

SAF Tehnika A/S
Consolidated Interim Report
for Q4 and 12 month of financial year 2019/2020
(July 1, 2019 – June 30, 2020)

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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.

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 30.06.2020.

Shareholder	Ownership interest (%)
Didzis Liepkalns	17.05%
SIA „Koka zirgs”	12.06%
Andrejs Grišāns	10.03%
Normunds Bergs	9.74%
Juris Zieme	8.71%

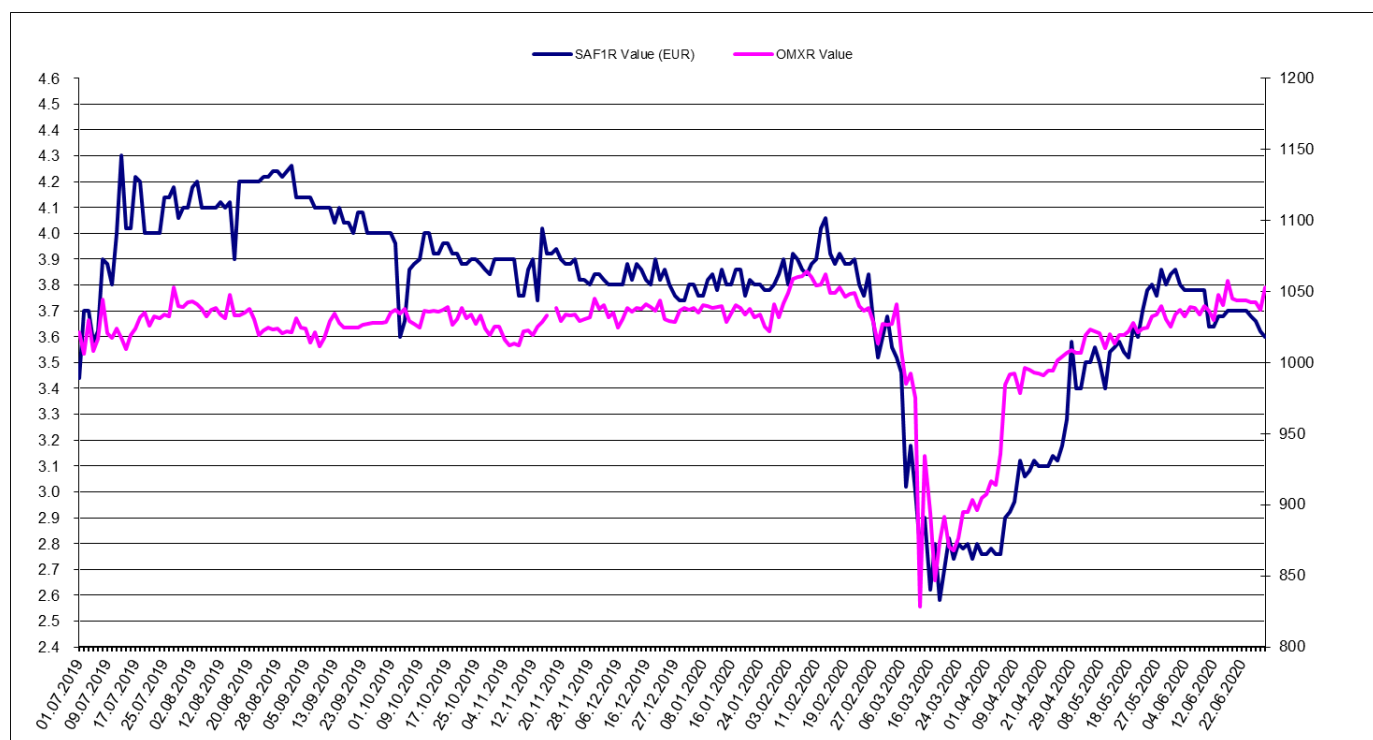
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2019 – June 30, 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 8000 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 Ziema, 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. 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, 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 June, 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

