

SAF Tehnika
Consolidated Interim Report
for 6 months of financial year 2012/13
(July 1, 2012 – December 31, 2012)

TABLE OF CONTENTS

KEY DATA.....	3
Share and Shareholdings.....	4
Information on management board and supervisory council members.....	5
Statement of Board’s Responsibility.....	6
Management Report.....	7
Consolidated Statement of Financial Position.....	13
Consolidated Statement of Profit or Loss for 6 month of the financial year 2012/13.....	14
Consolidated cash flow statement for 6 months of the financial year 2012/13.....	15
Statement of Changes in Equity.....	16
Notes for Interim Report.....	14
Note 1 Short-term investments.....	16
Note 2 Customer receivables.....	16
Note 3 Other current receivables	16
Note 4 Loans	16
Note 5 Inventories.....	17
Note 6 Non-current physical assets	17
Note 7 Accounts payable.....	17
Note 8 Tax liabilities	17
Note 9 Salary related accrued expenses	17
Note 10 Segment information	18
Note 11 Bad receivables	20
Note 12 Salaries, bonuses and social expenses	21

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 05.11.2012

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

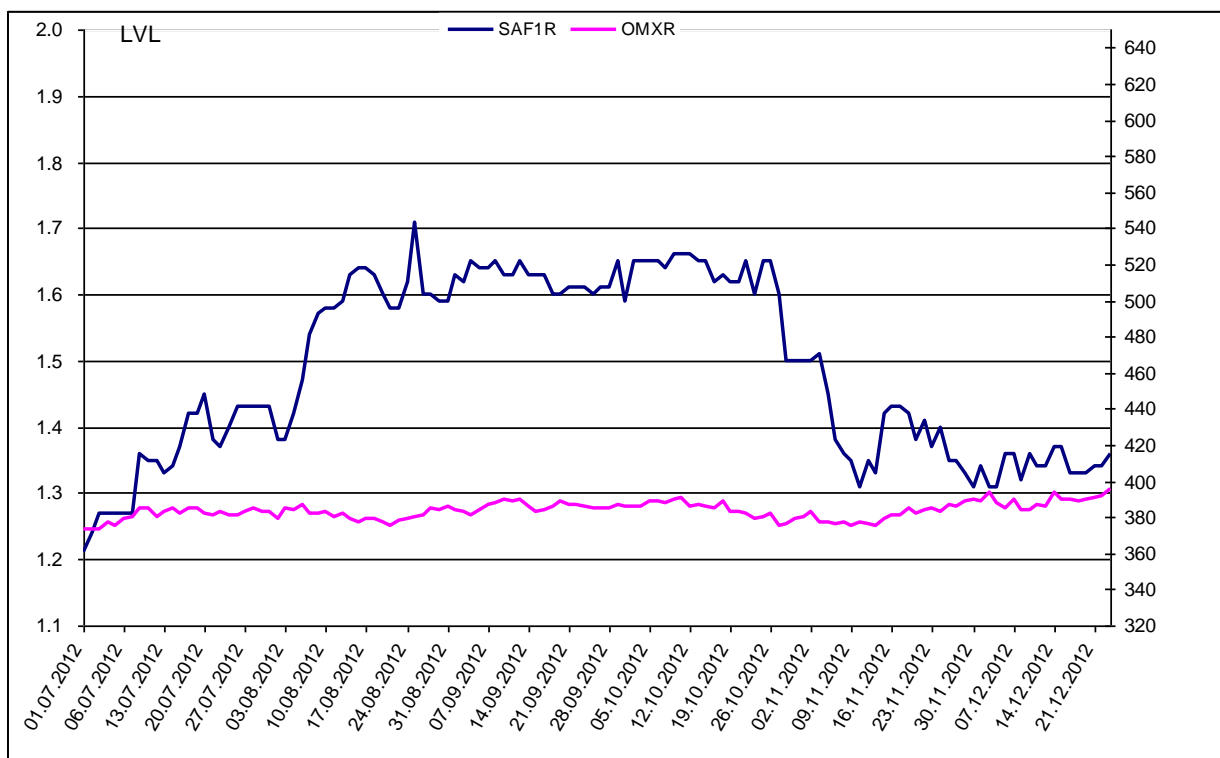
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2012 – December 31, 2012

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
Jānis Ennitis	Member	owns 0.67% of shares
Aira Loite	Member	owns 0.24% of 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 4.79 % of shares
Aivis Olsteins	Member	owns no shares

Statement of Board's Responsibilities

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

The consolidated financial statements are prepared in accordance with the source documents and present fairly the consolidated financial position of the Group as of 31 December 2012 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



Aira Loite

COO, Member of the Management Board

Management Report

The Group's non-audited net sales for the second quarter of financial year 2012/13 were 2.69 million LVL (3.83 million EUR), increasing by almost 10% compared to the second quarter of the previous financial year at the same time posting an 40% increase from the previous reporting quarter of the current financial year (Q1 FY 2012/13). The financial results reflect Groups ability to maintain regular sales activities together with acquiring new mid-to-large size projects.

