SAF Tehnika
Consolidated Interim Report
for Q4 and for 12 months of financial year 2012/13

(July 1, 2012 – June 30, 2013)

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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 100 countries, covering all relevant market segments worldwide within just a decade.

The complete product range offers solutions to mobile network operators, data service providers, and government and private companies. Since its establishment in 1999, SAF Tehnika competes with such multinational corporations as Ericsson, Huawei, Alcatel and NEC.

Currently the Group consists of SAF Tehnika JSC (hereinafter – the Parent) operating from Riga, Latvia, a wholly owned subsidiary "SAF North America LLC" and a joint-venture company "SAF Services LLC" where the Parent holds 50% of the company's shares. 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 OMX Riga.

Legal address:	Ganibu Dambis 24a Riga, LV – 1005 Latvia
Commercial Registry Nr.:	40003474109
VAT Registry Nr.:	LV40003474109
Beginning of financial year:	01.07.2012
End of financial year:	30.06.2013
Phone:	+371 67046840
Fax:	+371 67046809
E-mail:	info@saftehnika.com

Share and Shareholdings

SAF Tehnika shareholders (over 5%) as of 04.07.2013

Name	Ownership interest (%)
Didzis Liepkalns	17.05%
Andrejs Grišāns	10.03%
Normunds Bergs	9.74%
Juris Ziema	8.71%
Vents Lācars	6.08%
Ivars Šenbergs	5.27%

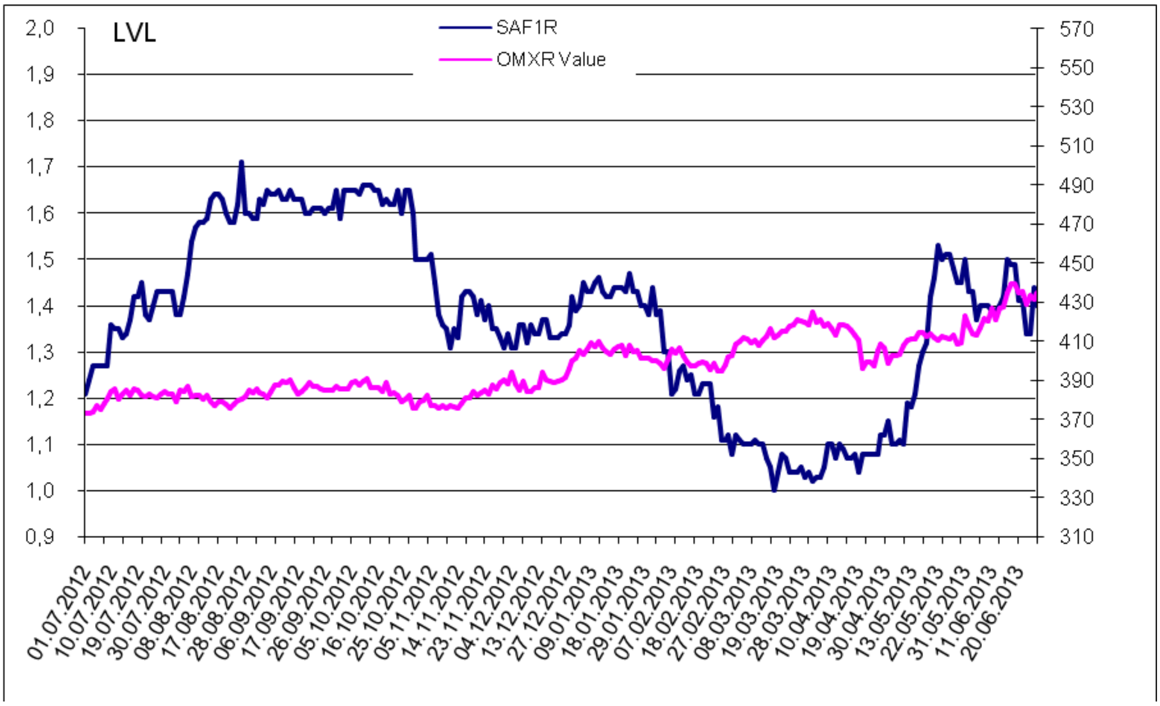
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (**SAF1R**)

Period: July 1, 2012 – June 30, 2013

Currency: **LVL**

Marketplace: **NASDAQ OMX 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	Vice Chairman	owns 17.05% of shares
Aira Loite	Member	owns 0.26% of shares
*Jānis Ennitis	Member till February 28, 2013	owns no shares

SAF Tehnika Supervisory Board:

Name	Position	Ownership interest (%)
Vents Lacars	Chairman	owns 6.08% of shares
Juris Ziema	Vice-Chairman	owns 8.71% of shares
Andrejs Grisans	Member	owns 10.03% of shares
Ivars Senbergs	Member	owns 5.27 % of shares
Aivis Olsteins	Member	owns no shares

Information on professional and educational background of the management board members

Normunds Bergs

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

Didzis Liepkalns, born in 1962, is Vice-Chairman of the Board and Technical Director of SAF Tehnika. D. 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. D. Liepkalns has graduated Riga Technical University with a degree in radio engineering in 1985.

