December 31, 2017

Currency: EUR

Marketplace: Nasdaq Riga



Information on Management and Supervisory Board members

SAF Tehnika Management Board:

Name	Position	Ownership interest (%)
Normunds Bergs	Chairman	owns 9.74% of shares
Didzis Liepkalns	Member	owns 17.05% of shares
Zane Jozepa	Member	owns no shares
Janis Bergs	Member	owns no shares

SAF Tehnika Supervisory Board:

Name	Position	Ownership interest (%)
Vents Lacars	Chairman	owns 6.08% of shares
Juris Zieme	Vice-Chairman	owns 8.71% of shares
Andrejs Grisans	Member	owns 10.03% of shares
Ivars Senbergs	Member	owns 2 shares
Aivis Olsteins	Member	owns no shares

Information on professional and educational background of the management board members

Normunds Bergs, born in 1963, is Chairman of the Board and Chief Executive Officer of SAF Tehnika AS. Mr. Bergs is one of the founders of SIA Fortech (co-founding company of SAF Tehnika AS) where during the periods from 1990 to 1992 and 1999 to 2000 he acted as Managing Director and General Director, respectively. Following SIA Fortech's merger with AS Microlink in 2000, Mr. Bergs became Chief Executive Officer of SAF Tehnika AS and a member of the Management Board of AS Microlink. From 1992 to 1999, Mr. Bergs worked for World Trade Centre Riga, where he held the position of General Director and became a Member of the Board of Directors in 1998. Mr. Bergs graduated from the Riga Technical University with a degree in radio engineering in 1986.

Didzis Liepkalns, born in 1962, is Member of the Board and Technical Director of SAF Tehnika. Mr. Liepkalns founded a private enterprise SAF in 1995 and co-founded the company SAF Tehnika AS in 1999. From 1985 to 1990 he worked as an engineer at the Institute of Electronic Engineering and Computer Sciences. Mr. Liepkalns has graduated Riga Technical University with a degree in radio engineering in 1985.

Zane Jozepa (born in 1982) is Member of the Board and Chief Financial Officer. Prior to her employment with SAF Tehnika, Ms. Jozepa has been working in the leading IT and telecommunication services provider in Latvia – SIA Lattelecom, which is a subsidiary company of SIA Citrus Solutions that provides design, construction and maintenance of the engineering and technical systems and infrastructure. Ms. Jozepa has been working as a Business Controller for the first two years. She became Head of Finance in 2008, and a Board Member in 2012. Ms. Jozepa gained her professional experience in finance while working for SIA Coca Cola HBC Latvia during 2001-2006. She has graduated the BA School of Business and Finance (Banku Augstskola) and has a BA degree in finance management.

Jānis Bergs (born in 1970) is Member of the Board, Vice President of Sales and Marketing, and the President of "SAF North America". From 2000 till 2006 Mr. Bergs was a Member of the Board and later CEO of AS Microlink. When Microlink was sold to the TeliaSonera group in 2006, Jānis became a shareholder and CEO of SIA FMS, where he worked until January 2015. Mr. Bergs was a Member of AS SAF Tehnika Council from November 2006 till August 2010, and for more than 10

years he has been managing the Latvian IT and Telecommunications Association (LIKTA) and the ICT cluster, as well as giving lectures in business studies in Riga Business School. Mr. Bergs has graduated Riga Technical University as radio engineer and has an MBA degree from Riga Business School.

Information on professional and educational background of the supervisory council members

Vents Lācars, born in 1968, is Chairman of the Supervisory Council and Vice-President Business Development of SAF Tehnika. Before co-founding the Company, from 1992 to 1999, he worked in SIA Fortech, where throughout his career he held positions of programmer, leading programmer, and project manager in the networking department and networking department manager. From 1990 to 1992 Mr. Lācars worked as a programmer at state electric utility company Latvenergo. Mr. Lācars has studied in Faculty of Physics and Mathematics, University of Latvia.

Juris Ziema, born in 1964, co-founder of the Company, is Vice-Chairman of the Supervisory Council and Production Department Director. From 1998 to 1999 he worked as an engineer at Mr. Liepkalns private enterprise SAF. From 1987 to 1999 Mr. Ziema worked as an engineer at the Institute of Electronic Engineering and Computer Sciences. Mr. Ziema has graduated Riga Technical University with a degree in radio engineering in 1987.