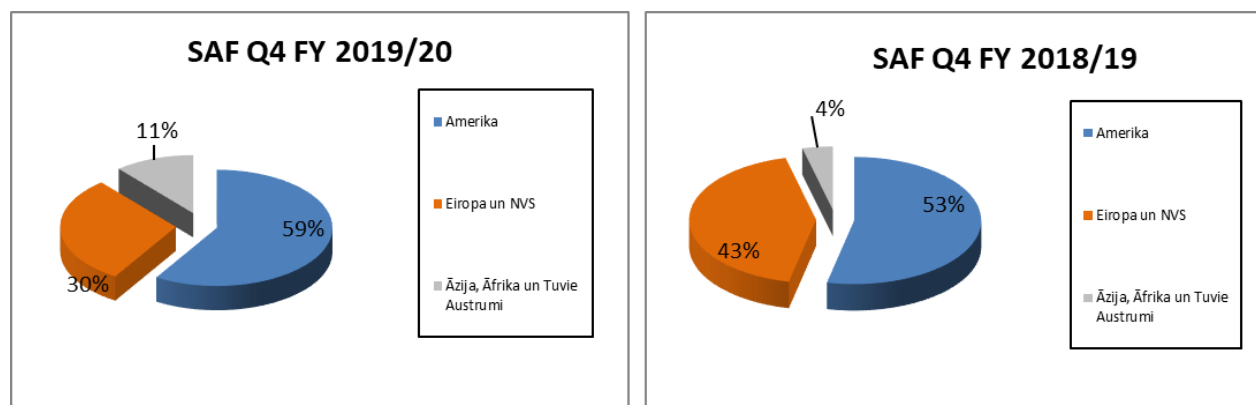
The Group's unaudited consolidated net turnover for the fourth quarter (Q4) of the financial year 2019/2020 was EUR 3.53 million, which is 8% less than in the fourth quarter of the financial year 2018/2019.

The turnover in North and Latin Americas was 59% or EUR 2.07 million. Compared to the turnover of the same quarter last financial year, the region's turnover has increased by 1%.

The turnover in Europe and CIS countries amounts to 30% or EUR 1.06 million, which is 35% less than the volume of the Q4 of the previous financial year. The turnover of the AMEA (Asia, Middle East, Africa) region increased 2.5 times compared to the corresponding quarter of the last financial year and amounted to 11% or EUR 394 thousand.

In the fourth quarter of the financial year, SAF Tehnika did not participate in face-to-face (offline) exhibitions and marketing activities. Special attention was paid to creating and expanding digital content for both Spectrum Compact and Aranet product families. During the quarter, a new addition to the Aranet product line was introduced – an innovative solution for measuring human body temperature for medical institutions fighting the COVID-19 pandemic, more details on <https://aranetmedical.com/>.

Comparative charts of Q4 sales volumes by regions:



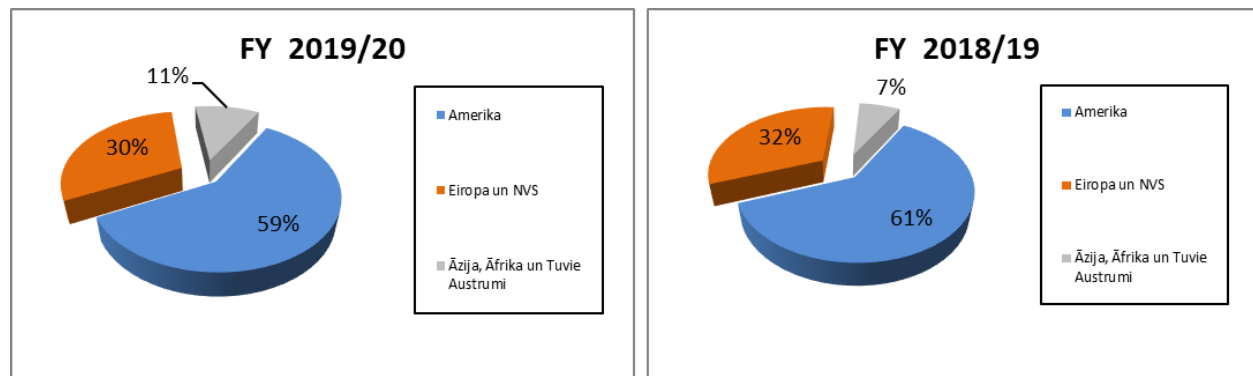
The Group sold its products to 50 countries during the reporting quarter.

