

SAF Tehnika JSC
Consolidated Interim Report
for Q3 and 9 months of financial year 2017/2018
(July 1, 2017 – March 31, 2018)

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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.

Legal address:	Ganību dambis 24a Rīga, LV-1005 Latvija
Commercial Registry Nr.:	40003474109
VAT Registry Nr.:	LV40003474109
Beginning of financial year:	01.07.2017
End of financial year:	30.06.2018
Phone:	+371 67046840
E-mail:	info@saftehnika.com

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%

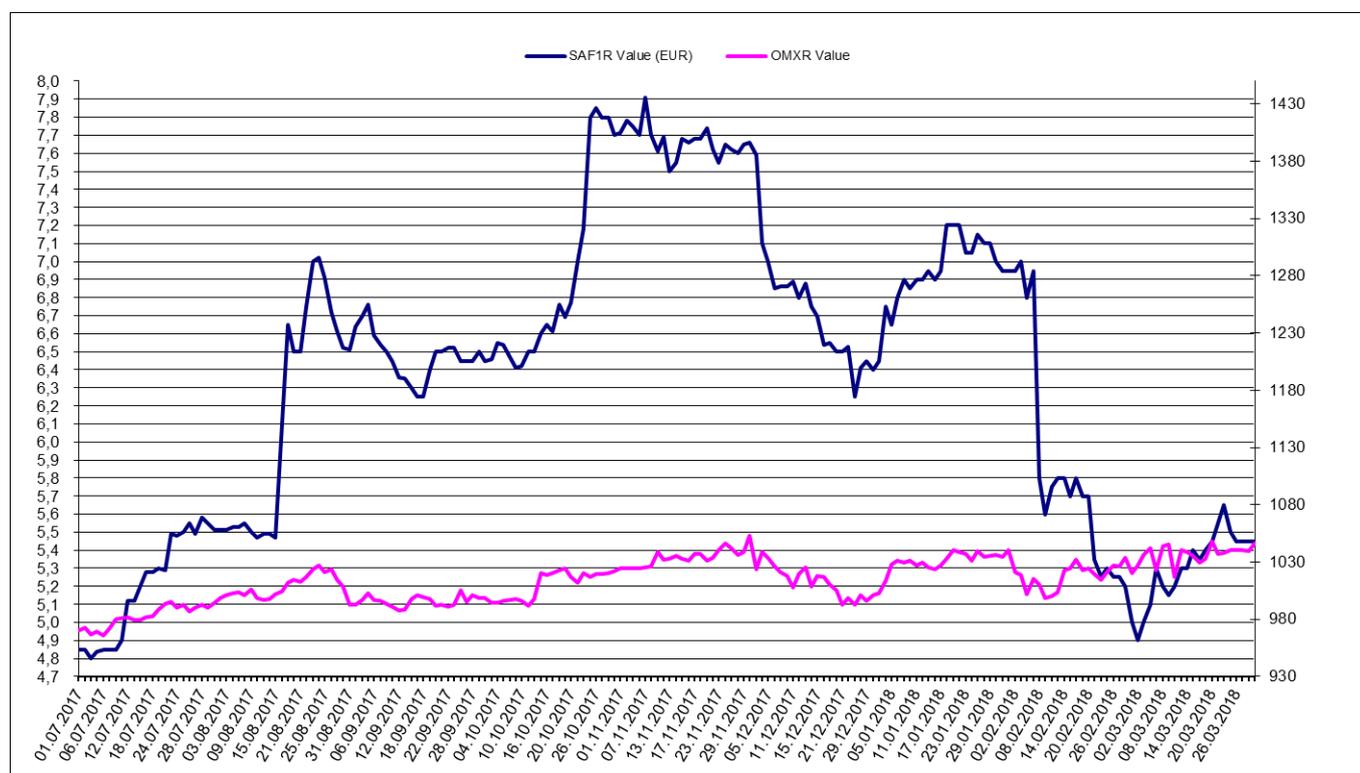
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2017 – March 31, 2018

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, passed away on 10 May 2018 until then was the 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. Grisans 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. 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, 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 March, 2018 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 third quarter of the financial year 2017/2018, the Group's unaudited consolidated net turnover was 2.92 million euros, which is down 23%, or 860 thousand euros less compared with the third quarter of the financial year 2016/2017, and 18% less than in the second quarter of the financial year. Analyzing a longer period of time, the third quarter is usually the lowest result for the Group due to the winter period on most of the target market.