By pursuing previously started sales efforts in Asia, Middle East and Africa, the region continued to show improved results with revenue growing by 25% or 0.13 million LVL (0.2 million EUR) from the previous reporting quarter of the current financial year, meanwhile also showing a 21% year-to-year sales improvement. Consequently the regions strengthened its strategic importance by contributing 25% from the total turnover generated during the reporting quarter. The Group's established office in Lagos, Nigeria began product warehouse operations stocking the most demanded products for fast delivery to clients as well as held training sessions to the West and Central Africa partners and clients. To strengthen presence in Indonesian market, in December 2012 the Group established a Trade Representative Office in Jakarta, Indonesia. The new office will be dedicated to provide customer and technical support for existing and new clients in the country.

As the European, CIS region regained market activity the sales in the region grew by 60% against Q1 FY 2012/13 however still not reaching the previous average levels Group generated in the previous reporting quarters with year-to-year turnover decreasing by 19% or 0.21 million LVL (0.31 million EUR). The Group retained its focus on existing and new clients in previous set focus markets by providing exceptional customer support and production flexibility. Meanwhile Group also tapped into previously not acquired market sectors with Marathon product line as well as looked into in opportunities for participation in new mid-to-large scale projects to expand its presence. This in turn helped to retain regions revenue numbers to increase from 29% in previous reporting period to amount for 33% from total group's turnover in the current reporting quarter.

The Americas region which already previously proved to be a strategic region continued to grow both for CFIP Lumina product sales as well as further expanding FreeMile product line posting a combined growth of 36% or 0.3 million LVL (0.43 million EUR) compared to the previous reporting quarter of the current financial year. Consequently the region retained a 42% turnover share from the total group's turnover of the reporting quarter. Notwithstanding the fierce price competition experienced in the region, the active sales and product marketing efforts

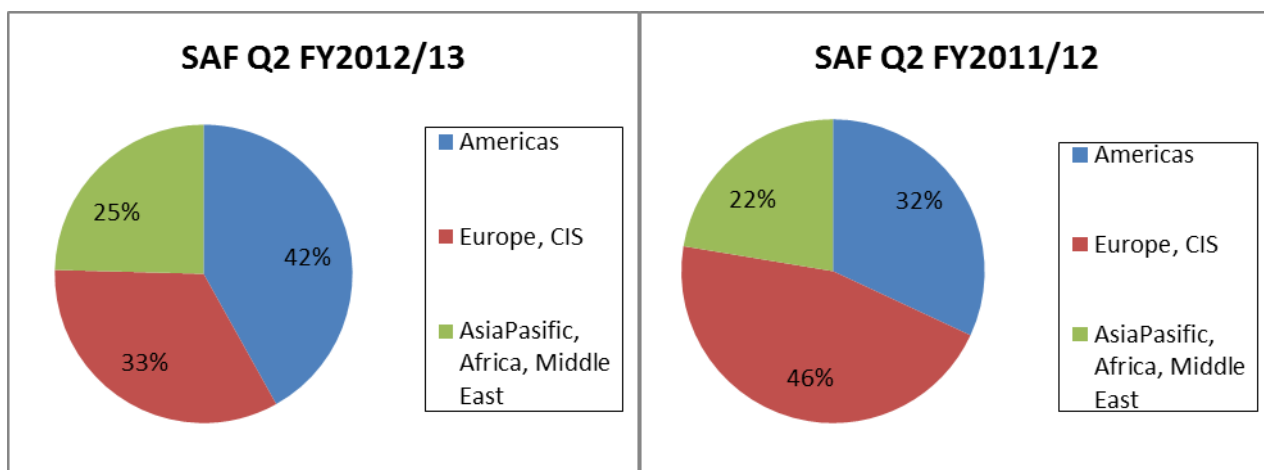
are proving to produce positive results over long-term as the group’s year-to-year sales also grew by 45%.

The Group made first deliveries and actively continued to work on the previously announced regional broadcasting project in Brazil simultaneously building up expertise and experience in the particular solution and market segment. To manage and insure the business risks connected to the project the Group obtained an export guarantee from Latvian Guarantee Agency.

With setting up the operations and adding staff members to the newly co-founded joint-venture company “SAF Services LLC”, the Group made progress towards its ability to better understand, analyze and provide professional consultations and managed services to the customers in the region.

During reporting quarter SAF Tehnika participated in several exhibitions both to present the Group as well as its product, solutions and services offering. The attendance of exhibitions was combined with meeting partners as well as current and potential customers. The exhibition “AfricaCom 2012” (Cape Town, South Africa) gathered the regions key representatives of telecommunication industry. The Group presented its CFIP Lumina and Phoenix M products to European telecommunication companies in „cnX6” exhibition in Frankfurt, Germany. Meanwhile the most activity took place in USA where the Group took part in “WISPAPALOOZA” (Las Vegas, Nevada) and “4G World 2012” (Chicago, Illinois) actively presenting the Groups products as well as newly established service capabilities. The Group’s products were sold in 57 countries during the reporting quarter.