The Group's unaudited consolidated turnover for the financial year 2019/2020 was EUR 16.76 million, which is 16% more than the amount of revenue in the previous financial year.

Revenues in North and Latin Americas represent 59% of the total Group's turnover and amount to EUR 9.94 million, thus demonstrating a 13% increase against the results of the previous financial year. Revenues from the European and CIS countries account for 30% of the total turnover,

having increased by 9% against the previous year, and amount to EUR 5.05 million. Revenue from the AMEA (Asia, Middle East, Africa) region has increased by 74% or EUR 756 thousand, thus making 11% of the Group's total turnover.

Comparative charts of 12-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 fourth quarter of the financial year 2019/2020 with a loss of EUR 135 thousand (unaudited). The result of the Q4 of the previous year was profit of EUR 98 thousand. The net result of the Group's activities was also negatively affected by the USD/EUR exchange rate. Assessing the risks of receivables in the context of a global pandemic, an additional provision for insecure debts has been made.

The unaudited consolidated result of the financial year 2019/2020 is profit of EUR 476 thousand. The Group's result in the previous financial year 2018/2019 was a loss of EUR 414 thousand.

The Group's net cash flow for the 12-month period of the financial year was positive – EUR 2.38 million. The Group's net cash balance was EUR 5 million at the end of the period. In the fourth quarter of the financial year 2019/2020, EUR 166 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, various specific restrictions due to the global COVID-19 pandemic cause project lags. 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 offering.

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

Guidelines

SAF Tehnika is a company with long-accumulated experience and knowledge in the development and production of microwave links.

During the Covid-19 pandemic, all offices and the manufacturing facility of SAF Tehnika were operating normally, the company manufactured and shipped 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 accumulates enough materials, has adjusted supply chains and is able to fulfil 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 212 employees on 30 June 2020 (196 employees – on 30 June 2019).

KEY indicators

	Q4 2019/20	Q4 2018/19	Q4 2017/18
	EUR	EUR	EUR
Net Sales	3,531,204	3,830,667	3,000,693
Earnings before interest, taxes and depreciation (EBITDA)	113,418	302,031	-49,263
<i>share of the turnover %</i>	3%	8%	-1.6%
Profit/loss before interest and taxes (EBIT)	-68,612	129,342	-150,520
<i>share of the turnover %</i>	-2%	3%	-5%
Net Profit	-134,794	97,682	6,810
<i>share of the turnover %</i>	-4%	3%	0%
Total assets	15,564,192	13,228,163	11,565,987
Total Owners equity	9,944,815	9,467,105	9,881,555
Return on equity (ROE) %	-0.91%	0.72%	0.06%
Return on assets (ROA) %	-1.35%	1.04%	0.07%
Liquidity ratio			
Quick ratio %	119%	96%	186%
Current ratio %	149%	180%	304%
Earnings per share	-0.05	0.03	0.00
Last share price at the end of period	3.60	3.58	4.56
P/E	22.50	-25.57	-65.14
Number of employees at the end of reporting period	212	196	187