The turnover of North/Latin Americas was 59% or 1.7 million euros. Compared with the same quarter last financial year, the region's turnover decreased by 24%, due to the fact that already started custom-tailored solutions were finalized, but new ones have not reached the implementation phase during this quarter in the region.

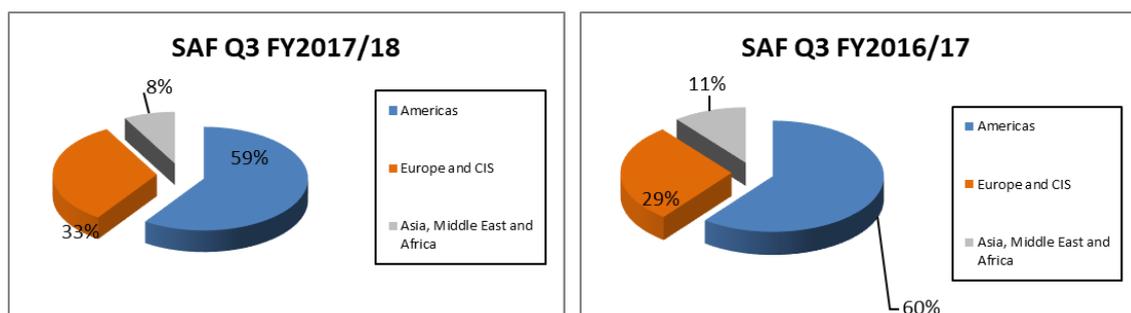
The turnover in the European and CIS region was 33% or 948 thousand euros, which is equivalent to the average regional turnover and almost the same as in the previous financial year. However, it is 34% less than in the second quarter of the year, when the successful result was due to the development of a specific custom-tailored data transmission solution.

In the AMEA (Asia, Middle East, Africa) region, the turnover was 8% or 0.2 million euros. Compared with the same quarter of the previous financial year, the region's turnover decreased by 42%. Likewise, this region's great result in the third quarter of the previous financial year was related to the implementation of a bigger individual project.

In January-March period of the financial year, SAF Tehnika participated in several important exhibitions in different regions. In North America: IWCE (USA); WISP America (USA); CanWISP (Canada). In Europe: Telecom Infra (the Netherlands); Horticontact Go (the Netherlands).

In cooperation with customers, a number of SAF product use case studies were developed: about using SAF equipment at the polar research station in Antarctica, at a fire station in the U.S., as well as about the capacity to withstand huge temperature fluctuations in Arizona, USA. The company also continued to actively publish content on SAF blog, industry sources, Google AdWords, as well as in the company's social media accounts.

Comparative charts of Q3 revenue breakdown by regions:

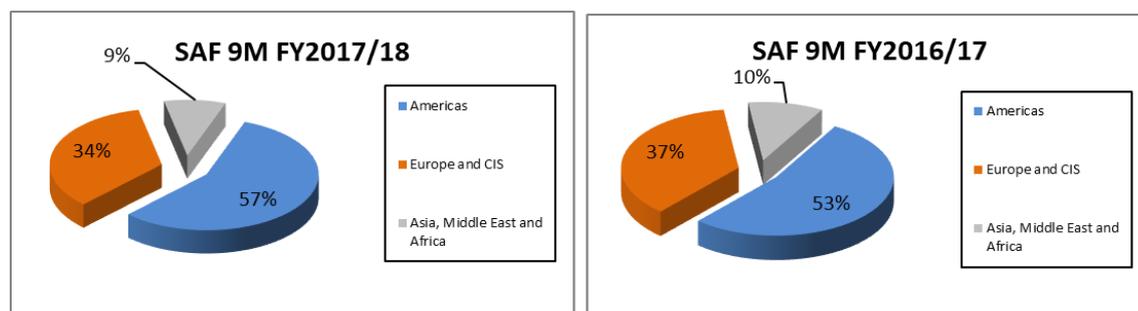


During the reporting quarter, the Group sold its products in 45 countries.

The Group's unaudited consolidated turnover for the 9-month period of the financial year 2017/2018 was 10.4 million euros, which is 13% less compared to the revenues in the same period last financial year. Fluctuations in turnover depend on the growing percentage of projects.

During the period of 9 months, sales in North/Latin Americas made 57% of the total Group's turnover, or 5.91 million euros, which is a 7% drop against the results of 9 months in the previous financial year. 34% of the total turnover was made by profits in the European and CIS region, having decreased by 18%, or 766 thousand euros, compared with a year earlier. The successful result a year earlier was due to the development of a specific custom-tailored data transmission solution. Revenues from the AMEA (Asia, Middle East, Africa) region decreased by 25%, or 312 thousand euros, thus making 9% of the Group's total 9-month turnover.