Aira Loite

Aira Loite, born in 1965, Member of the Board and Chief Operating Officer of SAF Tehnika. Prior to joining the company in November, 2007, she worked for SIA Lattelecom (2006/2007) initially as a Business Performance Director and later as a Director of Business Information and Control division. From 2000 till 2006 she held the position of the Head of Finances and Administration of SIA Microlink Latvia being the Board member as well. From 2004 till 2005 she was Chief Financial Officer of Microlink Group. A. Loite has graduated University of Latvia with a degree in applied mathematics in 1988. She has the degree of Master of Business Administration by the University of Salford (UK) in 2009.

Information on professional and educational background of the supervisory council members

Vents Lācars,

born in 1968, is Chairman of the Supervisory Council and Vice-President Business Development of SAF Tehnika. Before co-founding the Company, from 1992 to 1999, he worked in SIA Fortech, where throughout his career he held positions of programmer, leading programmer, and project manager in the networking department and networking department manager. From 1990 to 1992 V. Lacars worked as a programmer at state electric utility company Latvenergo. V. Lacars 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 Didzis Liepkalns private enterprise SAF. From 1987 to 1999 J. Ziema worked as an engineer at the Institute of Electronic Engineering and Computer Sciences. J. 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. A. 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 A. 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. A. Grisans has graduated Riga Technical University with a degree in radio engineering in1980.

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. I. Senbergs has graduated Faculty of Law, University of Latvia in 1986..

Aivis Olsteins,

born in 1968. A.Olsteins has 20 years of experience in telecommunications. He is CEO of a company “DataTechLabs” since year 2000. The company provides software development and support services for telecommunication operators. From 1992 till 1999 he worked in Baltcom TV, initially as a system engineer in Cable TV operations department, from 1994 till June 1996 as a CTO, but from July 1996 till the end of 1999 as technical advisor to General Manager. A. Olsteins is studying in University of Latvia in Faculty of Physics and Mathematics, bachelor of Physics program.

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 2013 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, 2012.
Prudent and reasonable judgements 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 Latvian Lats and Euro.

Currency Exchange rate for LVL/EUR is 0.702804

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Aira Loite
COO, Member of the Management Board

Management Report

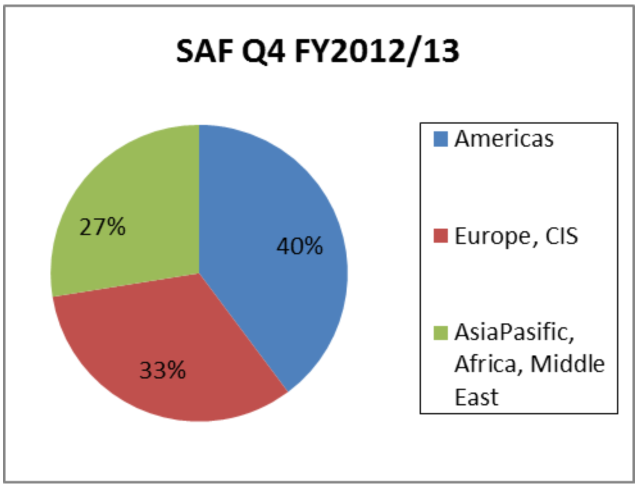
The Group’s non-audited net sales for the fourth quarter of financial year 2012/13 were 2.35 million LVL (3.34 million EUR), increasing by 9% compared to the fourth quarter of the previous financial year. The Group retained stable sales results continuing to supply existing and new projects while delays in Group’s supply chain and customer payments forced certain shipments on hold that consequently resulted in sales declining by 9% compared to the previous reporting quarter of the current financial year (Q3 FY 2012/13).

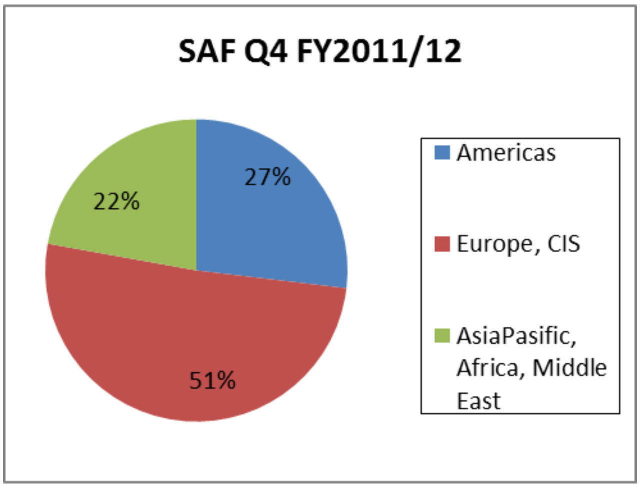
Due to business cycle of existing projects as well as lack of new mid-to-large projects in European, CIS regions their revenue decreased by 21% or 0.2 million LVL (0.29 million EUR) comparing to Q3 FY 2012/13 at the same time posting drop (30%) against the respective reporting quarter of the previous financial year. Meanwhile the Group is confident in its ability to regain the previously enjoyed revenue levels continuing to provide customized solutions and high level of customer support. The region accounted for 33% from the total Groups’ revenue.

Resumed activities in previous delayed projects in Asia, Middle East and Africa region recovered the previously low revenue stream. The active work of office in Lagos, Nigeria and other sales efforts in the region resulted in Sales increase by 42% or 0.19 million LVL (0.27 million EUR) from the previous reporting quarter of the current financial year at the same time showing a 36% year-to-year growth. The regions generated 28% from the total turnover of the reporting quarter.