Consolidated Statement of Financial Position

	Note	30.06.2020	30.06.2019
CURRENT ASSETS		EUR	EUR
Cash and bank		4 999 711	2 620 594
Customer receivables	1		
Accounts receivable		1 554 285	1 825 639
Allowance for uncollectible receivables		-583 431	-12 646
Total		970 853	1 812 993
Other receivables			
Other current receivables	2	242 948	57 418
Short-term loans		64 220	101 328
Total		307 168	158 746
Prepaid expenses			
Prepaid taxes		38 249	41 742
Other prepaid expenses		157 114	213 499
Total		195 364	255 241
Inventories	3		
Raw materials		1 316 184	1 987 998
Work-in-progress		2 905 084	2 196 369
Finished goods		2 624 974	1 889 004
Prepayments to suppliers		28 516	86 655
Total		6 874 758	6 160 026
TOTAL CURRENT ASSETS		13 347 854	11 007 600
NON-CURRENT ASSETS			
Long-term financial assets			
Investments in other companies		8 106	8 106
Long-term receivables	1	1 400	1 633
Total		9 506	9 739
NON-CURRENT physical assets	4		
Plant and equipment		4 377 448	4 191 678
Other equipment and fixtures		2 030 109	2 037 639
Accumulated depreciation		-5 727 686	-5 497 699
Prepayments for noncurrent physical assets		0	191
Long-term investment - lease		1 324 673	1 342 191
Total		2 004 544	2 073 999
Intangible assets	4		
Purchased licenses, trademarks etc.		184 541	136 822
Other long-term intangible assets		17 748	0
Total		202 289	136 822
TOTAL NON-CURRENT ASSETS		2 216 338	2 220 560
TOTAL ASSETS		15 564 192	13 228 161

LIABILITIES AND OWNERS' EQUITY	Note	30.06.2020	30.06.2019
CURRENT LIABILITIES		EUR	EUR
Debt obligations			
Short-term loans from financial institutons		0	390
Short-term loans		8 940	0
Customer prepayments for goods and services		1 257 667	188 034
Accounts payable		1 070 081	1 090 251
Accrued short-term operating lease liabilities	5	311 757	312 538
Tax liabilities		202 652	91 246
Salary-related accrued expenses	6	1 197 296	664 918
Provisions for guarantees		17 423	7 931
Deffered income		143 426	86 931
TOTAL CURRENT LIABILITIES		4 209 243	2 442 239
NON-CURRENT LIABILITIES			
Long-term liabilities			
Long-term deffered income		397 955	288 982
Accrues long-term operating lease liabilities	5	1 012 178	1 029 837
TOTAL LONG-TERM LIABILITIES		1 410 133	1 318 819
TOTAL LIABILITIES		5 619 377	3 761 058
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		475 775	-414 301
Currency translation reserve		9 177	7 239
TOTAL OWNERS' EQUITY		9 944 815	9 467 103
TOTAL LIABILITIES AND OWNERS' EQUITY		15 564 192	13 228 161

Consolidated Statement of Profit or Loss for 12 month of the financial year 2019/2020

	Note	30.06.2020	30.06.2019
		EUR	EUR
Net sales	7	16 759 690	14 443 273
Other operating income		418 302	90 018
Total income		17 177 993	14 533 291
Direct cost of goods sold or services rendered		-6 555 508	-6 553 857
Marketing, advertising and public relations expenses		-604 623	-712 868
Bad receivables	8	-570 904	3 847
Operating expenses		-1 083 668	-1 175 867
Salaries and social expenses	9	-5 997 332	-5 124 851
Bonuses and social expenses	9	-1 136 789	-876 457
Depreciation expense		-442 035	-388 616
Amortization of operating lease		-298 105	-149 072
Other expenses		-45 490	-62 267
Operating expenses		-16 734 455	-15 040 008
EBIT		443 538	-506 717
Financial income (except ForEx rate difference)		10 696	31 214
Financial costs (except ForEx rate difference)		-23 511	-11 008
Foreign exchange +gain/(loss)		50 049	81 828
Financial items		37 234	102 034
EBT		480 771	-404 683
Corporate income tax		-4 997	-9 618
Profit after taxes		475 775	-414 301
Net profit/(loss)		475 775	-414 301

