SAF Tehnika
Consolidated Interim Report
for 12 months of financial year 2011/12
(July 1, 2011 – June 30, 2012)

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KEY DATA

SAF Tehnika 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.

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.

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Beginning of financial year:	01.07.2011
End of financial year:	30.06.2012
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Share and Shareholdings

SAF Tehnika shareholders (over 5%) as of 02.11.2011

Name	Ownership interest (%)
Didzis Liepkalns	17.05%
Andrejs Grišans	10.03%
Normunds Bergs	9.74%
SEB Luxemburg clients	9.68%
Juris Ziema	8.71%
Vents Lācars	6.08%

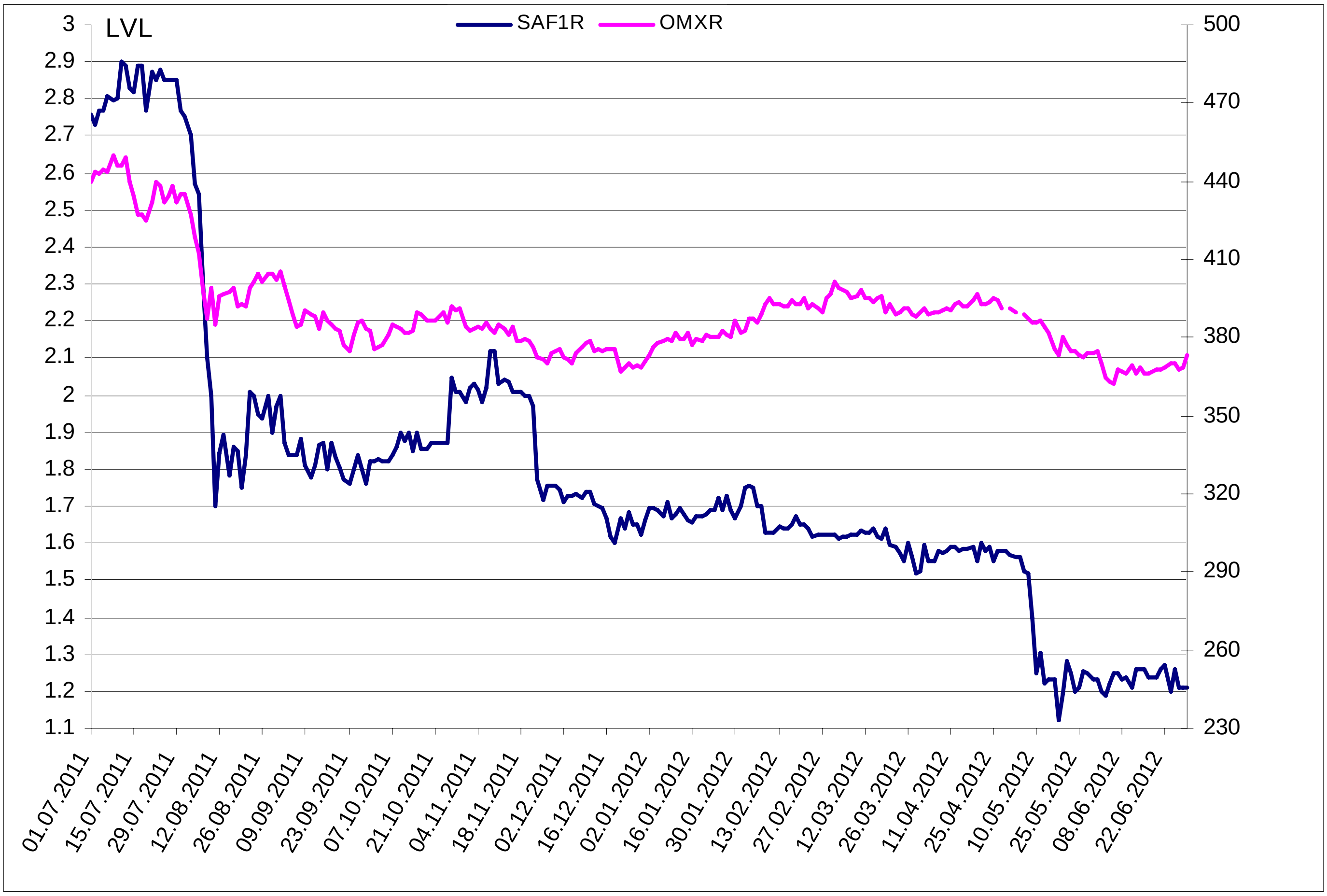
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (**SAF1R**)

Period: July 1, 2011 – June 30, 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 0.73% 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
Juris Imaks	Member till 11/11/2011	-

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.