Sales in the Americas regions declined by 18% or 0.21 million LVL (0.3 million EUR) compared to the previous reporting quarter of the current financial year while still maintaining positive growth trend by posting a 62% year-to-year growth. The region retained a stable 40% share from the total group’s turnover of the reporting quarter. The Group extended its focus and presence in the region by opening new office and warehouse premises in Denver, CO. It is expected that the new establishment will improve product delivery and customer support activities as well as serve as key component for managed services projects. Due to closing of Siemens factory in Brazil, the production of Group’s products in Brazil will terminate in September, 2013, after which the Group shall make all further product deliveries from Riga factory. As announced in February,21 2013, the former partner in Brasil for TV broadcasting project still faces liquidity problems, consequently current payment deadlines due on 17/08/2013 may not be met. The Latvian Guarantee Agency (LGA) decision regarding coverage of potential loses is expected after payment deadline.

Chart 1. Quarter 4 revenue breakdown comparative charts:

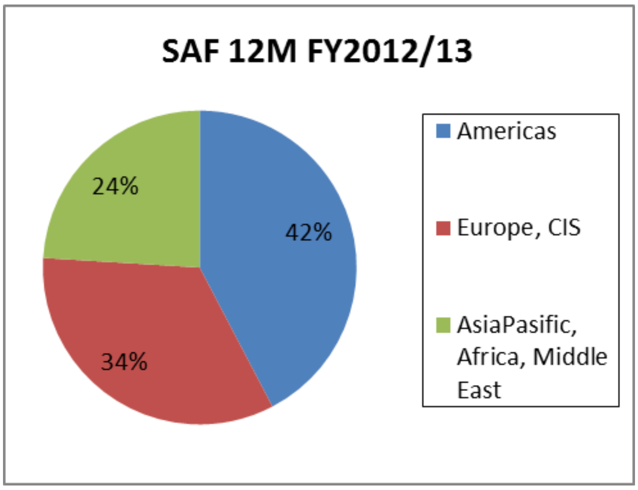


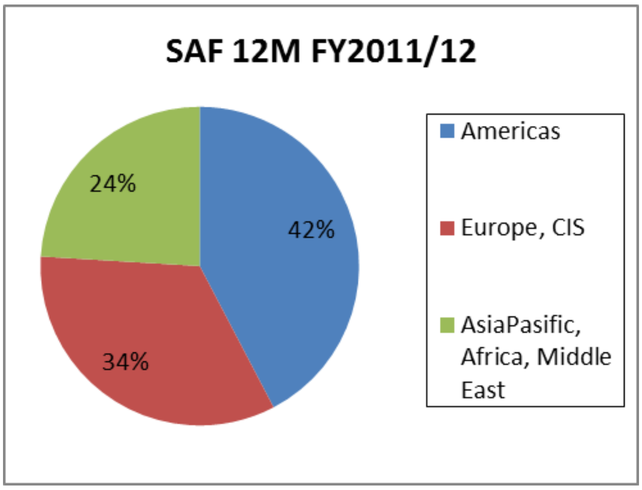


The Company's 2012/13 financial year's 12 month unaudited net turnover was 9.53 million LVL (13.55 million EUR) maintaining stable revenue levels posting only slight (1%) year-to-year decrease. Asia, Africa and Middle East regions has shown a 14% drop in total turnover accounting only for 24% for total revenue, whereas the Americas has been the only region that continues to show positive trends by growing 22% on year-to-year basis comprising 42% of the total the Company's turnover. Although Europe, CIS region experienced strong results in Q2 and Q3 FY 2012/13, the annual revenue decreased by 13% while still retaining a strong portion (34%) from the total revenue. The continuous rather even split revenues among the different regions has been one of the key elements for maintaining stable revenue stream.

The Group's products were sold in 61 countries during the reporting quarter.

Chart 2. 12 months revenue breakdown comparative charts:





During reporting quarter The Group participated in several industry exhibitions. To strengthen market presence in European and Asian markets the Group took part in AVM 2013

(Hilversum, Netherlands) and CommunicAsia 2013 (Marina Bay Sands, Singapore). As key event The Group announced the new Integra product line during the CTIA Wireless 2013 (Las Vegas, Nevada) show.

The main CFIP product line retained a dominant 80% share from total sales of the reporting quarter. CFIP Lumina proved to remain the flagship product, while other product modules as Freemile, CFIP 108, Marathon and Phoenix made a significant contribution to the bottom line. The continuous requests for older CFM line products accounted for approximately 5% from the total revenue generated in the quarter. The latest announced Integra product line, characterized by antenna integrated with next-generation microwave radio and industry leading compact form factor supporting Synchronous Ethernet, IEEE 1588 v.2 PTP and up to QAM1024 modulations, is expected to become a key component in Group's product portfolio and help acquire a new customer segment increasing Group's global marketshare.

The Group slightly decreased the allowance for bad receivables meanwhile made financial loss from unfavorable USD to LVL foreign exchange rates.

The Group ended fourth quarter of 2012/13 financial year with a net profit of 14 838 LVL (21 113 EUR), which represents a decrease of 22 919 thousand LVL (32 612 EUR) when compared to respective quarter of previous financial year.

Meanwhile the Groups unaudited net loss for 2012/13 financial year's 12 months was -5 913 LVL (-8 413 EUR).

The Group's net cash flow for the 12 month period of the financial year was 645 thousand LVL (918 thousand EUR). As of June 30, 2013, the Group carried a net cash balance (excluding interest bearing liabilities) of 1.97 million LVL (2.81 million EUR).