*Earnings per share

EPS 30.06.2020. = 0.16 EUR

EPS 30.06.2019. = -0.14 EUR

Consolidated Statement of Profit or Loss for Q4 of the financial year 2019/2020

	30.06.2020	30.06.2019
	EUR	EUR
Net sales	3 531 204	3 830 667
Other operating income	253 851	57 042
Total income	3 785 055	3 887 709
Direct cost of goods sold or services rendered	-1 179 350	-1 579 270
Marketing, advertising and public relations expenses	-113 480	-174 972
Bad receivables	-274 197	12 603
Operating expenses	-214 871	-248 404
Salaries and social expenses	-1 630 386	-1 319 157
Bonuses and social expenses	-244 138	-244 826
Depreciation expense	-108 515	-98 100
Amortization of operating lease	-73 515	-74 589
Other expenses	-15 215	-31 652
Operating expenses	-3 853 667	-3 758 367
EBIT	-68 612	129 342
Financial income (except ForEx rate difference)	1 008	8 809
Financial costs (except ForEx rate difference)	-6 930	-1 992
Foreign exchange +gain/(loss)	-58 347	-35 596
Financial items	-64 269	-28 779
EBT	-132 881	100 563
Corporate income tax	-1 913	-2 881
Net profit/(loss)	-134 794	97 682

*Earnings per share

EPS 30.06.2020. = -0.05 EUR

EPS 30.06.2019. = 0.03 EUR

Consolidated cash flow statement for 12 months of the financial year 2019/2020

	30.06.2020	30.06.2019
	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	2 454 526	-264 437
Cash received from customers	18 737 241	16 575 269
Cash paid to suppliers and employees	-16 490 724	-17 077 362
Paid/Received VAT, corporate income tax	208 009	237 656
NET CASH USED IN INVESTING ACTIVITIES (of which)	-425 602	-412 998
Cash paid for purchasing non-current physical assets	-433 669	-443 903
Interest received	8 067	30 905
NET CASH USED IN FINANCING ACTIVITIES (of which)	277 450	211 502
Short-term loans	38 400	118 629
Repayment of short-term loans	-390	277
Cash received from EU funds	239 440	92 596
Effects of exchange rate changes	76 407	-37 473
TOTAL CASH FLOW:	2 382 781	-503 406
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	4 999 711	2 620 594
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	2 382 780	-503 406

Statement of changes in consolidated equity for the 12 month period ended June 30, 2019

	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	-	-	-	2 832	-	2 832
Profit for the year	-	-	-	-	475 775	475 775
As at 30 June 2020	4 158 252	2 851 726	8 530	9 177	2 947 131	9 944 816

Notes for interim report

Note 1 Customer receivables

	30.06.2020	30.06.2019
	EUR	EUR
Long-term receivables	1 400	1 633
Accounts receivable	1 554 285	1 825 639
Provisions for bad and doubtful accounts receivable	(583 431)	(12 646)
Total short-term accounts receivable	970 853	1 812 993
Total receivables	972 253	1 814 626

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

Note 2 Other current receivables

	30.06.2020	30.06.2019
	EUR	EUR
Other current receivables	242 948	57 418

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

	30.06.2020	30.06.2019
	EUR	EUR
Raw materials	1 899 373	2 652 598
Allowance for slow-moving items	(583 189)	(664 600)
Work-in-progress	2 905 084	2 196 369
Finished goods	2 624 974	1 889 004
Prepayments to suppliers	28 516	86 655
	6 874 758	6 160 026

As compared to 30 June 2019, total inventories increased by 11,6%.