Jānis Ennitis

Janis Ennitis, born in 1970, is Member of the Board and he holds the position of Vice-President Sales and Marketing in the Company. Prior to joining the Company in July 2006, Janis Ennitis was employed by information technology and electronics distribution company GNT Latvia (now ALSO) as Sales and Marketing Director. J. Ennitis holds a Master degree of Microelectronics from Riga Technical University which he graduated in 1996. Post graduate studies during 1996/1997 were held at the Technical University of Lausanne in Switzerland.

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.

Juris Imaks,

Member of the Supervisory Council till 11.11.2011. Born in 1971, worked for VAS „Latvijas Hipotēku un zemes banka" from 1997 up to 2002 as the Head of the Securities trading department. J.Imaks held the office of the Member of the Supervisory Council in the Regulator of public services of the Riga municipality (2005-2007), SIA „Rīgas nami" (2005-2009), AAS „RSK" (2007-2009), but in SIA „Latvijas Garantiju aģentūra" he held the office of the Chairman of the Supervisory Council (2008-2009). J.Imaks has graduated University of Latvia, Faculty of Economics and Management in 1994 as the Engineer-Economist, but in 2004 reached the Master's degree in Business Management.

Statement of Board's Responsibilities

The Board of SAF Tehnika JSC is responsible for preparing the consolidated interim financial statements of the SAF Tehnika JSC and its subsidiaries (hereinafter together –the Company). Interim financial statements of the Company have not been audited or otherwise checked by auditors.

The consolidated interim financial statements are prepared in accordance with the source documents and present fairly the financial position of the Company as at June 30, 2012 and the results of its operations and cash flows for the 12 month period ended June 30, 2012.

The consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU 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 Financial Statements for the year ended on June 30, 2011. Prudent and reasonable judgments and estimates have been made by the management in the preparation of the consolidated interim financial statements.

The Board of SAF Tehnika is responsible for the maintenance of proper accounting records, the safeguarding of the Company's assets and the prevention and detection of fraud and other irregularities in the Company. The Board is also responsible for the compliance with the laws of the countries in which the Company operates.

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 Company's non-audited net sales for the forth quarter of financial year 2011/12 were 2.16 million LVL (3.08 million EUR), showing an 8% increase comparing to the respective reporting quarter of the previous financial year. Although the telecommunications market continues to experiences fierce price competition, the positive result can be attributed to the Company's ability to acquire new middle scale projects along with the steady regular business in markets SAF is present.

During the reporting quarter, the Company's products were sold in 54 countries. Similar to previous reporting quarter of the current financial year Europe, CIS region continued to post the best results accounting for 51% of the sales volumes. The region showed positive trends both compared to previous quarter of the current financial year by growing 35% as well as posting a 94% or 0.53 million LVL (0.75 million EUR) year-to-year increase. Increased focus on specific markets as well as ability to meet customer's expectations on short delivery times and right product mix greatly contributed to region's positive results.

The company showed that it has established a sound position in the Americas region where sales remained at the same level as in the previous reporting quarter of this financial year. The Americas region also maintained stable strategic position generating 27% from company's total revenue of the reporting quarter. Meanwhile the sales from the region could not reach volumes experienced in the respective reporting quarter of the previous financial year posting a year-to-year decrease by 39%. The subsidiary SAF North America is providing additional flexibility for approaching clients and improving SAF product availability, however fierce price competition in the region directly reflects on slow growth of revenue despite increased volume of products sold in the region.

