

**SAF Tehnika A/S**  
**Consolidated Interim Report**  
**for Q1 of financial year 2019/2020**  
**(July 1, 2019 – September 30, 2019)**

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## 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.

<b>Legal address:</b>	Ganību dambis 24a Rīga, LV-1005 Latvija
<b>Commercial Registry Nr.:</b>	40003474109
<b>VAT Registry Nr.:</b>	LV40003474109
<b>Beginning of financial year:</b>	01.07.2019
<b>End of financial year:</b>	30.06.2020
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## 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 Zieme	8.71%

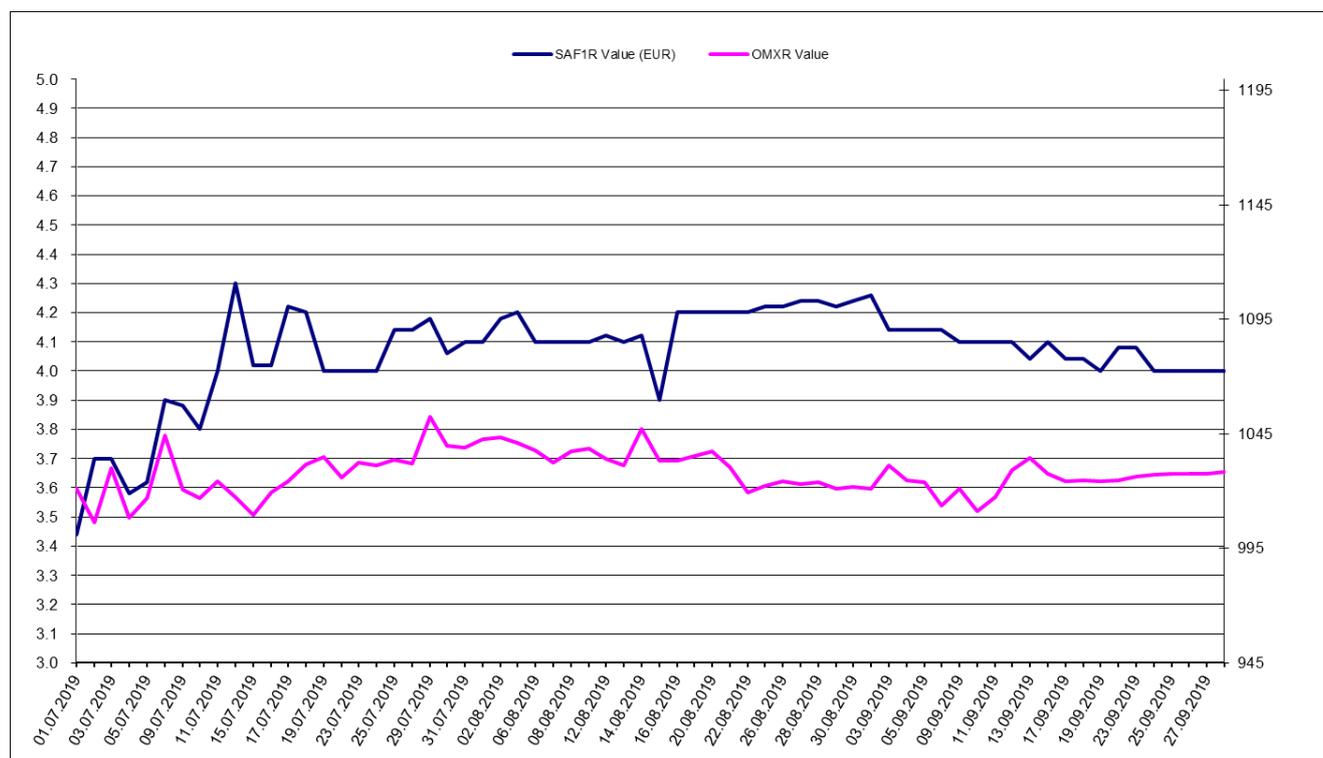
### SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2019 – September 30, 2019

Currency: EUR

Marketplace: Nasdaq Riga



## Information on Management and Supervisory Board members

### SAF Tehnika Management Board:

<b>Name</b>	<b>Position</b>	<b>Ownership interest (%)</b>
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:

<b>Name</b>	<b>Position</b>	<b>Ownership interest (%)</b>
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 30 September, 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, 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.