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

	30.06.2020	30.06.2019
	EUR	EUR
Plant and equipment	4 377 448	4 191 678
Other equipment and fixtures	2 030 109	2 037 639
Accumulated depreciation	(5 727 686)	(5 497 699)
Prepayments for noncurrent physical assets	-	191
Long-term investment lease*	1 324 673	1 342 191
	2 004 544	2 073 999
Purchased licenses, trademarks etc.	184 541	136 822
Other long-term intangible assets	17 748	-
	202 289	136 822
Total non-current, intangible assets	2 206 832	2 210 821

*See Note 5 Operating lease liabilities

During Q4, the Group acquired fixed assets and intangible assets in the amount of 166 thousand euros – mainly, in order to ensure production and testing processes, as well as to acquire office equipment.

Note 5 Operating lease liabilities

	30.06.2020	30.06.2019
	EUR	EUR
Accrued short-term operating lease liabilities	311 757	312 538
Accrued long-term operating lease liabilities	1 012 178	1 029 837
	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

	30.06.2020	30.06.2019
	EUR	EUR
Salary-related accrued expenses	1 197 296	664 918

The increase in the balance sheet is due to fluctuations in vacation and bonus savings between periods, and due to the increase in wages. As well as in the previous period – payments of salaries for June were made in June, whereas in the reporting period, June salaries were paid in July.

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 12 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	7 782 491	8 022 882	1 290 863	1 253 568	9 073 354	9 276 450
Undivided assets					6 490 838	3 951 711
Total assets					15 564 192	13 228 161
Segment liabilities	2 695 779	1 383 268	111 311	125 742	2 807 090	1 509 010
Undivided liabilities					2 812 287	2 252 048
Total liabilities					5 619 377	3 761 058
Net sales	15 941 809	13 272 540	817 881	1 170 733	16 759 690	14 443 273
Segment results	6 383 296	4 450 484	938 002	763 356	7 321 298	5 213 840
Undivided expenses					-7 296 062	-5 810 575
Profit from operations					25 236	-596 735
Other income					418 302	90 018
Financial income (except ForEx rate difference)					10 696	31 214
Financial costs (except ForEx rate difference)					-23 511	-11 008
Foreign exchange +gain/(loss)					50 049	81 830
Profit before taxes					480 772	-404 681
Corporate income tax					-4 997	-9 618
Profit after taxes					475 775	-414 299
Net profit					475 775	-414 299

Other information

Additions of property plant and equipment and intangible assets	158 943	137 068	0	0	158 943	137 068
Undivided additions					280 362	323 445
Total additions of property plant and equipment and intangible assets					439 305	460 513
Depreciation and amortization	403 978	307 586	0	0	403 978	307 586
Undivided depreciation					336 162	230 102
Total depreciation and amortization					740 140	537 688

b) This note provides information about division of the Group's turnover and assets by geographical regions (customer location) for 12 month of the financial year 2019/20 compared to the same period of financial year 2018/19.

	Net sales		Assets	
	2019/20	2018/19	30.06.2020	30.06.2019
	EUR	EUR	EUR	EUR
Americas	9 935 809	8 804 788	590 336	1 245 938
Europe, CIS	5 050 991	4 621 980	333 662	518 087
Asia, Africa, Middle East	1 772 890	1 016 505	48 257	50 598
	16 759 690	14 443 273	972 256	1 814 623
Unallocated assets	0	-	14 591 936	11 413 538
	16 759 690	14 443 273	15 564 192	13 228 161

Note 8 Bad receivables

	30.06.2020	30.06.2019
	EUR	EUR
Bad receivables	<u>(570 904)</u>	<u>3 847</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, additional provision for insecure debts has been made.

Note 9 Salaries, bonuses and social expenses

	30.06.2020	30.06.2019
	EUR	EUR
Salaries and social expenses	5 997 332	5 124 851
Bonuses and social expenses	1 136 789	876 457
	<u>7 134 121</u>	<u>6 001 308</u>

Compared to 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.