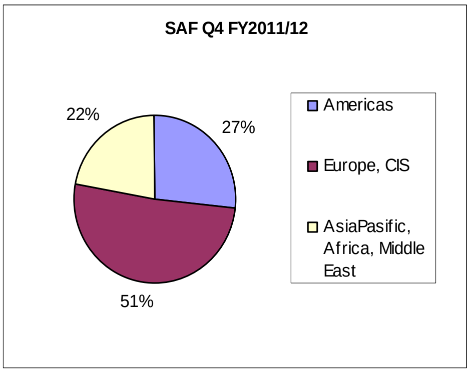
The production of CFIP Lumina products in Brazil has reached planned optimal levels and it is now assured that the strategic decision of establishing the manufacturing arrangement in the perspective and protected market proves to be successful as the acquired local producer status and recognition already begins to generate increased interest in SAF products in Brazilian market. The Company expects that in the coming quarters customers in the near region will be able to enjoy improved availability and delivery times of CFIP Lumina products.

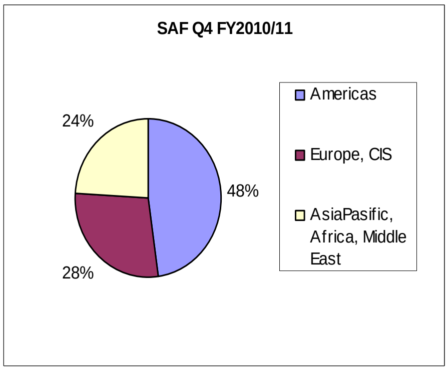
Although Asia, Middle East and African regions showed stable year-to-year results levelling off with the respective quarter of the previous financial year the region posted a 35% decrease from the previous quarter of the current financial year, however still significantly contributing (22%) to the total turnover generated during the reporting quarter.

The Company continues to work on strengthening SAF's brand and product recognition. As one of the most notable events during the reporting quarter the Company participated was

CTIA Wireless 2012 industry conference and exhibition in New Orleans LA, The Company also took participation in Latvian IT Cluster's initiative of installing SAF product demo units in just opened Latvia's IT Demo Centre.

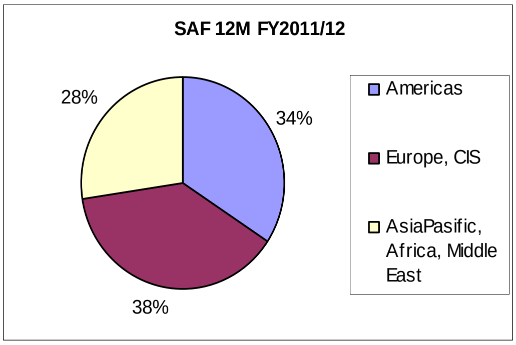
Chart 1. Quarter 4 revenue breakdown comparative charts:

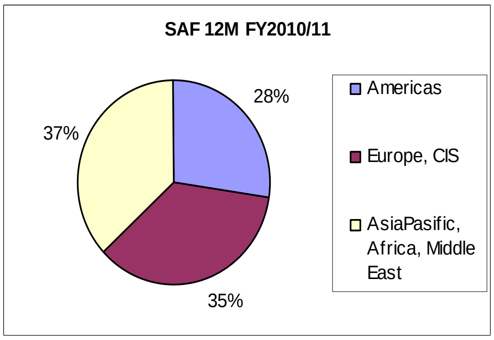




The Company's 2011/12 financial year's 12 month unaudited net turnover was 9.64 million LVL (13.71 million EUR), which represents a 12% year-to-year decrease. Asia, Africa and Middle East regions has shown a drop in total turnover accounting only for 28% for total revenue, whereas the Americas region continues to shown positive trends by showing a 10% year-to-year increase in revenue amounting 3.3 million LVL (4.7 million EUR), comprising 34% of the total the Company's turnover. Although company experienced a slight reduction in revenue from Europe, CIS customers, the region retained a very strong position and sales form European and CIS markets accounted for 38% for the total revenue.

Chart 2. 12 months revenue breakdown comparative charts:





The CFIP product line established itself as the main product line in SAF portfolio reaching 86% from total sales of the reporting quarter. The Company continues to experience increased interest from clients for products in unlicensed frequencies which directly contributes to continuous substantial growth of FreeMile product line which almost doubled (93%) compared to the previous quarter and already accounted for 19% of the total revenue generated in reporting quarter. The demand for CFM line products further declined thus affirming that the product line is soon to approach phasing-out stage.

Similarly as in the previous reporting quarters, company continued to re-sell particular complementary data transmission products and accessories that are used along with own manufactured equipment. However such activities retained minor effect on reporting quarter's revenue structure and sales from own produced equipment captured approximately 75% - 80% of the total turnover.