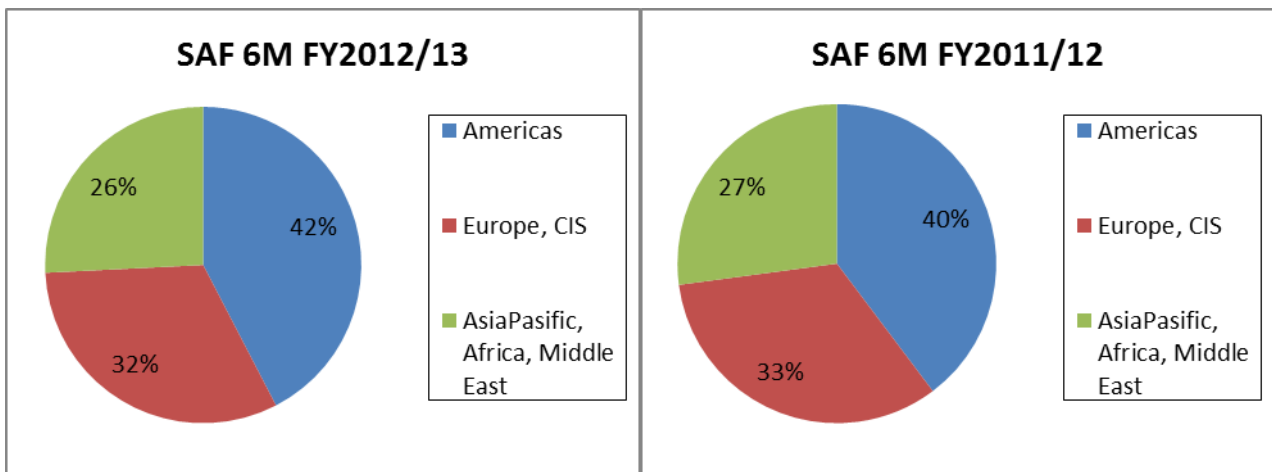
Chart 1. Quarter 2 revenue breakdown comparative charts:



The Company’s 2012/13 financial year’s 6 month unaudited net turnover was 4.61 million LVL (6.55 million EUR), which represents 86% of the revenue generated in the respective period of

the previous financial year. The revenues generated from Europe, CIS and Asia, Africa and Middle East regions reduced by 17% and 18% respectively, while the Americas region slipped by 8% comprising 42% of the total the Company’s turnover. Meanwhile the sales revenue from Asia, Africa and Middle East region summed up to 26%, European and CIS regions respectively 32% from the total revenue. This further illustrates the Groups strategic ability to diversify its sales to different regions, minimizing the risk of being affected by turmoil of any specific market or region.

Chart 2. 6 months revenue breakdown comparative charts:



At present product portfolio of the Group consists of two main product lines: CFIP and FreeMile which combined accounted for 95% from total sales of the reporting quarter. CFIP Lumina proved to remain the flagship product, with total shipped quantity growing by 7% from the same respective quarter of the previous financial year. Meanwhile Freemile product line is continuously growing with a year-to-year rate of 140% proving that the unlicensed frequencies market is further expanding and establishing a strategic position in the microwave equipment market. Honoring clients requests the Group still shipped old product line CFM radio units, however the quantities have been insignificant, with the expectation to further diminish in the next reporting quarters.

To further improve the quality of customer and technical support services, the Group began implementing new CRM software. The Group is also continuously communicating with clients and researching the market to identify the requirements for customized equipment as well as tools that would ease the installation and use of microwave equipment. Consequently, along with progressing on development of new generation products, the Group is further developing the CFIP Marathon product to suit it to niche customer requirements. The Group engaged in development of new product - Spectrum analyzer, as well as look forward to release additional

software solutions for different mobile platforms intended to streamline the equipment configuration and management process.

The periods' financial results were directly affected by an increase in operating costs. Due to change in government's conditions for financing development projects for competence centers, the Group decided to suspend the ongoing development projects in "LEO Petniecibas Centrs" and consequently will have to absorb additional development costs amounting to 72 thousand LVL (102 thousand EUR). The Group followed the previously set strategy of increasing local activities and presence in specific target markets, consequently the sales and market expenses grew, major part of these expenses arising from exhibition and agency fees. The Group's historic experience shows that these expenses will yield positive revenue results in a long-term perspective.

Although the Group is committed towards creating alternatives for bad debtors to fulfill their obligations even in longer period, the allowance for bad receivables had to be increased due to delays in receiving certain significant payments. Furthermore, the Group suffered from unfavorable USD to LVL, foreign exchange rates which made a negative impact on the reporting quarter's profits.