Comparative charts of sales volumes (within 9 months) by regions:



The Group's costs did not exceed 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, especially in development of new products that are expected to enter the market in the coming financial year.

The Group closed Q3 of the financial year 2017/2018 in loss of 352 thousand euros (unaudited). The USD/EUR exchange rate continues to negatively affect the Group's net results.

The unaudited consolidated result for 9 months of the financial year 2017/2018 is the loss of 221 thousand euros (of which 324 thousand euros is the effect of the USD/EUR exchange rate). In the previous financial year (2016/2017), the Group's result for 9 months was the profit of 1.1 million euros.

The Group had a negative cash flow during the 9-month period of the financial year, equaling to (-) 2.6 million euros. In December 2017, dividends were paid in the amount of 0.67 euros (sixty seven cents) per share, or 1.990 million euros in total.

As of the end of the financial year, the Group's net cash balance was 3.9 million euros.

In the third quarter of the financial year 2017/2018, 190 thousand euros were invested in acquisition of fixed assets.

Market overview

The microwave radio market has not experienced any rapid changes during the last quarter, and, in our opinion, is not expected to any time soon, however, competition is growing, especially as regards standard equipment.

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 caution and cannot provide a sales and performance forecast.

On 31 March 2018, the Group numbered 194 employees (there were 192 employees on 31 March, 2017).

KEY indicators

	Q3 2017/18	Q3 2016/17	Q3 2015/16
	EUR	EUR	EUR
Net Sales	2 915 722	3 776 193	3 025 455
Earnings before interest, taxes and depreciation (EBITDA)	-165 350	499 750	44 272
<i>share of the turnover %</i>	-6%	13%	1,5%
Profit/loss before interest and taxes (EBIT)	-257 477	408 446	-60 832
<i>share of the turnover %</i>	-9%	11%	-2%
Net Profit	-352 667	324 081	-251 278
<i>share of the turnover %</i>	-12%	9%	-8%
Total assets	10 981 525	13 949 869	12 396 376
Total Owners equity	9 862 838	11 499 916	10 791 338
Return on equity (ROE) %	-2,96%	2,37%	-2,00%
Return on assets (ROA) %	-3,51%	2,86%	-2,30%
Liquidity ratio			
Quick ratio %	349%	222%	353%
Current ratio %	443%	298%	438%
Earnings per share	-0,12	0,11	-0,08
Last share price at the end of period	5,45	3,95	3,17
P/E	45,42	6,81	10,23
Number of employees at the end of reporting period	194	192	183

Consolidated Statement of Financial Position

	Note	31.03.2018	31.03.2017
CURRENT ASSETS		EUR	EUR
Cash and bank		3 902 961	5 434 948
Customer receivables	1		
Accounts receivable		952 930	1 855 538
Allowance for uncollectible receivables		-19 792	-40 250
Total		933 138	1 815 288
Other receivables			
Other current receivables	2	115 163	44 820
Total		115 163	44 820
Prepaid expenses			
Prepaid taxes		98 757	123 790
Other prepaid expenses		240 378	176 413
Total		339 135	300 203
Inventories	3		
Raw materials		1 175 171	1 545 076
Work-in-progress		2 119 764	2 297 187
Finished goods		1 474 183	1 528 252
Prepayments to suppliers		27 076	21 183
Total		4 796 194	5 391 698
TOTAL CURRENT ASSETS		10 086 591	12 986 957
NON-CURRENT ASSETS			
Long-term financial assets			
Investments in other companies		8 106	2 148
Long-term receivables	1	2 177	3 265
Deffered income tax		0	75 769
Total		10 283	81 182
NON-CURRENT physical assets	4		
Plant and equipment		4 043 112	3 845 446
Other equipment and fixtures		1 955 360	1 956 065
Accumulated depreciation		-5 269 556	-5 088 387
Other long-term assets		1 718	29 532
Total		730 634	742 656
Intangible assets	4		
Purchased licenses, trademarks etc.		151 744	112 824
Other long-term intangible assets		2 273	26 250
Total		154 017	139 074
TOTAL NON-CURRENT ASSETS		894 934	962 912
TOTAL ASSETS		10 981 525	13 949 869