Part of the overdue payments outstanding from the previous reporting quarters were paid, which allowed to decrease allowances for bad receivables. Favourable, especially USD to LVL, foreign exchange rates made a positive impact on both the reporting quarter's and 12 month profits. Besides The Company has changed its estimate in relation to direct overhead cost allocation to the cost of inventory for the year ended June 30, 2012 as to represent inventory more precisely. The influence of such change to Income statement is 127 thousand LVL (EUR 180 thousand) expense decrease.

The Company ended fourth quarter of 2011/12 financial year with a net profit of 149 800 LVL (213 147 EUR), which represents an improvement by 237 048 thousand LVL (337 290 thousand EUR) when compared to respective quarter of previous financial year where company posted loss. Meanwhile the Company's' unaudited consolidated net profit for the 12 months of 2011/12 financial year was 719 927 LVL (1 024 364 EUR).

The Company's the financial year's 12 month net cash flow posted net increase of 80 791 thousand LVL (114 955 thousand EUR). As of June 30, 2012, the Company carried a net cash balance (excluding interest bearing liabilities) of 2.18 million LVL (3.10 million EUR).

Market overview

There are some significant changes that have started in the segment of wireless data transmission equipment where the company is operating. While the customers' requirement for data connection speed is growing significantly, at the same time we see that income per customer is not growing or even reducing due to growing product and price competition. Such situation is pushing the data operators to re-evaluate the equipment and technologies currently deployed in their infrastructure as well as their existing structure of managed services to re-define their current and future requirements.

The trend of telecom networks transitioning away from TDM to pure data is ongoing. It is easy to expect that the capacity requirements for the radio systems over period of next several years will steadily grow, thus calling for new level of system and component performance, still, at present such generation change is yet only expected to happen. It is expected a high percentage of microwave radios will be consumed by backhauling traffic from small cells in future mobile networks (LTE).this calls for short range, 1 Gbps+ high capacity, yet very affordable equipment. Such equipment has yet to become available on the market

Given the above mentioned somewhat conflicting opportunities of market player evolution, on one hand there is a possibility that some market players could offload microwave radio products, yet some new entrants most likely will appear with new generation/type of microwave radio. As a result part of potential customers from telecom market stand still without clear preference to existing solutions.

Together with future development issues the unstable global economical situation has affected the value and performance of the telecom market which, as one can conclude from observer data and reports and the news of industry is experiencing a downturn already for the second consecutive quarter. Some industry forecasts predict that the following next two quarters will also be weak compared to the year before. Still SAF remains generally optimistic about conditions in markets and segments of company's activity; we feel there is an appropriate blend of products and solutions to address the requirements from the market for the upcoming several reporting periods.

Guidance

The general strategy of SAF Tehnika is not changing, the Company is constantly progressing with ongoing research and development projects, concentrating both on designing next generation wireless data transmission devices, as well as customizing existing solutions to better suit specific niche microwave radio customer requirements.

Building on the success of the recently released CFIP FreeMile product line for license-free 5.8, 17 and 24 GHz frequency ranges, the Company is ramping up manufacturing and marketing efforts to ensure further market expansion. Meanwhile the Company still keeps main focus on the CFIP Lumina and Phoenix products as the primary revenue drivers. Following the market activities of other market players who have continuously driven down the market prices and to be competitive, the Company would be forced to implement price reductions further.

SAF has proven to be remain financially stable and capable to undergo upcoming market disturbance. However the results in the near future still mainly depend on external factors like investment level in customer's networks and state of global economy.

Although the market outlook is mostly neutral, due to continuous uncertainty in the global financial situation and telecommunication market the Board of the Company would like to avoid being specific in predictions of sales and financial result projections.

On June 30, 2012 the Company employed 162 people (164 people on June 30, 2011).