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Zane Jozepa  
CFO, Member of the Management Board

## Management Report

The Group's unaudited consolidated net turnover for the first quarter of the financial year 2019/2020 was EUR 3.99 million, which is 32% more than in the first quarter of the financial year 2018/2019.

The turnover in Europe and CIS countries amounts to 43% or EUR 1.76 million, which is 3 times higher than the volume of the first quarter of the previous financial year. It is also the highest quarterly turnover in the last 2 financial years and can be explained by successful sales at the end of the previous quarter.

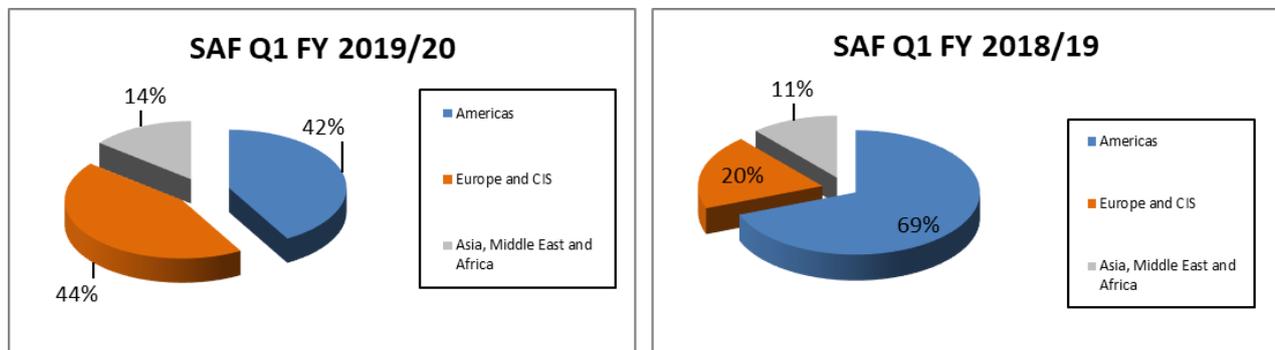
The turnover in North and Latin Americas was 42% or EUR 1.66 million. Compared to sales in the same quarter last financial year, the turnover decreased by 21%.

The turnover in the AMEA (Asia, Middle East, Africa) region was 14% or EUR 568 thousand. It is up by 65% compared with the turnover of the same quarter last financial year.

In the first quarter of the year, the first ever campaign in SAF history was implemented, addressing the consumer segment and offering to purchase Aranet4 at a special promotional price within three days. As a result of the campaign, all promotional devices were sold within a few hours. As part of the campaign, the Latvian version of Aranet4.com was created ([www.aranet4.com/lv](http://www.aranet4.com/lv)) enabling customers to make purchases in the online store.

During the quarter, SAF Tehnika participated in a total of 9 exhibitions, two of which were dedicated to the Aranet brand and the rest – to Spectrum Compact and microwave radio segments, respectively. The British military exhibition DSEI London should be mentioned among the largest platforms, where we participated at the National stand together with seven other Latvian companies. The annual SAF Global Sales Meeting of sales agents and distributors took place in early September.

### Comparative charts of Q1 sales volumes by regions:



During the reporting quarter, the Group sold its products to 53 countries.

The Group's expenditures did not exceed the planned volumes, but were generally higher than in the same period a year earlier, due to 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 first quarter of the financial year 2019/2020 with a profit of EUR 258 thousand (unaudited). The result of the Q1 of the previous year was a loss of EUR 342 thousand.