Andrejs Grišāns, born in 1957, is Member of the Supervisory Council and Production Department Manager. Mr. Grisāns is one of the co-founders of SAF Tehnika. Prior to joining the Company, he owned and managed a private company specializing in electronic equipment engineering, production and distribution. From 1992 to 1999 Mr. Grisāns was involved in entrepreneurial activities in the field of radio engineering. He worked as an engineer-constructor at the Institute of Polymer Mechanics from 1984 to 1992 and in the constructing bureau Orbita from 1980 to 1984. Mr. Grisāns has graduated Riga Technical University with a degree in radio engineering in 1980.

Ivars Šenbergs, born in 1962, Member of the Supervisory Council, also Chairman of the Board of SIA Juridiskais Audits, SIA Namipasumu parvalde, SIA Synergy Consulting, SIA IŠMU, SIA 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.

Aivis Olšteins, born in 1968, is Member of the Supervisory Council. He has 20 years of experience in telecommunications. Since April 2015, Mr. Olšteins is the head and co-owner of “Cliff IT Solutions” (Spain). From 2000 till 2015 he was Head of “DataTechLabs”. From 1992 till 1999 he worked in Baltcom TV – at first, as a System Engineer in the cable TV operations unit, and then – from 1994 till June 1996 – as a CTO, and from July 1996 till the end of 1999 as Baltcom CEO Technical Advisor.

Statement of Board's Responsibilities

The Board of SAF Tehnika JSC (hereinafter – the Parent) is responsible for preparing the consolidated financial statements of the Parent and its subsidiaries (hereinafter - the Group).

The consolidated financial statements are prepared in accordance with the source documents and present fairly the consolidated financial position of the Group as of 31 December, 2017 and the consolidated results of its financial performance and cash flows for the quarter then ended.

The above mentioned financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and are prepared on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. The consolidated interim financial statements have been prepared based on the same accounting principles applied in the Consolidated Financial Statements for the year ended on June 30, 2017.

Prudent and reasonable judgments and estimates have been made by the management in the preparation of the financial statements.

The Board of SAF Tehnika JSC is responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets and the prevention and detection of fraud and other irregularities in the Group. The Board is responsible for compliance with the requirements of normative acts of the countries the Group operates in (Latvia and United States of America).

The interim financial statements have been prepared in Euro.



Zane Jozepa
CFO, Member of the Management Board

Management Report

In the second quarter of the financial year 2017/2018, the Group's unaudited consolidated net turnover was 3.57 million euros, which is 18% or 764 thousand euros less, compared to the second quarter of the financial year 2016/2017 and 9% down compared to first quarter of current financial year.

48% of the quarterly turnover (1.7 million euros) is made by sales in North/Latin Americas. Because of implementation of various projects, the turnover of the region is 21% up compared to corresponding quarter of previous financial year. In the mean time projects will be entirely fulfilled in the third quarter.

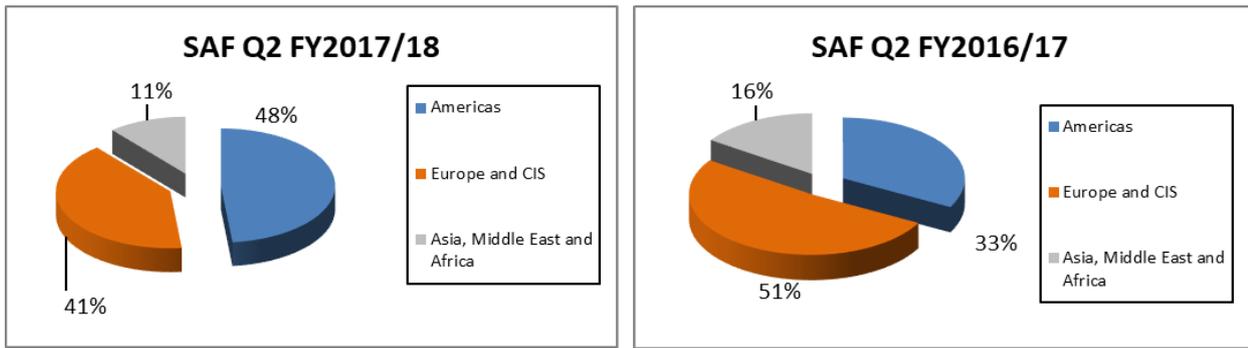
The turnover in the European and CIS region was 41% or 1.4 million euros, which is equivalent to the average regional turnover. However, it is 35% lower than in second quarter of the previous financial year which had a successful result related to development of data transmission solutions tailored to specific customer needs.