The Group ended second quarter of 2012/13 financial year with a net loss of 170 thousand LVL (243 thousand EUR), which represents a decrease by 238 thousand LVL (339 thousand EUR) when compared to respective quarter of previous financial year where company posted profit.

Company's' unaudited net loss for 2012/13 financial year's 6 months was -290 thousand LVL (413 thousand EUR).

The Group paid dividends in December, 2012 LVL 0.10 (ten santims) per share or altogether 297 018 LVL (422 620 EUR) which amounted 48% from financial year 11/12 profit. The Group's net cash flow for the 6 month period of the financial year was 106 thousand LVL (151 thousand EUR). As of September 30, 2012, the Group carried a net cash balance (excluding interest bearing liabilities) of 1.42 million LVL (2.02 million EUR).

Market overview

This decade in the global data communication business, where the Group operates, can be characterised by extreme explosion in mobile data traffic. With introduction of such technologies as 3G (HSPA), Wimax and recently 4G (HSPA+ LTE) mobile operators have been capable to deliver data speed close to the capacity of fixed networks. Furthermore the smart phone technologies together with social media content have shifted more global consumers to mobile communications. For mobile operators, this shift has required extensive investments and

comparatively quick exchange of technologies in their networks. Given the different positions of resource availability, we can see mobile operators in different regions at different phases of network development. While the mobile operators in such regions as Asia and Africa generally still focus on 3G deployment, US and some of European markets are already rolling out 4G solutions. These sharp technology shifts consequently have reduced the time in which mobile operators look to recover their investments, while the mobile data consumers perspective strives to accept growing data capacity as obvious requirement for staying together with the current mobile operator while at the same time not willing to pay more for growing mobile data speed on their smart phones. In such market conditions mobile operators who are somewhat trapped in the loop of constant investment are looking to reduce the total cost of new technology deployment by requesting lower pricing and better purchasing conditions from suppliers. Meanwhile other mobile operators have decided to stay out of full 4G deployment till the moment when the technology has matured enough to reach a financially feasible level. In such global market conditions for few last quarters the manufacturers of mobile data equipment have experienced constant price erosion together with even shrinking total market for wireless equipment. Consequently the majority of market players have been facing negative bottom line results in previous quarters.

In such strained conditions we expect further consolidation between manufacturers as well as introduction of new more effective technologies in the market such as Wifi based 3G offload technology and small cell concepts. The only limitations of these developments are the limited area of deployment, hence there should be more radical innovations to turn around the general market. As such there are possible shifts expected in network architecture with streamlining the data network efficiency based on software define networking principles. Given these trends, in order to succeed in the current wireless market, manufacturers have to be capable to deliver the product with highest data capacity maintaining the price competitiveness with the market. This is the direction the company is following.

Guidance

The Group's current main focus is to progress on the ongoing R&D projects of new generation product that will support both the functionality of currently existing products and will be possess additional advanced features. It is planned that the product will be introduced to the market at the beginning of summer 2013.

Since most of all microwave manufacturers are extending their responsibilities and expertise from just equipment providers and increasingly getting involved in managed services, the Group plans to expand in this field. The Group will sharpen its focus on niche markets and

customers to ensure development and technical support resources are channeled to key areas. As the price is playing an increasing role in client's decision making of equipment procurement, the Group is constantly looking to streamline production processes and decrease expenses.

Notwithstanding the financial results of the reporting period, the Group remains financially stable and confident to withstand periods of lower business activity. Due to intense competitive pressures and general decrease in spending of businesses consuming telecommunication equipment, the Board of the Group does not assume any specific predictions of sales and financial results of the next reporting periods.

On December 31, 2012 the Group employed 166 people (162 people on December 31, 2011).

KEY indicators

	Q2 2012/13		Q2 2011/12		Q2 2010/11	
	LVL	EUR	LVL	EUR	LVL	EUR
Net Sales	2 688 665	3 825 626	2 437 451	3 468 180	2 970 603	4 226 787
Earnings before interest, taxes and depreciation (EBITDA)	-60 861	-86 597	77 956	110 921	294 049	418 394
<i>share of the turnover %</i>	0	-2%	3%	3%	10%	10%
Profit/loss before interest and taxes (EBIT)	0	-187 254	16 963	24 136	244 935	348 511
<i>share of the turnover %</i>	0	-5%	1%	1%	8%	8%
Net Profit	-170 497	-242 596	67 527	96 082	293 827	418 078
<i>share of the turnover %</i>	-6%		3%		10%	
Total assets	8 182 264	11 642 313	9 062 830	12 895 245	9 208 174	13 102 051
Total Owners equity	6 918 919	9 844 735	7 434 862	10 578 856	7 342 451	10 447 367
Return on equity (ROE) %	0	-2%	0	1%	3%	3%
Return on assets (ROA) %	0	-2%	0	1%	4%	4%
Liquidity ratio						
Quick ratio %	1	114%	1	117%	127%	127%
Current ratio %	335%	335%	290%	290%	275%	275%
Earnings per share	-0,06	-0,08	0,02	0,03	0,10	0,14
Last share price at the end of period	1,36	1,94	1,66	2,36	2,89	4,11
P/E	-23,69		73,02		29,21	
Number of employees at the end of reporting period	166		162		159	