The Group's net cash flow for the financial year amounts to EUR 0.74 million. At the end of the period, the Group's net cash balance was EUR 3.37 million. In the first quarter of the financial year 2019/2020, EUR 74 thousand 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.

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 30 September 2019, the Group had 198 employees (there were 193 employees on 30 September 2018).

## KEY indicators

	Q1 2019/20	Q1 2018/19	Q1 2017/18
	EUR	EUR	EUR
Net Sales	3,989,066	3,032,772	3,923,367
Earnings before interest, taxes and depreciation (EBITDA)	343,963	-270,718	724,925
<i>(EBITDA %)</i>	9%	-9%	18.5%
Profit/loss before interest and taxes (EBIT)	159,814	-369,940	626,141
<i>(EBIT %)</i>	4%	-12%	16%
Net Profit	258,495	-341,864	389,367
<i>share of the turnover %</i>	6%	-11%	10%
Total assets	14,376,111	11,179,052	14,420,522
Total Owners equity	9,727,101	9,536,838	12,472,222
Return on equity (ROE) %	1.87%	-3.01%	2.64%
Return on assets (ROA) %	2.69%	-3.52%	3.17%
Liquidity ratio			
<i>Quick ratio %</i>	101%	202%	337%
<i>Current ratio %</i>	171%	310%	411%
Earnings per share	0.09	-0.12	0.13
Last share price at the end of period	4.00	3.44	6.50
P/E	66.67	-10.75	11.21
Number of employees at the end of reporting period	198	193	191

## Consolidated Statement of Financial Position

	Note	30.09.2019	30.09.2018
<b>CURRENT ASSETS</b>		<b>EUR</b>	<b>EUR</b>
<b>Cash and bank</b>		<b>3 371 126</b>	<b>3 312 839</b>
<b>Customer receivables</b>	<b>1</b>		
Accounts receivable		2 183 265	1 609 396
Allowance for uncollectible receivables		-16 620	-21 123
<b>Total</b>		<b>2 166 645</b>	<b>1 588 273</b>
<b>Other receivables</b>			
Other current receivables	<b>2</b>	92 802	17 860
Short-term loans		105 897	172 771
<b>Total</b>		<b>198 699</b>	<b>190 631</b>
<b>Prepaid expenses</b>			
Prepaid taxes		28 237	189 861
Other prepaid expenses		228 150	189 271
<b>Total</b>		<b>256 387</b>	<b>379 132</b>
<b>Inventories</b>	<b>3</b>		
Raw materials		1 652 643	1 258 199
Work-in-progress		2 356 987	2 021 723
Finished goods		2 177 062	1 483 799
Prepayments to suppliers		71 729	186 006
<b>Total</b>		<b>6 258 420</b>	<b>4 949 727</b>
<b>TOTAL CURRENT ASSETS</b>		<b>12 251 277</b>	<b>10 420 602</b>
<b>NON-CURRENT ASSETS</b>			
<b>Long-term financial assets</b>			
Investments in other companies		8 106	8 106
Long-term receivables	<b>1</b>	1 633	1 905
<b>Total</b>		<b>9 739</b>	<b>10 011</b>
<b>NON-CURRENT physical assets</b>	<b>4</b>		
Plant and equipment		4 248 575	4 065 249
Other equipment and fixtures		2 042 887	1 962 343
Accumulated depreciation		-5 588 148	-5 403 328
Long-term investment - lease		1 275 837	0
<b>Total</b>		<b>1 979 151</b>	<b>624 264</b>
<b>Intangible assets</b>	<b>4</b>		
Purchased licenses, trademarks etc.		135 945	124 175
<b>Total</b>		<b>135 945</b>	<b>124 175</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2 124 835</b>	<b>758 450</b>
<b>TOTAL ASSETS</b>		<b>14 376 111</b>	<b>11 179 052</b>