In the AMEA (Asia, Middle East, Africa) region, the turnover was 11% or 0.4 million euros from the Q2 turnover. Compared to the turnover in the same quarter of the previous financial year, the region's turnover has decreased by 40%. Also the successful result of the region during the second quarter of the previous financial year was related to individual, much larger project.

During period from October to December this financial year SAF Tehnika took part in various important exhibitions in different regions. Two most outstanding are GITEX Technology week in Dubai, UAE, which is the most significant technology show in the Middle East, as well as AfricaCom in Cape Town, South Africa, which is the largest exhibition in Africa for telecommunication industry. The latest product line ARANET was exhibited in one of the most significant local technology shows RigaCom.

During the period SAF Tehnika actively continued to publish content in SAF Blog, industry related editions, Google AdWords as well as social media accounts of the company. In October issue of Mictrowave Journal had an article which announced the latest addition to Spectrum Compact product line – V-Band Spectrum Compact.

Comparative charts of Q2 revenue breakdown by regions:

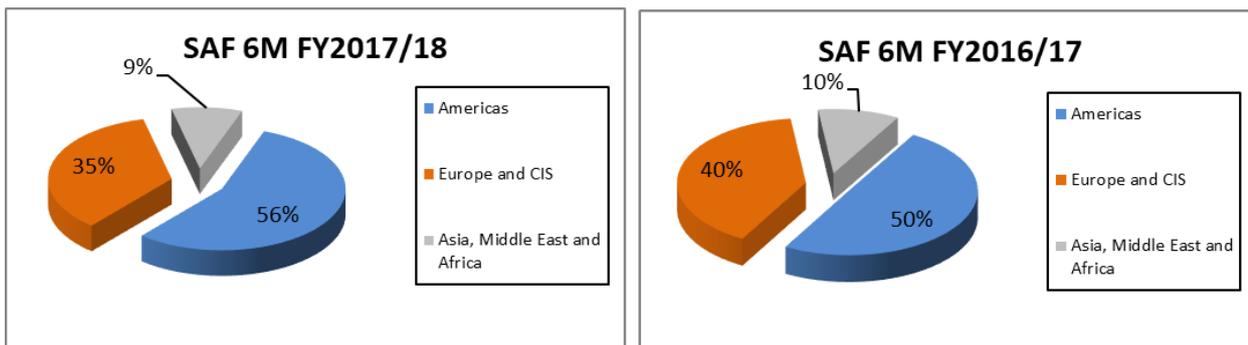


During the reporting quarter, the Group sold its products in 49 countries.

Group`s unaudited consolidated result of 6-month period of financial year 2017/2018 was 7.5 million euros, which is 8% less compared to income volume of the same period last year. The fluctuation of the turnover is a result of increasing share of projects in it.

6-month period income in North/Latin Americas compose 56% of the Group`s turnover and is 4.2 million euros, which is 3% up compared to first half year of the previous financial year. 35% of total turnover is income in European and CIS region, which has decreased by 19% or 625 thousand euros comparing to the previous year. The successful result of the previous year in the region was linked to development of data transition equipment that was adjusted to specific customer needs. Income from AMEA (Asia, Middle East, Africa) region has gone down by 17% or 140 thousand euros and forms 9% of the Group`s total 6-month turnover.

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



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

The Group closed Q2 of the FY 2017/2018 with loss of 258 thousand euros (unaudited). USD/EUR exchange rate continues to negatively affect the Group`s net results.

The unaudited consolidated result for the 6-month period of the financial year is 131 thousand euros profit. That is 694 thousand less (from it 400 thousand is affect from USD/EUR exchange rate) compared to 825 thousand euro profit that was the 6-month result of the previous financial year.