Consolidated Statement of Financial Position

As of December 31, 2012

	Note	31.12.2012	31.12.2011	31.12.2012	31.12.2011
		LVL	LVL	EUR	EUR
CURRENT ASSETS					
Cash and bank		1 434 625	1 907 044	2 041 287	2 713 479
Short-term investments	1	767 603	891 985	1 092 201	1 269 180
Customer receivables	2				
Accounts receivable		1 953 881	2 256 342	2 780 122	3 210 485
Allowance for uncollectible receivables		-377 332	-415 294	-536 895	-590 910
Total		1 576 549	1 841 048	2 243 227	2 619 576
Other receivables					
Other current receivables	3	189 546	65 463	269 700	93 145
Short-term loans	4	266 293	22 772	378 901	32 402
Total		455 839	88 235	648 600	125 547
Prepaid expenses					
Prepaid taxes		116 466	78 867	165 716	112 218
Other prepaid expenses		76 598	46 882	108 989	66 707
Total		193 064	125 749	274 705	178 925
Inventories	5				
Raw materials		433 834	1 081 800	617 290	1 539 263
Work-in-progress		1 459 730	1 511 550	2 077 009	2 150 742
Finished goods		1 025 627	899 841	1 459 336	1 280 358
Prepayments to suppliers		27 254	28 990	38 779	41 249
Total		2 946 445	3 522 181	4 192 414	5 011 611
TOTAL CURRENT ASSETS		7 374 125	8 376 242	10 492 435	11 918 319
NON-CURRENT ASSETS					
Long-term financial assets					
Shares in subsidiaries		0	511	0	727
Shares in companies		835	500	1 188	711
Long-term receivables	2	79 181	0	112 664	0
Deffered income tax		92 559	73 032	131 700	103 916
Long-term loans	4	0	13 284	0	18 901
Total		172 575	87 327	245 552	124 255
NON-CURRENT physical assets	6				
Plant and equipment		2 278 026	2 174 342	3 241 339	3 093 810
Other equipment and fixtures		1 239 057	1 142 026	1 763 019	1 624 957
Accumulated depreciation		-2 977 914	-2 821 135	-4 237 190	-4 014 113
Prepayments for noncurrent physical assets		10 200	8 116	14 513	11 548
Total		549 369	503 349	781 682	716 201
Intangible assets	6				
Purchased licenses, trademarks etc.		86 195	95 912	122 644	136 470
Total		86 195	95 912	122 644	136 470
TOTAL NON-CURRENT ASSETS		808 139	686 588	1 149 878	976 927
TOTAL ASSETS		8 182 264	9 062 830	11 642 313	12 895 245

	Note	31.12.2012	31.12.2011	31.12.2012	31.12.2011
		LVL	LVL	EUR	EUR
LIABILITIES AND OWNERS' EQUITY					
CURRENT LIABILITIES					
Debt obligations					
Short-term loans from financial institutons		9 903	3 520	14 092	5 009
Customer prepayments for goods and services		151 518	41 156	215 591	58 560
Accounts payable	7	765 486	1 117 506	1 089 188	1 590 068
Tax liabilities	8	76 089	166 678	108 265	237 161
Salary-related accrued expenses	9	227 876	246 331	324 238	350 497
Provisions for guarantees		26 165	39 948	37 229	56 841
Prepaid revenue		6 308	12 829	8 976	18 254
TOTAL CURRENT LIABILITIES		1 263 345	1 627 968	1 797 581	2 316 390
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
Retained earnings		2 226 197	1 915 332	3 167 593	2 725 272
Net profit for the financial year		-290 072	545 146	-412 735	775 673
Currency translation reserve		8 410	0	11 966	0
TOTAL OWNERS' EQUITY		6 918 919	7 434 862	9 844 734	10 578 856
TOTAL LIABILITIES AND OWNERS' EQUITY		8 182 264	9 062 830	11 642 313	12 895 245

Consolidated Statement of Profit or Loss for 6 month of the financial year 2012/2013