LIABILITIES AND OWNERS' EQUITY	Note	31.03.2018	31.03.2017
CURRENT LIABILITIES		EUR	EUR
Debt obligations			
Short-term loans from financial institutons		65	12 115
Customer prepayments for goods and services		13 596	599 485
Accounts payable		468 989	662 395
Tax liabilities	5	107 736	356 389
Salary-related accrued expenses	6	429 149	752 203
Provisions for guarantees		6 294	15 759
Deffered income		92 858	51 607
TOTAL CURRENT LIABILITIES		1 118 687	2 449 953
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	3 317 939
Net profit for the financial year		-221 721	1 149 965
Currency translation reserve		-8 934	13 505
TOTAL OWNERS' EQUITY		9 862 838	11 499 916
TOTAL LIABILITIES AND OWNERS' EQUITY		10 981 525	13 949 869

Consolidated Statement of Profit or Loss for 9 month of the financial year 2017/2018

	Note	31.03.2018	31.03.2017
		EUR	EUR
Net sales	7	10 410 602	11 930 990
Other operating income		269 919	171 257
Total income		10 680 521	12 102 247
Direct cost of goods sold or services rendered		-4 473 017	-5 086 784
Marketing, advertising and public relations expenses		-479 171	-427 464
Bad receivables	8	14 059	-34 694
Operating expenses		-1 077 607	-1 020 345
Salaries and social expenses	9	-3 694 711	-3 348 302
Bonuses and social expenses	9	-462 271	-624 483
Depreciation expense		-288 016	-267 722
Other expenses		-30 221	-49 348
Operating expenses		-10 490 955	-10 859 142
EBIT		189 566	1 243 105
Financial income (except ForEx rate difference)		16 041	6 323
Financial costs (except ForEx rate difference)		-36	-9 358
Foreign exchange +gain/(loss)		-340 954	123 402
Financial items		-324 949	120 367
EBT		-135 383	1 363 472
Corporate income tax		-86 338	-213 507
Profit after taxes		-221 721	1 149 965
Net profit/(loss)		-221 721	1 149 965

*Earnings per share

EPS 31.03.2018. = -0.07 EUR

EPS 31.03.2017. = 0.39 EUR

Consolidated Statement of Profit or Loss for Q3 of the financial year 2017/2018

	31.03.2018	31.03.2017
	EUR	EUR
Net sales	2 915 722	3 776 193
Other operating income	72 660	164 196
Total income	2 988 382	3 940 389
Direct cost of goods sold or services rendered	-1 307 334	-1 543 208
Marketing, advertising and public relations expenses	-122 129	-140 223
Bad receivables	11 307	-4 084
Operating expenses	-388 396	-389 138
Salaries and social expenses	-1 257 642	-1 168 605
Bonuses and social expenses	-81 888	-167 820
Depreciation expense	-92 127	-91 304
Other expenses	-7 651	-27 561
Operating expenses	-3 245 859	-3 531 943
EBIT	-257 477	408 446
Financial income (except ForEx rate difference)	4 795	3 672
Financial costs (except ForEx rate difference)	-4	-207
Foreign exchange +gain/(loss)	-98 189	-51 773
Financial items	-93 397	-48 308
EBT	-350 874	360 138
Corporate income tax	-1 793	-36 057
Net profit/(loss)	-352 667	324 081

*Earnings per share

EPS 31.03.2018. = -0.12 EUR

EPS 31.03.2017. = 0.11 EUR

Consolidated cash flow statement for 9 months of the financial year 2017/2018

	31.03.2018	31.03.2017
	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	-770 316	635 688
Cash received from customers	11 796 863	12 348 726
Cash paid to suppliers and employees	-12 489 081	-11 871 335
Paid/Received VAT, corporate income tax	-78 098	158 297
NET CASH USED IN INVESTING ACTIVITIES (of which)	-198 496	-264 104
Cash paid for purchasing shares in subsidiary	-5 958	0
Cash paid for purchasing non-current physical assets	-208 562	-270 427
Interest received	16 024	6 323
NET CASH USED IN FINANCING ACTIVITIES (of which)	-1 702 171	-783 094
Repayment of short-term loans	-10 332	20
Cash received from EU funds	298 182	226 748
Dividends paid	-1 990 021	-1 009 862
Effects of exchange rate changes	65 556	-64 401
TOTAL CASH FLOW:	-2 605 427	-475 911
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	3 902 961	5 434 948
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	-2 605 427	-475 911

Statement of changes in consolidated equity for the 9 month period ended March 31, 2018

	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	-	-	-	-14 141	-	-14 141
Profit for the period	-	-	-	-	-221 721	-221 721
As at 31 March 2018	4 158 252	2 851 726	8 530	-8 934	2 853 264	9 862 838

Notes for interim report

Note 1 Customer receivables

	31.03.2018	31.03.2017
	EUR	EUR
Long-term receivables	2 177	3 265
Accounts receivable	952 930	1 855 538
Provisions for bad and doubtful accounts receivable	(19 792)	(40 250)
Total short term accounts receivable	933 138	1 815 288
Total receivables	935 315	1 818 553