The financial year of SAF Tehnika does not match the calendar year. Therefore, for the purpose of calculating corporate income tax, the company prepares a financial (interim) statement and a tax return. Deferred tax assets have been revalued.

During the 6-month period of the financial year the Group had a negative net cash flow equaling to 1.9 million euros. In December 2017 dividends of 0.67 euros (sixty seven euro cents) per share or 1.990 million euros in total were paid.

As of the end of the reporting period, the net cash balance of the Group was EUR 4.5 million.

In the second quarter of the financial year 2017/2018, 67 thousand euros were invested in acquisition of fixed assets.

Market overview

The microwave radio market has not experienced any rapid changes over the past quarter, and we believe no such changes are expected in the near future.

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

Guidance

SAF Tehnika is the company with the long-term competence in development and production of microwave radios.

The Group continues to explore market requirements and problematic issues in order to be able to provide necessary product modifications. The Group is financially stable.

The goal of the Company is to stabilize sales levels to ensure a positive net result in the long term. The Board of SAF Tehnika maintains cautious optimism, but cannot provide a sales and performance forecast.

On 31 December 2017, the Group numbered 193 employees (there were 184 employees on 31 December, 2016).

KEY indicators

	Q2 2017/18	Q2 2016/17	Q2 2015/16
	EUR	EUR	EUR
Net Sales	3 571 513	4 335 389	3 445 369
Earnings before interest, taxes and depreciation (EBITDA)	-81 992	442 955	395 060
<i>share of the turnover %</i>	-2%	10%	11%
Profit/loss before interest and taxes (EBIT)	-179 097	353 849	292 513
<i>share of the turnover %</i>	-5%	8%	8%
Net Profit	-258 420	424 743	312 355
<i>share of the turnover %</i>	-7%	10%	9%
Total assets	12 839 465	13 442 412	12 728 300
Total Owners equity	10 222 649	11 178 798	11 035 380
Return on equity (ROE) %	-1,90%	3,16%	2,38%
Return on assets (ROA) %	-2,28%	3,70%	2,74%
Liquidity ratio			
Quick ratio %	172%	239%	343%
Current ratio %	255%	315%	432%
Earnings per share	-0,09	0,14	0,11
Last share price at the end of period	6,45	3,51	3,16
P/E	18,43	9,00	10,19
Number of employees at the end of reporting period	193	184	175

Consolidated Statement of Financial Position

	Note	31.12.2017	31.12.2016
CURRENT ASSETS		EUR	EUR
Cash and bank		4 513 365	5 421 341
Customer receivables	1		
Accounts receivable		2 046 232	1 691 112
Allowance for uncollectible receivables		-31 100	-37 194
Total		2 015 132	1 653 918
Other receivables			
Other current receivables	2	145 165	46 130
Total		145 165	46 130
Prepaid expenses			
Prepaid taxes		43 979	262 460
Other prepaid expenses		189 709	160 753
Total		233 688	423 213
Inventories	3		
Raw materials		1 312 102	1 644 297
Work-in-progress		2 119 176	1 959 993
Finished goods		1 678 194	1 274 008
Prepayments to suppliers		22 909	114 885
Total		5 132 381	4 993 183
TOTAL CURRENT ASSETS		12 039 730	12 537 785
NON-CURRENT ASSETS			
Long-term financial assets			
Investments in other companies		2 183	2 148
Long-term receivables	1	2 449	3 470
Deffered income tax		0	75 769
Total		4 632	81 387
NON-CURRENT physical assets	4		
Plant and equipment		3 926 624	3 754 779
Other equipment and fixtures		1 976 122	1 931 845
Accumulated depreciation		-5 249 437	-5 018 687
Other long-term assets		2 266	51
Total		655 575	667 988
Intangible assets	4		
Purchased licenses, trademarks etc.		132 467	124 683
Other long-term intangible assets		7 060	30 569
Total		139 527	155 252
TOTAL NON-CURRENT ASSETS		799 735	904 627
TOTAL ASSETS		12 839 465	13 442 412