Market overview

The continuous growth of mobile data traffic and requirements for higher capacities can still be witnessed as a stable market trend. The increase in number of connected mobile devices and the growing capacity requirements will inevitably lead to a growth in number of base stations used in mobile networks. While there is no universal approach for designing a network structure to support this growth, and it is expected that different techniques and solutions shall be applied depending on the population density, region on the globe , topography of the networks, etc.

While such solutions as using V-Band, E-Band frequencies or capitalizing on advantages of XPIC or Wideband have been present for a while, they represent only few % of the total point-to-point microwave market. Meanwhile it is expected that the use of the named solutions will grow considerably and grow to mass market consumption levels similarly as market transitioned from PDH to Super PDH systems back in 2007/2008.

While different analysts share different opinions over the potential growth of the global point-to-point microwave market, positive trends prevail, especially for the developing markets such as Africa, Latin America and South East Asia where the capacity increase requirements are expected to grow significantly.

Guidance

The Group has diversified its portfolio to become a unique market player among the global point-to-point microwave manufacturers, not only providing equipment and managed services, but also providing solution for radio field engineers with the launch of the SAF Spectrum Compact. The Group sees great potential for incorporating the new product in the current offerings for its current and potential clients. Meanwhile the Group prepares for full market enrollment of the announced Integra product, which is designed to be system optimized for small cell backhaul and other dense urban applications. At the same time the Group continues extensive R&D activities for further developing the new product line and adding new features to the existing products.

The Group will not change the market strategy of focusing on strategic niche markets both for products and managed services offerings.

The Group remains financially stable and with positive outlook for the next operating periods, however the Board of the Group avoids giving any forward-looking sales and financial result statements.

On June 30, 2013 the Company employed 164 people (162 people on June 30, 2012).

KEY indicators

	Q4 2012/13		Q4 2011/12		Q4 2010/11	
	LVL	EUR	LVL	EUR	LVL	EUR
Net Sales	2 387 898	3 397 673	2 213 275	3 149 207	2 004 529	2 852 188
(EBITDA)	-8 437	-12 005	-119 232	-169 652	-72 150	-102 660
share of the turnover %	0%	0%	-5,4%	-5,4%	-4%	-4%
Profit/loss before interest and taxes (EBIT)	62 115	88 382	-52 772	-75 088	-122 902	-174 874
share of the turnover %	3%	3%	-2%	-2%	-6%	-6%
Net Profit	14 838	21 113	37 757	53 723	-108 388	-154 222
share of the turnover %	1%	1%	2%	2%	-5%	
Total assets	8 571 028	12 195 474	8 649 619	12 307 299	9 667 904	13 756 188
Total Owners equity	7 191 069	10 231 969	7 497 650	10 668 195	7 572 857	10 775 205
Return on equity (ROE) %	0%	0%	0,44%	0,44%	-1%	-1%
Return on assets (ROA) %	0%	0%	0,50%	0,50%	-1%	-1%
Liquidity ratio						
Quick ratio %	143%	143%	115%	115%	102%	102%
Current ratio %	325%	325%	268%	268%	194%	194%
Earnings per share	0,00	0,01	0,01	0,02	-0,04	-0,05
Last share price at the end of period	1,40	1,99	1,21	1,72	2,71	3,86
P/E	280,24		95,19		-74,26	
Number of employees at the end of reporting period	164		162		164	

Consolidated Statement of Financial Position

As of June 30, 2013

	Note	30.06.2013	30.06.2012	30.06.2013	30.06.2012
CURRENT ASSETS		**LVL**	**LVL**	**EUR**	**EUR**
Cash and bank		**1 974 238**	**1 328 770**	**2 809 088**	**1 890 669**
Short-term investments	**1**	**415 063**	**1 858 393**	**590 581**	**2 644 255**
Customer receivables	**2**				
Accounts receivable		2 240 598	1 552 874	3 188 084	2 209 541
Allowance for uncollectible receivables		-387 741	-295 181	-551 706	-420 005
Total		**1 852 857**	**1 257 693**	**2 636 378**	**1 789 537**
Other receivables					
Other current receivables	**3**	166 856	206 045	237 415	293 176
Short-term loans	**4**	253 009	22 772	359 999	32 402
Total		**419 865**	**228 817**	**597 414**	**325 577**
Prepaid expenses					
Prepaid taxes		144 214	142 946	205 198	203 394
Other prepaid expenses		92 354	125 949	131 408	179 209
Total		**236 568**	**268 895**	**336 606**	**382 603**
Inventories	**5**				
Raw materials		990 865	1 008 472	1 409 874	1 434 926
Work-in-progress		1 282 274	1 306 884	1 824 512	1 859 528
Finished goods		603 220	659 945	858 305	939 017
Prepayments to suppliers		17 402	58 236	24 761	82 862
Total		**2 893 761**	**3 033 537**	**4 117 451**	**4 316 333**
TOTAL CURRENT ASSETS		**7 792 352**	**7 976 105**	**11 087 518**	**11 348 975**
NON-CURRENT ASSETS					
Long-term financial assets					
Shares in companies		835	500	1 188	711
Long-term receivables	**2**	45 263	0	64 403	0
Deffered income tax		99 592	92 559	141 707	131 701
Long-term loans	**4**	0	1 898	0	2 701
Total		**145 690**	**94 957**	**207 298**	**135 112**
NON-CURRENT physical assets	**6**				
Plant and equipment		2 285 026	2 253 630	3 251 299	3 206 627
Other equipment and fixtures		1 301 919	1 144 713	1 852 464	1 628 780
Accumulated depreciation		-3 096 747	-2 912 190	-4 406 274	-4 143 673
Prepayments for noncurrent physical assets		76 124	0	108 315	0
Total		**566 322**	**486 153**	**805 804**	**691 733**
Intagible assets	**6**				
Purchased licenses, trademarks etc.		66 664	92 404	94 854	131 479
Total		**66 664**	**92 404**	**94 854**	**131 479**
TOTAL NON-CURRENT ASSETS		**778 676**	**673 514**	**1 107 956**	**958 324**
TOTAL ASSETS		**8 571 028**	**8 649 619**	**12 195 474**	**12 307 299**