<b>LIABILITIES AND OWNERS' EQUITY</b>	<b>Note</b>	<b>30.09.2019</b>	<b>30.09.2018</b>
<b>CURRENT LIABILITIES</b>		<b>EUR</b>	<b>EUR</b>
<b>Debt obligations</b>			
Short-term loans from financial institutons		0	192
Customer prepayments for goods and services		824 728	111 244
Accounts payable		1 258 098	572 016
Accrued short-term operating lease liabilities	<b>5</b>	314 556	0
Tax liabilities		179 181	163 634
Salary-related accrued expenses	<b>6</b>	659 327	616 715
Provisions for guarantees		7 932	11 184
Deffered income		106 415	43 134
<b>TOTAL CURRENT LIABILITIES</b>		<b>3 350 237</b>	<b>1 518 119</b>
<b>NON-CURRENT LIABILITIES</b>			
<b>Long-term liabilities</b>			
Long-term deffered income		337 309	124 095
Accrued long-term operating lease liabilities	<b>5</b>	961 463	0
<b>TOTAL LONG-TERM LIABILITIES</b>		<b>1 298 773</b>	<b>124 095</b>
<b>TOTAL LIABILITIES</b>		<b>4 649 010</b>	<b>1 642 214</b>
<b>OWNERS' EQUITY</b>			
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	2 855 656
Net profit for the financial year		258 495	-341 864
Currency translation reserve		8 743	4 538
<b>TOTAL OWNERS' EQUITY</b>		<b>9 727 101</b>	<b>9 536 838</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>14 376 111</b>	<b>11 179 052</b>

## Consolidated Statement of Profit or Loss for 3 month of the financial year 2019/2020

	Note	30.09.2019	30.09.2018
		EUR	EUR
Net sales	7	3 989 066	3 032 772
Other operating income		37 715	3 188
<b>Total income</b>		<b>4 026 781</b>	<b>3 035 960</b>
Direct cost of goods sold or services rendered		-1 718 573	-1 477 062
Marketing, advertising and public relations expenses		-166 316	-147 386
Bad receivables	8	-3 670	-4 748
Operating expenses		-272 204	-307 060
Salaries and social expenses	9	-1 334 488	-1 187 055
Bonuses and social expenses	9	-178 150	-173 414
Depreciation expense		-109 332	-99 223
Amortization of operating lease		-74 817	0
Other expenses		-9 416	-9 953
<b>Operating expenses</b>		<b>-3 866 967</b>	<b>-3 405 900</b>
<b>EBIT</b>		<b>159 814</b>	<b>-369 940</b>
Financial income (except ForEx rate difference)		4 387	6 499
Financial costs (except ForEx rate difference)		-5 523	-2
Foreign exchange +gain/(loss)		100 495	21 580
<b>Financial items</b>		<b>99 359</b>	<b>28 077</b>
<b>EBT</b>		<b>259 173</b>	<b>-341 864</b>
Corporate income tax		-678	0
<b>Profit after taxes</b>		<b>258 495</b>	<b>-341 864</b>
<b>Net profit/(loss)</b>		<b>258 495</b>	<b>-341 864</b>

\*Earnings per share

EPS 30.09.2019. = 0.09 EUR

EPS 30.09.2018. = -0.12 EUR

## Consolidated cash flow statement for 3 months of the financial year 2019/2020

	30.09.2019	30.09.2018
	EUR	EUR
<b>CASH GENERATED FROM OPERATIONS (of which)</b>	<b>625 135</b>	<b>139 442</b>
Cash received from customers	4 771 699	3 627 411
Cash paid to suppliers and employees	-4 205 468	-3 560 987
Paid/Received VAT, corporate income tax	58 904	73 018
<b>NET CASH USED IN INVESTING ACTIVITIES (of which)</b>	<b>-69 760</b>	<b>-43 955</b>
Cash paid for purchasing non-current physical assets	-74 147	-49 048
Interest received	4 387	5 093
<b>NET CASH USED IN FINANCING ACTIVITIES (of which)</b>	<b>216 184</b>	<b>95 949</b>
Short-term loans	123 978	43 193
Repayment of short-term loans	-390	79
Cash received from EU funds	92 596	52 677
<b>Effects of exchange rate changes</b>	<b>-17 364</b>	<b>-2 597</b>
<b>TOTAL CASH FLOW:</b>	<b>754 195</b>	<b>188 839</b>
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	3 371 126	3 312 839
<b>NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>754 195</b>	<b>188 839</b>