LIABILITIES AND OWNERS' EQUITY	Note	31.12.2017	31.12.2016
CURRENT LIABILITIES		EUR	EUR
Debt obligations			
Short-term loans from financial institutons		2 920	6 450
Customer prepayments for goods and services		221 339	190 612
Accounts payable		1 713 006	1 105 425
Tax liabilities	5	117 826	267 470
Salary-related accrued expenses	6	467 896	615 341
Provisions for guarantees		6 294	15 759
Deffered income		87 535	62 557
TOTAL CURRENT LIABILITIES		2 616 816	2 263 614
OWNERS' EQUITY			
Share capital		4 158 252	4 158 252
Paid in capital over par		2 851 726	2 851 725
Other reserves		8 530	8 530
Retained earnings		3 074 985	3 317 940
Net profit for the financial year		130 946	825 884
Currency translation reserve		-1 790	16 467
TOTAL OWNERS' EQUITY		10 222 649	11 178 798
TOTAL LIABILITIES AND OWNERS' EQUITY		12 839 465	13 442 412

Consolidated Statement of Profit or Loss for 6 month of the financial year 2017/2018

	Note	31.12.2017	31.12.2016
		EUR	EUR
Net sales	7	7 494 880	8 154 797
Other operating income		197 259	7 061
Total income		7 692 139	8 161 858
Direct cost of goods sold or services rendered		-3 165 683	-3 543 576
Marketing, advertising and public relations expenses		-357 042	-287 241
Bad receivables	8	2 752	-30 610
Operating expenses		-689 211	-631 207
Salaries and social expenses	9	-2 437 069	-2 179 697
Bonuses and social expenses	9	-380 384	-456 663
Depreciation expense		-195 889	-176 418
Other expenses		-22 570	-21 787
Operating expenses		-7 245 096	-7 327 199
EBIT		447 043	834 659
Financial income (except ForEx rate difference)		11 246	2 651
Financial costs (except ForEx rate difference)		-32	-9 151
Foreign exchange +gain/(loss)		-242 766	175 175
Financial items		-231 552	168 675
EBT		215 491	1 003 334
Corporate income tax		-84 545	-177 450
Profit after taxes		130 946	825 884
Net profit/(loss)		130 946	825 884

*Earnings per share

EPS 31.12.2017. = 0.04 EUR

EPS 31.12.2016. = 0.28 EUR

Consolidated Statement of Profit or Loss for Q2 of the financial year 2017/2018

	31.12.2017	31.12.2016
	EUR	EUR
Net sales	3 571 513	4 335 389
Other operating income	107 394	1 095
Total income	3 678 907	4 336 484
Direct cost of goods sold or services rendered	-1 688 854	-1 903 342
Marketing, advertising and public relations expenses	-190 823	-159 634
Bad receivables	-14 433	-22 264
Operating expenses	-374 223	-353 847
Salaries and social expenses	-1 270 566	-1 143 757
Bonuses and social expenses	-207 368	-304 200
Depreciation expense	-97 105	-89 106
Other expenses	-14 633	-6 485
Operating expenses	-3 858 004	-3 982 635
EBIT	-179 097	353 849
Financial income (except ForEx rate difference)	5 107	1 826
Financial costs (except ForEx rate difference)	-1	-8 825
Foreign exchange +gain/(loss)	-46 881	200 144
Financial items	-41 775	193 145
EBT	-220 872	546 994
Corporate income tax	-37 548	-122 251
Net profit/(loss)	-258 420	424 743

*Earnings per share

EPS 31.12.2017. = -0.09 EUR

EPS 31.12.2016. = 0.14 EUR

Consolidated cash flow statement for 6 months of the financial year 2017/2018

	31.12.2017	31.12.2016
	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	-99 175	692 421
Cash received from customers	8 087 072	8 392 988
Cash paid to suppliers and employees	-8 114 177	-7 743 408
Paid/Received VAT, corporate income tax	-72 070	42 841
NET CASH USED IN INVESTING ACTIVITIES (of which)	-117 140	-136 341
Cash paid for purchasing non-current physical assets	-128 370	-138 992
Interest received	11 230	2 651
NET CASH USED IN FINANCING ACTIVITIES (of which)	-1 798 870	-951 212
Repayment of short-term loans	-7 477	-5 645
Cash received from EU funds	198 628	64 295
Dividends paid	-1 990 021	-1 009 862
Effects of exchange rate changes	20 163	-94 386
TOTAL CASH FLOW:	-1 995 023	-489 518
Cash and cash equivalents as at the beginning of period	6 508 388	5 910 859
Cash and cash equivalents as at the end of period	4 513 365	5 421 341
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	-1 995 023	-489 518