LIABILITIES AND OWNERS' EQUITY	Note	30.06.2013	30.06.2012	30.06.2013	30.06.2012
CURRENT LIABILITIES		**LVL**	**LVL**	**EUR**	**EUR**
Debt obligations					
Short-term loans from financial institutons		9 988	5 485	14 213	7 804
Customer prepayments for goods and services		68 770	23 612	97 851	33 597
Accounts payable	**7**	891 596	788 220	1 268 627	1 121 536
Tax liabilities	**8**	79 322	79 750	112 865	113 474
Salary-related accrued expenses	**9**	297 868	230 592	423 828	328 103
Provisions for guarantees		28 770	15 338	40 936	21 824
Prepaid revenue		3 645	8 972	5 187	12 766
TOTAL CURRENT LIABILITIES		**1 379 959**	**1 151 969**	**1 963 508**	**1 639 104**
OWNERS' EQUITY					
Share capital		2 970 180	2 970 180	4 226 185	4 226 185
Paid in capital over par		2 004 204	2 004 204	2 851 725	2 851 725
Other reserves		-10 255		-14 592	0
Retained earnings		2 226 197	1 915 332	3 167 593	2 725 272
Net profit for the financial year		-5 913	607 883	-8 413	864 940
Currency translation reserve		6 656	51	9 471	73
TOTAL OWNERS' EQUITY		**7 191 069**	**7 497 650**	**10 231 968**	**10 668 195**
TOTAL LIABILITIES AND OWNERS' EQUITY		**8 571 028**	**8 649 619**	**12 195 474**	**12 307 299**

Consolidated Statement of Profit or Loss for 12 month of the financial year 2012/2013

	Note	30.06.2013	30.06.2012	30.06.2013	30.06.2012
		LVL	**LVL**	**EUR**	**EUR**
Net sales	**10**	9 526 124	9 638 909	13 554 453	13 714 932
Other operating income		58 180	67 913	82 783	96 631
Total income		**9 584 304**	**9 706 822**	**13 637 236**	**13 811 563**
Direct cost of goods sold or services rendered		-5 394 115	-5 391 209	-7 675 134	-7 670 999
Marketing, advertising and public relations expenses		-526 754	-457 396	-749 503	-650 816
Bad receivables	**11**	-92 574	152 282	-131 721	216 678
Operating expenses		-880 297	-800 491	-1 252 550	-1 138 996
Salaries and social expenses	**12**	-2 162 067	-2 033 106	-3 076 344	-2 892 849
Bonuses and social expenses	**12**	-143 457	-385 318	-204 121	-548 258
Depreciation expense		-287 011	-247 294	-408 380	-351 868
Other expenses		-60 341	-71 171	-85 858	-101 267
Operating expenses		**-9 546 616**	**-9 233 703**	**-13 583 611**	**-13 138 376**
EBIT		**37 688**	**473 119**	**53 625**	**673 189**
Financial income (except ForEx rate difference)		40 173	53 177	57 161	75 664
Financial costs (except ForEx rate difference)		0	-649	0	-923
Foreign exchange +gain/(loss)		-62 880	157 662	-89 470	224 333
Financial items		**-22 707**	**210 190**	**-32 309**	**299 072**
EBT		**14 981**	**683 309**	**21 316**	**972 260**
Corporate income tax		**-4 561**	**-75 426**	**-6 490**	**-107 322**
Profit after taxes		**10 420**	**607 883**	**14 826**	**864 940**
Minority interest		**-16 333**	**0**	**-23 240**	**0**
Net profit		**-5 913**	**607 883**	**-8 413**	**864 940**

*Earnings per share
EPS 30.06.2013. = 0.00 LVL (0.00 EUR)
EPS 30.06.2012. = 0.20 LVL (0.29 EUR)

Consolidated Statement of Profit or Loss for Q4 of the financial year 2012/2013

	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	LVL	**LVL**	**EUR**	**EUR**
Net sales	2 349 139	2 164 636	3 342 524	3 080 000
Other operating income	38 759	48 639	55 149	69 207
Total income	**2 387 898**	**2 213 275**	**3 397 673**	**3 149 207**
Direct cost of goods sold or services rendered	-1 311 960	-1 204 841	-1 866 751	-1 714 334
Marketing, advertising and public relations expenses	-118 925	-137 363	-169 215	-195 450
Bad receivables	5 515	28 261	7 847	40 212
Operating expenses	-240 492	-216 013	-342 189	-307 359
Salaries and social expenses	-543 568	-509 386	-773 428	-724 791
Bonuses and social expenses	-13 681	-143 426	-19 466	-204 077
Depreciation expense	-70 552	-66 460	-100 386	-94 564
Other expenses	-32 120	-16 819	-45 703	-23 931
Operating expenses	**-2 325 783**	**-2 266 047**	**-3 309 291**	**-3 224 294**
EBIT	**62 115**	**-52 772**	**88 382**	**-75 088**
Financial income (except ForEx rate difference)	8 154	24 734	11 602	35 193
Foreign exchange +gain/(loss)	-25 214	47 975	-35 876	68 262
Financial items	**-17 060**	**72 709**	**-24 274**	**103 457**
EBT	**45 055**	**19 937**	**64 107**	**28 369**
Corporate income tax	**-1 815**	**17 820**	**-2 583**	**25 356**
Minority interest	**-28 402**	**0**	**-40 412**	**0**
Net profit	**14 838**	**37 757**	**21 113**	**53 724**