	Note	31.12.2012	31.12.2011	31.12.2012	31.12.2011
		LVL	LVL	EUR	EUR
Net sales	10	4 605 271	5 330 018	6 552 710	7 583 932
Other operating income		33 657	16 925	47 890	24 082
Total income		4 638 928	5 346 943	6 600 600	7 608 014
Direct cost of goods sold or services rendered		-2 751 593	-2 966 912	-3 915 164	-4 221 535
Marketing, advertising and public relations expenses		-321 428	-208 273	-457 351	-296 346
Bad receivables	11	-82 151	32 169	-116 890	45 772
Operating expenses		-429 554	-397 101	-611 200	-565 024
Salaries and social expenses	12	-1 066 164	-999 799	-1 517 015	-1 422 586
Bonuses and social expenses	12	-48 021	-215 287	-68 328	-306 326
Depreciation expense		-143 965	-115 081	-204 844	-163 746
Other expenses		-15 082	-25 328	-21 460	-36 038
Operating expenses		-4 857 958	-4 895 612	-6 912 251	-6 965 828
EBIT		-219 030	451 331	-311 652	642 187
Financial income (except ForEx rate difference)		17 087	21 357	24 313	30 388
Financial costs (except ForEx rate difference)		0	-649	0	-923
Foreign exchange +gain/(loss)		-90 135	161 739	-128 251	230 134
Financial items		-73 048	182 447	-103 938	259 598
EBT		-292 078	633 778	-415 590	901 784
Corporate income tax		-2 729	-88 632	-3 883	-126 112
Profit after taxes		-294 807	545 146	-419 473	775 673
Minority interest		4 735	0	6 737	0
Net profit		-290 072	545 146	-412 735	775 673

*Earnings per share

EPS 31.12.2012. = -0.10 LVL (-0.14 EUR)

EPS 31.12.2011. = 0.18 LVL (0.26 EUR)

Consolidated Statement of Profit or Loss for Q2 of the financial year 2012/2013

	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	LVL	LVL	EUR	EUR
Net sales	2 688 665	2 437 451	3 825 626	3 468 180
Other operating income	26 435	9 873	37 614	14 048
Total income	2 715 100	2 447 324	3 863 239	3 482 228
Direct cost of goods sold or services rendered	-1 674 794	-1 441 257	-2 383 017	-2 050 724
Marketing, advertising and public relations expenses	-196 261	-118 333	-279 254	-168 373
Bad receivables	-84 782	-29 242	-120 634	-41 608
Operating expenses	-240 017	-225 315	-341 513	-320 594
Salaries and social expenses	-544 285	-495 543	-774 448	-705 094
Bonuses and social expenses	-24 618	-51 799	-35 028	-73 703
Depreciation expense	-70 742	-60 993	-100 657	-86 785
Other expenses	-11 204	-7 879	-15 942	-11 211
Operating expenses	-2 846 703	-2 430 361	-4 050 493	-3 458 092
EBIT	-131 603	16 963	-187 254	24 136
Financial income (except ForEx rate difference)	11 399	15 391	16 219	21 899
Foreign exchange +gain/(loss)	-53 234	63 103	-75 745	89 787
Financial items	-41 835	78 494	-59 526	111 688
EBT	-173 438	95 457	-246 780	135 824
Corporate income tax	-1 737	-27 930	-2 472	-39 741
Minority interest	4 678	0	6 656	0
Net profit	-170 497	67 527	-242 595	96 083

*Earnings per share

EPS 31.12.2012. = -0.06 LVL (-0.08 EUR)

EPS 31.12.2011. = 0.02 LVL (0.03 EUR)

Consolidated cash flow statement for 6 months of the financial year 2012/13

	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	LVL	LVL	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	-357 577	-80 943	-508 786	-115 172
Cash received from customers	4 085 240	5 325 940	5 812 774	7 578 131
Cash paid to suppliers and employees	-4 440 674	-5 197 670	-6 318 510	-7 395 618
Paid/Received VAT, corporate income tax	-2 143	-209 213	-3 049	-297 683
NET CASH USED IN INVESTING ACTIVITIES (of which)	962 350	506 934	1 369 301	721 302
Cash paid for purchasing shares in subsidiary	0	-511	0	-727
Cash paid/received for short-term investments	1 090 790	587 096	1 552 054	835 362
Cash paid for purchasing non-current physical assets	-146 457	-118 686	-208 390	-168 875
Interest received	18 017	39 035	25 636	55 542
NET CASH USED IN FINANCING ACTIVITIES (of which)	-497 794	-625 607	-708 297	-890 159
Repayment of short-term loans	4 418	-5 584	6 286	-7 945
Repayment of long-term loans	11 388	11 387	16 204	16 202
Cash paid of short-term loans	-253 010	0	-360 001	0
Cash received from EU funds	36 428	51 731	51 832	73 607
Dividends paid	-297 018	-683 141	-422 619	-972 022
Effects of exchange rate changes	-1 125	0	-1 601	0
TOTAL CASH FLOW:	105 855	-199 616	150 618	-284 028
Cash and cash equivalents as at the beginning of period	1 328 770	2 106 660	1 890 669	2 997 507
Cash and cash equivalents as at the end of period	1 434 625	1 907 044	2 041 287	2 713 479
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	105 855	-199 616	150 618	-284 028

Statement of changes in consolidated equity for the 6 months period ended December 31 2012