Statement of changes in consolidated equity for the 6 month period ended December 31, 2017

	Share capital	Share premium	Other reserves	Currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
As at 30 June 2016	4 158 252	2 851 725	8 530	10 496	4 327 801	11 356 804
Dividend relating to 2015/2016	-	-	-	-	-1 009 861	-1 009 861
Currency translation difference	-	-	-	-5 289	-	-5 288
Profit for the year	-	-	-	-	1 747 066	1 747 066
As at 30 June 2017	4 158 252	2 851 726	8 530	5 207	5 065 006	12 088 721
Dividend relating to 2016/2017	-	-	-	-	-1 990 021	-1 990 021
Currency translation difference	-	-	-	-6 997	-	-6 997
Profit for the period	-	-	-	-	130 946	130 946
As at 31 December 2017	4 158 252	2 851 726	8 530	-1 790	3 205 931	10 222 649

Notes for interim report

Note 1 Customer receivables

	31.12.2017	31.12.2016
	EUR	EUR
Long-term receivables	2 449	3 470
Accounts receivable	2 046 232	1 691 112
Provisions for bad and doubtful accounts receivable	(31 100)	(37 194)
Total short term accounts receivable	2 015 132	1 653 918
Total receivables	2 017 581	1 657 388

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

Note 2 Other current receivables

	31.12.2017	31.12.2016
	EUR	EUR
Other current receivables	145 165	46 130

Other current receivables include the amounts of calculated co-financing from EU funds for ongoing product development projects. Co-financing is assigned via competence center “LEO pētījumu centrs” (LEO) and will be received when project documentation and results are reviewed and accepted by project sponsor.

Note 3 Inventories

	31.12.2017	31.12.2016
	EUR	EUR
Raw materials	1 936 970	2 258 659
Allowance for slow-moving items	(624 868)	(614 362)
Work-in-progress	2 119 176	1 959 993
Finished goods	1 678 194	1 274 008
Prepayments to suppliers	22 909	114 885
	5 132 381	4 993 183

As compared to 31 December 2016, total inventories grew by 3%.

The Group maintains the amount of raw materials and auxiliary supplies at the defined level to be able to deliver all products in the Group’s product portfolio within the competitive timeframes.

The Group’s inventories must include previously produced and sold equipment components in order to provide corresponding maintenance service.

Note 4 Non-current, intangible assets

	31.12.2017	31.12.2016
	EUR	EUR
Plant and equipment	3 926 624	3 754 779
Other equipment and fixtures	1 976 122	1 931 845
Accumulated depreciation	(5 249 437)	(5 018 687)
Other long term assets	2 266	51
	655 575	667 988
Purchased licenses, trademarks etc.	132 467	124 683
Other long-term intangible assets	7 060	30 569
	139 527	155 252
Total non-current, intangible assets	795 103	823 240

During Q2, the Group acquired fixed assets and intangible assets in the amount of 67 thousand euros – mainly, in order to ensure production and testing processes, as well as to acquire office equipment.

Note 5 Tax liabilities

	31.12.2017	31.12.2016
	EUR	EUR
Tax liabilities	117 826	267 470

The decrease is related to Personal income tax payments for December - Salaries for December were paid in December.

Note 6 Salary-related accrued expenses

	31.12.2017	31.12.2016
	EUR	EUR
Salary-related accrued expenses	467 896	615 341

The total amount of salary-related settlement decreased by 24% as compared to 31.12.2016. In the previous period savings for bonuses were made.

Note 7 Segment information

a) The Group's operations are divided into two major structural units – SAF branded equipment designed and produced in-house - CFIP and Freemile (Ethernet/Hybrid/ superPDH systems), Integra (Integrated carrier-grade Ethernet microwave radio), Spectrum Compact (measurement tools for radio engineers) as the first structural unit and 3rd party products for resale, like Antennas, cables, some OEMed products and accessories as the second unit.