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

Note 2 Other current receivables

	31.03.2018	31.03.2017
	EUR	EUR
Other current receivables	115 163	44 820

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

Note 3 Inventories

	31.03.2018	31.03.2017
	EUR	EUR
Raw materials	1 800 039	2 100 739
Allowance for slow-moving items	(624 868)	(555 663)
Work-in-progress	2 119 764	2 297 187
Finished goods	1 474 183	1 528 252
Prepayments to suppliers	27 076	21 183
	4 796 194	5 391 698

As compared to 31 March 2017, total inventories decreased 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

	31.03.2018	31.03.2017
	EUR	EUR
Plant and equipment	4 043 112	3 845 446
Other equipment and fixtures	1 955 360	1 956 065
Accumulated depreciation	(5 269 556)	(5 088 387)
Other long term assets	1 718	29 532
	730 634	742 656
Purchased licenses, trademarks etc.	151 744	112 824
Other long-term intangible assets	2 273	26 250
	154 017	139 074
Total non-current, intangible assets	884 651	881 730

During Q3, the Group acquired fixed assets and intangible assets in the amount of 190 thousand euros – mainly, in order to ensure production and testing processes, as well as to acquire office equipment.

Note 5 Tax liabilities

	31.03.2018	31.03.2017
	EUR	EUR
Tax liabilities	107 736	356 389

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

Note 6 Salary-related accrued expenses

	31.03.2018	31.03.2017
	EUR	EUR
Salary-related accrued expenses	429 149	752 203

The total amount of salary-related settlement decreased by 42% as compared to 31.03.2017. 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 9 month of the financial year 2017/18 and financial year 2016/17.

	CFM; CFIP; FreeMile		Other		Total	
	2017/18 EUR	2016/17 EUR	2017/18 EUR	2016/17 EUR	2017/18 EUR	2016/17 EUR
Segment assets	5 769 596	7 326 985	1 258 824	1 179 486	7 028 420	8 506 471
Undivided assets					3 953 105	5 443 398
Total assets					10 981 525	13 949 869
Segment liabilities	632 322	1 490 556	41 361	144 464	673 683	1 635 020
Undivided liabilities					445 004	814 933
Total liabilities					1 118 687	2 449 953
Net sales	9 752 880	11 129 700	657 722	801 290	10 410 602	11 930 990
Segment results	3 200 691	4 188 978	361 650	673 556	3 562 341	4 862 534
Undivided expenses					-3 642 694	-3 790 686
Profit from operations					-80 353	1 071 848
Other income					269 919	171 257
Other expenses					0	0
Financial income/expenses, net					-324 949	120 367
Profit before taxes					-135 383	1 363 472
Corporate income tax					-86 338	-213 507
Profit after taxes					-221 721	1 149 965
Net profit					-221 721	1 149 965
Other information						
Additions of property plant and equipment and intangible assets	160 240	39 359	0	0	160 240	39 359
Undivided additions					162 757	77 769
Total additions of property plant and equipment and intangible assets					322 997	117 128
Depreciation and amortization	164 022	77 844	0	609	164 022	78 453
Undivided depreciation					123 994	97 965
Total depreciation and amortization					288 016	176 418

b) This note provides information about division of the Group's turnover and assets by geographical regions (customer location) for 9 month of the financial year 2017/18 and financial year 2016/17.

	Net sales		Assets	
	2017/18 EUR	2016/17 EUR	31.03.2018 EUR	31.03.2017 EUR
Americas	5 905 891	6 347 785	547 424	1 238 808
Europe, CIS	3 578 506	4 344 804	325 130	351 412
Asia, Africa, Middle East	926 206	1 238 401	62 761	228 333
	10 410 602	11 930 990	935 315	1 818 553
Unallocated assets	-	-	10 046 210	12 131 316
	10 410 602	11 930 990	10 981 525	13 949 869

Note 8 Bad receivables

	31.03.2018	31.03.2017
	EUR	EUR
Bad receivables	14 059	(34 694)

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

	31.03.2018	31.03.2017
	EUR	EUR
Salaries and social expenses	3 694 711	3 348 302
Bonuses and social expenses	462 271	624 483
	4 156 982	3 972 785

As compared to the period of 9 months of FY 2016/2017, the amount of salaries and related social payments has increased by 4,7%, which reflects the increase in fixed remuneration for SAF Tehnika employees with critical competencies and increase in the number of the Group's employees.