## Statement of changes in consolidated equity for the 3 month period ended September 30, 2019

	Share capital	Share premium	Other reserves	Currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
<b>As at 30 June 2018</b>	<b>4 158 252</b>	<b>2 851 726</b>	<b>8 530</b>	<b>2 012</b>	<b>2 885 657</b>	<b>9 876 177</b>
Currency translation difference	-	-	-	4 333	-	4 333
Loss for the year	-	-	-	-	-414 301	-414 301
<b>As at 30 June 2019</b>	<b>4 158 252</b>	<b>2 851 726</b>	<b>8 530</b>	<b>6 345</b>	<b>2 471 356</b>	<b>9 466 209</b>
Currency translation difference	-	-	-	2 398	-	2 398
Profit for the year	-	-	-	-	258 495	258 495
<b>As at 30 September 2019</b>	<b>4 158 252</b>	<b>2 851 726</b>	<b>8 530</b>	<b>8 743</b>	<b>2 729 851</b>	<b>9 727 102</b>

## Notes for interim report

### Note 1 Customer receivables

	<b>30.09.2019</b>	<b>30.09.2018</b>
	<b>EUR</b>	<b>EUR</b>
Long-term receivables	1 633	1 905
Accounts receivable	2 183 265	1 609 396
Provisions for bad and doubtful accounts receivable	(16 620)	(21 123)
<b>Total short-term accounts receivable</b>	<b>2 166 645</b>	<b>1 588 273</b>
<b>Total receivables</b>	<b>2 168 278</b>	<b>1 590 178</b>

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

### Note 2 Other current receivables

	<b>30.09.2019</b>	<b>30.09.2018</b>
	<b>EUR</b>	<b>EUR</b>
<b>Other current receivables</b>	<b>92 802</b>	<b>17 860</b>

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

	<b>30.09.2019</b>	<b>30.09.2018</b>
	<b>EUR</b>	<b>EUR</b>
Raw materials	2 317 243	1 789 861
Allowance for slow-moving items	(664 600)	(531 662)
Work-in-progress	2 356 987	2 021 723
Finished goods	2 177 062	1 483 799
Prepayments to suppliers	71 729	186 006
	<b>6 258 420</b>	<b>4 949 727</b>

As compared to 30 September 2018, total inventories increased by 26%.

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**

	<b>30.09.2019</b>	<b>30.09.2018</b>
	<b>EUR</b>	<b>EUR</b>
Plant and equipment	4 248 575	4 065 249
Other equipment and fixtures	2 042 887	1 962 343
Accumulated depreciation	(5 588 148)	(5 403 328)
Long-term investment lease*	1 275 837	-
	<b>1 979 151</b>	<b>624 264</b>
Purchased licenses, trademarks etc.	135 945	124 175
	<b>135 945</b>	<b>124 175</b>
<b>Total non-current, intangible assets</b>	<b>2 124 835</b>	<b>748 439</b>

\*See Note 5 Operating lease liabilities

During FY 2019/20, the Group acquired fixed assets and intangible assets in the amount of 74 thousand euros – mainly, in order to ensure production and testing processes, as well as to acquire office equipment.