*Earnings per share
EPS 30.06.2013. = 0.00 LVL (0.01 EUR)
EPS 30.06.2012. = 0.01 LVL (0.02 EUR)

Consolidated cash flow statement for 12 months of the financial year 2012/13

	30.06.2013	30.06.2012	30.06.2013	30.06.2012
	LVL	**LVL**	**EUR**	**EUR**
CASH GENERATED FROM OPERATIONS (of which)	**-121 499**	**314 294**	**-172 878**	**447 200**
Cash received from customers	9 007 279	10 397 403	12 816 204	14 794 173
Cash paid to suppliers and employees	-9 158 108	-9 672 154	-13 030 814	-13 762 235
Paid/Received VAT, corporate income tax	29 330	-410 955	41 733	-584 736
NET CASH USED IN INVESTING ACTIVITIES (of which)	**1 248 223**	**477 036**	**1 776 061**	**678 761**
Cash paid/received for short-term investments	1 443 330	579 046	2 053 674	823 908
Cash paid for purchasing non-current physical assets	-228 832	-166 140	-325 599	-236 396
Interest received	33 725	64 130	47 986	91 249
NET CASH USED IN FINANCING ACTIVITIES (of which)	**-480 531**	**-610 913**	**-683 734**	**-869 251**
Repayment of short-term loans	4 503	-4 294	6 407	-6 110
Repayment of long-term loans	18 980	22 775	27 006	32 406
Cash paid of short-term loans	-253 010	0	-360 001	0
Cash received from EU fonds	46 014	53 747	65 472	76 475
Dividends paid	-297 018	-683 141	-422 619	-972 022
Effects of exchange rate changes	**-726**	**51**	**-1 033**	**73**
TOTAL CASH FLOW:	**645 468**	**180 468**	**918 418**	**256 783**
Cash and cash equivalents as at the beginning of period	1 328 770	1 148 302	1 890 669	1 633 887
Cash and cash equivalents as at the end of period	1 974 238	1 328 770	2 809 088	1 890 669
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	**645 468**	**180 468**	**918 418**	**256 783**

Statement of changes in consolidated equity for the 12 months period ended June 30 2013

	Share capital LVL	Share premium LVL	Currency translation reserve LVL	Retained earnings LVL	Total LVL
As at 30 June 2011	**2 970 180**	**2 004 204**	**-**	**2 598 473**	**7 572 857**
Dividend relating to 2010/2011	-	-	-	**-683 141**	**-683 141**
Currency translation difference	0	0	51	-	**51**
Profit for the year	-	-	-	607 883	**607 883**
As at 30 June 2012	**2 970 180**	**2 004 204**	**51**	**2 523 215**	**7 497 650**
Dividend relating to 2011/2012	-	-	-	**-297 018**	**-297 018**
Other reserves				**-10 255**	**-10 255**
Currency translation difference	-	-	6 605	0	**6 605**
Profit for the period	-	-	-	**-5 913**	**-5 913**
As at 30 June 2013	**2 970 180**	**2 004 204**	**6656**	**2 210 029**	**7 191 069**

Statement of changes in consolidated equity for the 12 months period ended June 30 2013

	Share capital EUR	Share premium EUR	Currency translation reserve EUR	Retained earnings EUR	Total EUR
As at 30 June 2011	**4 226 185**	**2 851 725**	-	**3 697 294**	**10 775 205**
Dividend relating to 2010/2011	-	-	-	**-972 022**	**-972 022**
Currency translation difference	-	-	73	-	**73**
Profit for the year	-	-	-	864 939	**864 939**
As at 30 June 2012	**4 226 185**	**2 851 725**	**73**	**3 590 210**	**10 668 194**
Dividend relating to 2011/2012	-	-	-	**-422 619**	**-422 619**
Other reserves				**-14 592**	**-14 592**
Currency translation difference	-	-	9 398	0	**9 398**
Profit for the period	-	-	-	**-8 413**	**-8 413**
As at 30 June 2013	**4 226 185**	**2 851 725**	**9471**	**3 144 586**	**10 231 969**

Notes for interim report

Note 1 Short-term investments

	30.06.2013 LVL	30.06.2012 LVL	30.06.2013 EUR	30.06.2012 EUR
Short-term investments	**415 063**	**1 858 393**	**590 581**	**2 644 255**

Short-term investments consist of deposits with a maturity period of more than 90 days.