	Share capital	Share premium	Currency translation reserve	Retained earnings	Total
	LVL	LVL	LVL	LVL	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
Currency translation difference	-	-	8 359	0	8 359
Profit for the period	-	-	-	-290 072	-290 072
As at 31 December 2012	2 970 180	2 004 204	8410	1 936 125	6 918 919

Statement of changes in consolidated equity for the 6 months period ended December 31 2012

	Share capital	Share premium	Currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	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
Currency translation difference	-	-	11 894	0	11 894
Profit for the period	-	-	-	-412 735	-412 735
As at 31 December 2012	4 226 185	2 851 725	11967	2 754 856	9 844 734

Notes for interim report

Note 1 Short-term investments

	31.12.2012 LVL	31.12.2011 LVL	31.12.2012 EUR	31.12.2011 EUR
Short-term investments	767 603	891 985	1 092 201	1 269 180

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

Note 2 Customer receivables

	31.12.2012 LVL	31.12.2011 LVL	31.12.2012 EUR	31.12.2011 EUR
Long-term receivables	79 181	-	112 664	-
Accounts receivable	1 953 881	2 256 342	2 780 122	3 210 485
Provisions for bad and doubtful accounts receivable	(377 332)	(415 294)	(536 895)	(590 910)
Total accounts receivable	1 576 549	1 841 048	2 243 227	2 619 575
Total receivables	1 655 730	1 841 048	2 355 891	2 619 575

Total receivables were by 10% lower compared with the previous year reflecting decreasing sales. Provisions for doubtful accounts receivable has decreased by 9% although the Groups had to record additional provisions in Q2 for customers who delayed payments more than 3 months amounting to 85 thousand LVL (121 thousand EUR).

Note 3 Other current receivables

	31.12.2012 LVL	31.12.2011 LVL	31.12.2012 EUR	31.12.2011 EUR
Other current receivables	189 546	65 463	269 700	93 145

Three research projects initiated by the Parent were realised 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 Group has paid-in for LEO 181 thousand LVL (258 thousand EUR) as a deposit for execution of projects.

Note 4 Loans

	31.12.2012 LVL	31.12.2011 LVL	31.12.2012 EUR	31.12.2011 EUR
Short-term loans	266 293	22 772	378 901	32 402
Long-term loans	-	13 284	-	18 901
	266 293	36 056	378 901	51 303

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. Up to now all payments have been made according to schedule.

The Parent has signed a loan agreement with related party SIA Namīpašumu pārvalde on issuance of loan in the amount of LVL 281 122 (EUR 400 000). The loan has been transferred to borrower's account as at 2 July 2012. The annual interest rate is 3.5%. The maturity of loan is set on 30 June 2012 with annual extension right. Partial repayment in the amount of LVL 28 112 (EUR 40 000) has been received and outstanding loan amounts to 253 009 LVL (EUR 360 000).

Note 5 Inventories

	31.12.2012 LVL	31.12.2011 LVL	31.12.2012 EUR	31.12.2011 EUR
Raw materials	1 033 770	1 428 902	1 470 922	2 033 144
Allowance for slow-moving items	(599 936)	(347 102)	(853 632)	(493 882)
Work-in- progress	1 459 730	1 511 550	2 077 009	2 150 742
Finished goods	1 025 627	899 841	1 459 336	1 280 358
Prepayments to suppliers	27 254	28 990	38 779	41 249
	2 946 445	3 522 181	4 192 414	5 011 611

Inventories in comparison with December 31, 2011 decreased by 16% reflecting sales decrease and increased allowances for slow moving items.

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

	31.12.2012 LVL	31.12.2011 LVL	31.12.2012 EUR	31.12.2011 EUR
Plant and equipment	2 278 026	2 174 342	3 241 339	3 093 810
Other equipment and fixtures	1 239 057	1 142 026	1 763 019	1 624 957
Accumulated depreciation	(2 977 914)	(2 821 135)	(4 237 190)	(4 014 113)
Prepayments for noncurrent physical assets	10 200	8 116	14 513	11 548
	549 369	503 349	781 682	716 201

Purchased licences, trademarks etc.	86 195	95 912	122 644	136 470
-------------------------------------	---------------	---------------	----------------	----------------

The Group invested 125 thousand LVL (178 thousand EUR) – mainly in production equipment, IT HW and SW update in Q2 FY 2012/13.

Note 7 Accounts payable

	31.12.2012 LVL	31.12.2011 LVL	31.12.2012 EUR	31.12.2011 EUR
Accounts payable	765 486	1 117 506	1 089 188	1 590 068

Decreased sales influences accounts payable level which decreased by 32% comparing with December 31, 2011.

Note 8 Tax liabilities

	31.12.2012 LVL	31.12.2011 LVL	31.12.2012 EUR	31.12.2011 EUR
Tax liabilities	76 089	166 678	108 265	237 161

Note 9 Salary-related accrued expenses

	31.12.2012 LVL	31.12.2011 LVL	31.12.2012 EUR	31.12.2011 EUR
--	-------------------	-------------------	-------------------	-------------------

Salary-related accrued expenses	<u>227 876</u>	<u>246 331</u>	<u>324 238</u>	<u>350 497</u>
---------------------------------	----------------	----------------	----------------	----------------

Salary-related accrued expenses were decreased by 7% in comparison with December 31, 2011. As financial targets were not reached lower individual bonus amounts were accrued.