**Note 5 Operating lease liabilities**

	<b>30.09.2019</b>	<b>30.09.2018</b>
	<b>EUR</b>	<b>EUR</b>
Accrued short-term operating lease liabilities	314 556	-
Accrued long-term operating lease liabilities	961 463	-
	<b>1 276 020</b>	<b>-</b>

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**

	<b>30.09.2019</b>	<b>30.09.2018</b>
	<b>EUR</b>	<b>EUR</b>
<b>Salary-related accrued expenses</b>	<b>659 327</b>	<b>616 715</b>

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

## 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 previous 2018/2019 financial year. 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 3 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
<b>Segment assets</b>	<b>8 531 815</b>	<b>6 546 175</b>	<b>1 152 197</b>	<b>1 320 038</b>	<b>9 684 012</b>	<b>7 866 213</b>
Undivided assets					4 692 099	3 312 839
<b>Total assets</b>					<b>14 376 111</b>	<b>11 179 052</b>
<b>Segment liabilities</b>	<b>2 443 151</b>	<b>935 955</b>	<b>87 024</b>	<b>64 869</b>	<b>2 530 175</b>	<b>1 000 824</b>
Undivided liabilities					2 118 835	642 390
<b>Total liabilities</b>					<b>4 649 010</b>	<b>1 643 214</b>
<b>Net sales</b>	<b>3 705 686</b>	<b>2 787 425</b>	<b>283 380</b>	<b>245 347</b>	<b>3 989 066</b>	<b>3 032 772</b>
<b>Segment results</b>	<b>1 338 542</b>	<b>686 823</b>	<b>244 771</b>	<b>152 092</b>	<b>1 583 313</b>	<b>838 915</b>
Undivided expenses					-1 461 214	-1 212 044
<b>Profit from operations</b>					<b>122 099</b>	<b>-373 129</b>
Other income					37 715	3 188
Financial income (except ForEx rate difference)					4 387	6 499
Financial costs (except ForEx rate difference)					-5 523	-2
Foreign exchange +gain/(loss)					100 495	21 580
<b>Profit before taxes</b>					<b>259 173</b>	<b>-341 864</b>
Corporate income tax					-678	0
<b>Profit after taxes</b>					<b>258 495</b>	<b>-341 864</b>
<b>Net profit</b>					<b>258 495</b>	<b>-341 864</b>
<b>Other information</b>						
Additions of property plant and equipment and intangible assets	40 090	25 460	0	0	40 090	25 460
Undivided additions					39 620	24 484
<b>Total additions of property plant and equipment and intangible assets</b>					<b>79 710</b>	<b>49 944</b>
Depreciation and amortization	101 409	41 209	0	0	101 409	41 209
Undivided depreciation					7 923	57 576
<b>Total depreciation and amortization</b>					<b>109 332</b>	<b>98 785</b>

b) This note provides information about division of the Group's turnover and assets by geographical regions (customer location) for 3 month of the financial year 2019/20 compared to the same period of financial year 2018/19.

	Net sales		Assets	
	2019/20	2018/19	30/09/2019	30/09/2018
	EUR	EUR	EUR	EUR
Americas	1,664,922	2,097,757	1,109,722	1,311,996
Europe, CIS	1,755,940	590,367	818,257	176,321
Asia, Africa, Middle East	568,204	344,648	240,299	101,861
	<b>3,989,066</b>	<b>3,032,772</b>	<b>2,168,278</b>	<b>1,590,178</b>
Unallocated assets	-	-	12,207,833	9,588,874
	<b>3,989,066</b>	<b>3,032,772</b>	<b>14,376,111</b>	<b>11,179,052</b>

## Note 8 Bad receivables

	<b>30.09.2019</b>	<b>30.09.2018</b>
	<b>EUR</b>	<b>EUR</b>
<b>Bad receivables</b>	<u><b>(3 670)</b></u>	<u><b>(4 748)</b></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 9 Salaries, bonuses and social expenses

	<b>30.09.2019</b>	<b>30.09.2018</b>
	<b>EUR</b>	<b>EUR</b>
Salaries and social expenses	1 334 488	1 187 055
Bonuses and social expenses	178 150	173 414
	<u><b>1 512 638</b></u>	<u><b>1 360 469</b></u>

Compared to the 3-month period of the previous financial year 2018/2019, wages and related social contributions increased by 12%, which reflects changes in the staff structure (employees with critical competencies) and changes in remuneration.