Note 2 Customer receivables

	30.06.2013 LVL	30.06.2012 LVL	30.06.2013 EUR	30.06.2012 EUR
Long-term receivables	**45 263**	**-**	**64 403**	**-**
Accounts receivable	2 240 598	1 552 874	3 188 084	2 209 541
Provisions for bad and doubtful accounts receivable	(387 741)	(295 181)	(551 706)	(420 005)
Total accounts receivable	**1 852 857**	**1 257 693**	**2 636 378**	**1 789 537**
Total receivables	**1 898 120**	**1 257 693**	**2 700 781**	**1 789 537**

Total receivables increased by 47% comparing with the previous year reflecting increased sales volumes and increased sales on credit. Provisions for doubtful accounts receivable has increased by 31% as Groups had to record additional provisions for customers who delayed agreed payments terms. Calculations were done according to Group’s provision calculation policy.

Note 3 Other current receivables

	30.06.2013 LVL	30.06.2012 LVL	30.06.2013 EUR	30.06.2012 EUR
Other current receivables	**166 856**	**206 045**	**237 415**	**293 176**

Three research projects initiated by the Parent were realized in competence centre “LEO pētījumu centrs”(LEO) till the end of 2012. LEO is the company co-founded by Latvian Electrical Engineering and electronic Industry Association (LETERA) members. As government made a decision to change principles of co-financing for competence centres by decreasing support SAF Tehnika decided to finish research projects. The LEO keeps 135 thousand LVL (EUR 192 thousand) which the Group has paid-in for LEO as a deposit for execution of projects until all financial issues be clarified with government structures.

Note 4 Loans

	30.06.2013 LVL	30.06.2012 LVL	30.06.2013 EUR	30.06.2012 EUR
Short-term loans	**253 009**	**22 772**	**359 999**	**32 402**
Long-term loans	**-**	**1 898**	**-**	**2 701**
	253 009	**24 670**	**370 800**	**35 103**

In order to facilitate the Group’s product sales, encourage clients to buy the Group’s products and at the same time following tender requirements, financing was assigned for a Belorussian client in 2010. The particular financing was repaid in full in June 2013.

The Parent has lent 253 009 LVL (EUR 360 000) to related party SIA Namīpašumu pārvalde based on a loan agreement. The initial loan repayment date was prolonged for 3 months till September 30, 2013.

Note 5 Inventories

	30.06.2013 LVL	30.06.2012 LVL	30.06.2013 EUR	30.06.2012 EUR
Raw materials	1 044 611	1 201 982	1 486 348	1 710 266
Allowance for slow-moving items	(485 952)	(545 656)	(691 447)	(776 399)
Work-in- progress	1 338 932	1 455 922	1 905 129	2 071 590
Finished goods	978 768	863 053	1 392 661	1 228 014
Prepayments to suppliers	17 402	58 236	24 761	82 862
	2 893 761	**3 033 537**	**4 117 451**	**4 316 333**

Inventories in comparison with June 30, 2012 decreased by 4.6%. The main decrease is in component stock due to increased sales and respectively production volumes.

The Group is keeping inventory reserves in order to be able to produce orders in competitive terms for products currently being in the Group’s product list. Group also keeps components for previously produced and sold product types for repair and maintenance purpose.

Note 6 Non-current assets

	30.06.2013 LVL	30.06.2012 LVL	30.06.2013 EUR	30.06.2012 EUR
Plant and equipment	2 285 026	2 253 630	3 251 299	3 206 627
Other equipment and fixtures	1 301 919	1 144 713	1 852 464	1 628 780
Accumulated depreciation	(3 096 747)	(2 912 190)	(4 406 274)	(4 143 673)
Prepayments for noncurrent physical assets	76 124	-	108 315	-
	566 322	**486 153**	**805 804**	**691 733**
Purchased licences, trademarks etc.	**66 664**	**92 404**	**94 854**	**131 479**

The Group invested 265 thousand LVL (377 thousand EUR) in 12 months of FY 2012/2013 – mainly in production equipment, IT HW and SW update.

Note 7 Accounts payable

	30.06.2013 LVL	30.06.2012 LVL	30.06.2013 EUR	30.06.2012 EUR
Accounts payable	**891 596**	**788 220**	**1 268 627**	**1 121 536**

Note 8 Tax liabilities

	30.06.2013 LVL	30.06.2012 LVL	30.06.2013 EUR	30.06.2012 EUR
Tax liabilities	**79 322**	**79 750**	**112 865**	**113 474**

Note 9 Salary-related accrued expenses

	30.06.2013 LVL	30.06.2012 LVL	30.06.2013 EUR	30.06.2012 EUR
Salary-related accrued expenses	**297 868**	**230 592**	**423 828**	**328 103**

Salary– related accrued expenses increased by 29% in comparison with June 30, 2012. Main reason – increase in fixed salaries for several group of specialists providing market remuneration level.

Note 10 Segment information

a) The Group's operations are divided into two major structural units – SAF branded equipment designed and produced in-house – CFM (Hybrid/ PDH Radios), CFIP (Etherent/Hybrid/ superPDH systems) and FreeMile (Hybrid Radios for unlicensed frequency bands) as the first structural unit and 3rd party products for resale, like Antennas, cables, some OEMed products and accessories as the second unit.

CFIP – the major product line is represented by 4 respectable models:

- 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 servicing rural and industrial applications.

All CFIP radios are offered in most widely used frequency bands from 1.4 to 38 GHz, thus enabling the use of CFIP radios all across the globe.

PhoeniX radio represents the type of microwave radio which is taking the commanding role on the market at present. Full Outdoor units of Lumina and 108 modifications are of growing and developing radio type 'all-in-one' which has biggest potential as part of future data/packet networks.

SAF Tehnika was one of the first companies offering Full Outdoor radios from 2003, thus is well positioned to use the past experience for development of next generation product.