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 (Ethernet/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 6 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	4 073 504	3 928 713	1 512 255	2 215 649	5 585 759	6 144 362
Undivided assets					2 596 504	2 918 468
Total assets					8 182 263	9 062 830
Segment liabilities	876 592	925 587	230 783	428 756	1 107 375	1 354 343
Undivided liabilities					155 969	273 625
Total liabilities					1 263 344	1 627 968
Net sales	3 594 496	3 792 286	1 010 775	1 537 732	4 605 271	5 330 018
Segment results	832 633	1 212 108	358 943	456 182	1 191 576	1 668 290
Undivided expenses					-1 474 772	-1 233 620
Profit from operations					-283 196	434 670
Other income					53 628	38 335
Financial expenses, net					-62 509	160 773
Profit before taxes					-292 077	633 778
Corporate income tax					-2 730	-88 632
Profit after taxes					-294 807	545 146
Minority interest					4 735	0
Net profit					-290 072	545 146
Other information						
Additions of property plant and equipment and intangible assets	46 876	72 692	0	2 359	46 876	75 051
Undivided additions					143 955	62 237
Total additions of property plant and equipment and intangible assets					190 831	137 288
Depreciation and amortization	73 259	62 286	915	5 268	74 174	67 554
Undivided depreciation					69 792	47 527
Total depreciation and amortization					143 966	115 081

	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	5 796 074	5 590 055	2 151 744	3 152 585	7 947 817	8 742 639
Undivided assets					3 694 494	4 152 606
Total assets					11 642 311	12 895 245
Segment liabilities	1 247 278	1 316 992	328 375	610 065	1 575 653	1 927 056
Undivided liabilities					221 924	389 336
Total liabilities					1 797 577	2 316 392
Net sales	5 114 507	5 395 937	1 438 203	2 187 996	6 552 710	7 583 932
Segment results	1 184 730	1 724 674	510 730	649 090	1 695 460	2 373 763
Undivided expenses					-2 098 411	-1 755 283
Profit from operations					-402 952	618 480
Other income					76 306	54 546
Financial expenses, net					-88 942	228 759
Profit before taxes					-415 588	901 785
Corporate income tax					-3 884	-126 112
Profit after taxes					-419 473	775 673
Minority interest					6 737	0
Net profit					-412 735	775 673
Other information						
Additions of property plant and equipment and intangible assets	66 699	103 431	0	3 357	66 699	106 788
Undivided additions					204 830	88 555
Total additions of property plant and equipment and intangible assets					271 529	195 343
Depreciation and amortization	104 238	88 625	1 302	7 496	105 540	96 121
Undivided depreciation					99 304	67 624
Total depreciation and amortization					204 844	163 745

b) This note provides information about division of the Group's turnover and assets by geographical regions (customer location) for 6 month of the financial year 2012/13 and financial year 2011/12.

	Net sales		Assets		Net sales		Assets	
	2012/13	2011/12	31.12.2012	31.12.2011	2012/13	2011/12	31.12.2012	31.12.2011
	LVL	LVL	LVL	LVL	EUR	EUR	EUR	EUR
Americas	1 951 808	2 117 238	673 656	629 250	2 777 173	3 012 558	958 527	895 342
Europe, CIS	1 466 054	1 767 212	442 418	424 310	2 086 007	2 514 516	629 505	603 739
Asia, Africa, Middle East	1 187 409	1 445 568	465 534	787 488	1 689 531	2 056 858	662 396	1 120 494
	4 605 271	5 330 018	1 581 609	1 841 048	6 552 711	7 583 932	2 250 428	2 619 575
Unallocated assets	-	-	6 600 655	7 221 782	-	-	9 391 886	10 275 670
	4 605 271	5 330 018	8 182 264	9 062 830	6 552 711	7 583 932	11 642 314	12 895 245

Note 11 Bad receivables

	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	LVL	LVL	EUR	EUR
Bad receivables	(82 151)	32 169	(116 890)	45 772

Note 12 Salaries, bonuses and social expenses

	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	LVL	LVL	EUR	EUR
Salaries and social expenses	(1 066 164)	(999 799)	(1 517 015)	(1 422 586)
Bonuses and social expenses	(48 021)	(215 287)	(68 328)	(306 326)
	(1 114 185)	(1 215 086)	(1 585 342)	(1 728 912)

Salaries and social expenses, in comparison with the 6 month period of the previous financial year increased due to changes in fixed salaries for some specialists in order to provide competitive level.

As the Group's financial targets for Q2 were not fulfilled - Bonuses for Q2 were much lower than for Q2 FY 2010/11.