- **CFIP** –product line is represented by:
- a split mount **PhoeniX** hybrid radio system with Gigabit Ethernet + 20 E1 interfaces;
- **Lumina** high capacity Full Outdoor all-in-one radio with Gigabit Ethernet traffic interface;
- **CFIP-108** entry level radio - perfect for upgrade of E1 networks into packet data networks;
- **Marathon FIDU** low frequency low capacity system for industrial applications and rural telecom use.

Freemile 17/24, an all outdoor hybrid radio system to be used in 17 and 24 GHz unlicensed frequency bands and providing Ethernet/E1 interfaces for user traffic

All CFIP radios are offered in most widely used frequency bands from 300MHz to 38 GHz, thus enabling the use of CFIP radios all across the globe. PhoeniX radio represents the type of microwave radio which is still dominating market share point of view.

Integra – is a next generation radio system employing latest modem technology on the market as well as radio technology in an innovative packaging.

Spectrum Compact is the latest product line in SAF's portfolio, it is a measurement tool for field engineers for telecom, broadcasting and other industries using radio technologies. It comprises of a number of units covering several frequency bands and proving various functionality.

This note provides information about division of the Group's turnover and balance items by structural units by product type for 6 month of the financial year 2017/18 and financial year 2016/17.

	CFM; CFIP; FreeMile		Other		Total	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	EUR	EUR	EUR	EUR	EUR	EUR
Segment assets	7 017 749	6 927 296	1 351 826	1 164 311	8 369 575	8 091 607
Undivided assets					4 469 890	5 350 805
Total assets					12 839 465	13 442 412
Segment liabilities	1 997 206	1 400 686	131 268	86 520	2 128 474	1 487 206
Undivided liabilities					488 342	776 408
Total liabilities					2 616 816	2 263 614
Net sales	7 074 285	7 684 878	420 595	469 919	7 494 880	8 154 797
Segment results	2 499 161	2 814 443	202 282	432 538	2 701 443	3 246 981
Undivided expenses					-2 451 659	-2 419 382
Profit from operations					249 784	827 598
Other income					197 259	7 061
Other expenses					0	0
Financial income/expenses, net					-231 552	168 675
Profit before taxes					215 491	1 003 334
Corporate income tax					-84 545	-177 450
Profit after taxes					130 946	825 884
Net profit					130 946	825 884
Other information						
Additions of property plant and equipment and intangible assets	41 893	39 359	0	0	41 893	39 359
Undivided additions					90 806	77 769
Total additions of property plant and equipment and intangible assets					132 699	117 128
Depreciation and amortization	109 426	77 844	0	609	109 426	78 453
Undivided depreciation					86 463	97 965
Total depreciation and amortization					195 889	176 418

b) This note provides information about division of the Group's turnover and assets by geographical regions (customer location) for 6 month of the financial year 2017/18 and financial year 2016/17.

	Net sales		Assets	
	2017/18	2016/17	31.12.2017	31.12.2016
	EUR	EUR	EUR	EUR
Americas	4 171 240	4 065 304	866 494	787 579
Europe, CIS	2 630 065	3 254 750	981 836	613 170
Asia, Africa, Middle East	693 575	834 743	169 250	256 639
	7 494 880	8 154 797	2 017 581	1 657 388
Unallocated assets	-	-	10 821 884	11 785 024
	7 494 880	8 154 797	12 839 465	13 442 412

Note 8 Bad receivables

	31.12.2017	31.12.2016
	EUR	EUR
Bad receivables	2 752	(30 610)

Provisions for doubtful and bad accounts receivable were calculated according to Group's provision calculation policy. The Group starts to calculate provisions for customers who delays payment terms more than 3 months. Additional provisions were calculated for debts where probability not to receive payment is high, although agreed payment term has not come yet.

Note 9 Salaries, bonuses and social expenses

	31.12.2017	31.12.2016
	EUR	EUR
Salaries and social expenses	2 437 069	2 179 697
Bonuses and social expenses	380 384	456 663
	2 817 453	2 636 360

As compared to the period of 6 months of FY 2016/2017, the amount of salaries and related social payments has increased by 7%, which reflects the increase in fixed remuneration for SAF Tehnika employees with critical competencies and increase in the number of the Group's employees.