CFM microwave radio product line has been the main type of radio SAF has been supplying to the market over many years and is still demanded. Such medium capacity, mature, yet extremely reliable and feature rich radio is still required to deploy telecom networks in developing markets.

FreeMile product line is represented by 3 models covering unlicensed frequency bands in 5.8, 17 and 24 GHz, which are made available for use in a growing number of countries around the globe.

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 2012/13 and financial year 2011/12.

	CFM; CFIP; FreeMile		Other		Total	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
	LVL	LVL	LVL	LVL	LVL	LVL
Segment assets	4 102 965	3 369 019	1 513 992	1 891 737	5 616 957	5 260 756
Undivided assets					2 954 071	3 388 863
Total assets					8 571 028	8 649 619
Segment liabilities	957 679	660 445	270 265	247 847	1 227 944	908 292
Undivided liabilities					152 015	243 677
Total liabilities					1 379 959	1 151 969
Net sales	7 087 047	6 813 824	2 439 077	2 825 085	9 526 124	9 638 909
Segment results	1 666 719	1 917 956	965 405	912 907	2 632 124	2 830 863
Undivided expenses					-2 652 885	-2 425 710
Profit from operations					-20 761	405 153
Other income					58 450	67 567
Financial income/expenses, net					-22 708	210 589
Profit before taxes					14 981	683 309
Corporate income tax					-4 561	-75 426
Profit after taxes					10 420	607 883
Minority interest					-16 333	0
Net profit					-5 913	607 883
Other information						
Additions of property plant and equipment and intangible asets	84 439	140 364	0	2 360	84 439	142 724
Undivided additions					180 935	111 297
Total additions of property plant and equipment and intangible asets					265 374	254 021
Depreciation and amortization	134 467	139 273	1 809	6 364	136 276	145 637
Undivided depreciation					150 735	101 656
Total depreciation and amortization					287 011	247 293

	CFM; CFIP; FreeMile		Other		Total	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
	EUR	EUR	EUR	EUR	EUR	EUR
Segment assets	5 837 993	4 793 682	2 154 216	2 691 699	7 992 208	7 485 381
Undivided assets					4 203 266	4 821 918
Total assets					12 195 474	12 307 299
Segment liabilities	1 362 654	939 729	384 552	352 655	1 747 207	1 292 383
Undivided liabilities					216 298	346 724
Total liabilities					1 963 505	1 639 107
Net sales	10 083 959	9 695 198	3 470 494	4 019 734	13 554 453	13 714 932
Segment results	2 371 527	2 729 006	1 373 648	1 298 951	3 745 175	4 027 955
Undivided expenses					-3 774 714	-3 451 474
Profit from operations					-29 540	576 481
Other income					83 167	96 139
Financial expenses, net					-32 311	299 641
Profit before taxes					21 316	972 261
Corporate income tax					-6 490	-107 322
Profit after taxes					14 826	864 940
Minority interest					-23 240	0
Net profit					-8 413	864 940
Other information						
Additions of property plant and equipment and intangible asets	120 146	199 720	0	3 358	120 146	203 078
Undivided additions					257 447	158 361
Total additions of property plant and equipment and intangible asets					377 593	361 439
Depreciation and amortization	191 329	198 168	2 574	9 055	193 903	207 223
Undivided depreciation					214 476	144 642
Total depreciation and amortization					408 379	351 865

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 2012/13 and financial year 2011/12.

	Net sales		Assets		Net sales		Assets	
	2012/13	2011/12	30.06.2013	30.06.2012	2012/13	2011/12	30.06.2013	30.06.2012
	LVL	LVL	LVL	LVL	EUR	EUR	EUR	EUR
Americas	4 032 225	3 290 854	915 000	418 036	5 737 339	4 682 463	1 301 928	594 812
Europe, CIS	3 204 668	3 678 375	458 937	374 110	4 559 832	5 233 856	653 008	532 310
Asia, Africa, Middle East	2 289 231	2 669 680	478 919	465 547	3 257 282	3 798 613	681 441	662 413
	9 526 124	9 638 909	1 852 856	1 257 693	13 554 453	13 714 932	2 636 377	1 789 535
Unallocatted assets	-	-	6 718 172	7 373 919	-	-	9 559 097	10 492 142
	9 526 124	9 638 909	8 571 028	8 631 612	13 554 453	13 714 932	12 195 474	12 281 677

Note 11 Bad receivables

	30.06.2013 LVL	30.06.2012 LVL	30.06.2013 EUR	30.06.2012 EUR
Bad receivables	**(92 574)**	**152 282**	**(131 721)**	**216 678**

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 were probability not to receive payment is high, although agreed payment term has not come yet.

Note 12 Salaries, bonuses and social expenses

	30.06.2013 LVL	**30.06.2012 LVL**	**30.06.2013 EUR**	**30.06.2012 EUR**
Salaries and social expenses	(2 162 067)	(2 033 106)	(3 076 344)	(2 892 849)
Bonuses and social expenses	(143 457)	(385 318)	(204 121)	(548 258)
	(2 305 524)	**(2 418 424)**	**(3 280 465)**	**(3 441 107)**

Salaries and social expenses, in comparison with the 12 months period of the previous financial year increased as the Group has to revise fixed salaries providing remuneration following actual market trends with the aim to retain specialists.

As the Group's financial targets were no reached bonuses and respective social expenses were lower by 63%.

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