Consolidated Balance sheet
As of June 30, 2012

	Note	30.06.2012	30.06.2011	30.06.2012	30.06.2011
CURRENT ASSETS		**LVL**	**LVL**	**EUR**	**EUR**
Cash and bank		**2 187 451**	**2 106 660**	**3 112 462**	**2 997 507**
Short-term investments	**1**	**999 712**	**1 479 081**	**1 422 462**	**2 104 543**
Customer receivables	**2**				
Accounts receivable		1 552 874	2 203 447	2 209 541	3 135 223
Allowance for uncollectible receivables		-295 181	-447 463	-420 005	-636 682
Total		**1 257 693**	**1 755 984**	**1 789 536**	**2 498 540**
Other receivables					
Other current receivables	**3**	201 847	57 713	287 202	82 118
Short-term loans	**4**	22 772	22 772	32 402	32 402
Total		**224 619**	**80 485**	**319 604**	**114 520**
Prepaid expenses					
Prepaid taxes		123 010	22 331	175 027	31 774
Other prepaid expenses		122 906	65 574	174 879	93 303
Total		**245 916**	**87 905**	**349 907**	**125 078**
Inventories	**5**				
Raw materials		649 347	993 804	923 938	1 414 056
Work-in-progress		1 455 922	1 423 201	2 071 590	2 025 033
Finished goods		870 032	948 393	1 237 944	1 349 442
Prepayments to suppliers		58 236	47 182	82 862	67 134
Total		**3 033 537**	**3 412 580**	**4 316 334**	**4 855 664**
TOTAL CURRENT ASSETS		**7 948 928**	**8 922 695**	**11 310 306**	**12 695 851**
NON-CURRENT ASSETS					
Long-term financial assets					
Shares in companies		500	500	711	711
Long-term receivables	**2**	0	65 140	0	92 686
Deffered income tax		101 729	73 032	144 747	103 915
Long-term loans	**4**	1 898	24 670	2 701	35 102
Total		**104 127**	**163 342**	**148 159**	**232 415**
NON-CURRENT physical assets	**6**				
Plant and equipment		2 253 630	2 129 302	3 206 627	3 029 724
Other equipment and fixtures		1 144 713	1 115 415	1 628 780	1 587 093
Accumulated depreciation		-2 912 190	-2 742 820	-4 143 673	-3 902 681
Prepayments for noncurrent physical assets		0	2 457	0	3 496
Total		**486 153**	**504 354**	**691 733**	**717 631**
Intagible assets					
Purchased licenses, trademarks etc.		92 404	67 474	131 479	96 007
Total		**92 404**	**67 474**	**131 479**	**96 007**
TOTAL NON-CURRENT ASSETS		**682 684**	**735 170**	**971 372**	**1 046 053**
TOTAL ASSETS		**8 631 612**	**9 657 865**	**12 281 677**	**13 741 904**

LIABILITIES AND OWNERS' EQUITY	Note	30.06.2012	30.06.2011	30.06.2012	30.06.2011
CURRENT LIABILITIES		**LVL**	**LVL**	**EUR**	**EUR**
Debt obligations					
Short-term loans from financial institutons		5 485	9 779	7 805	13 915
Customer prepayments for goods and services		23 612	243 441	33 597	346 385
Accounts payable	**7**	638 201	1 253 473	908 078	1 783 531
Tax liabilities	**8**	79 750	257 537	113 474	366 442
Salary-related accrued expenses	**9**	230 592	278 672	328 103	396 515
Provisions for guarantees		35 019	39 126	49 828	55 671
Prepaid revenue		8 972	2 980	12 767	4 241
TOTAL CURRENT LIABILITIES		**1 021 631**	**2 085 008**	**1 453 653**	**2 966 702**
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		1 915 332	1 797 640	2 725 272	2 557 811
Net profit for the financial year		719 927	800 833	1 024 364	1 139 483
Currency translation reserve		338	0	481	0
TOTAL OWNERS' EQUITY		**7 609 981**	**7 572 857**	**10 828 026**	**10 775 204**
TOTAL LIABILITIES AND OWNERS' EQUITY		**8 631 612**	**9 657 865**	**12 281 677**	**13 741 904**

Consolidated Income Statement for 12 month of the financial year 2011/12

	Note	30.06.2012	30.06.2011	30.06.2012	30.06.2011
		LVL	LVL	EUR	EUR
Net sales	10	9 638 909	10 896 072	13 714 932	15 503 714
Other operating income		67 913	99 005	96 631	140 871
Total income		**9 706 822**	**10 995 077**	**13 811 563**	**15 644 585**
Direct cost of goods sold or services rendered		-5 391 209	-5 704 852	-7 670 999	-8 117 273
Marketing, advertising and public relations expenses		-457 409	-398 607	-650 834	-567 167
Bad receivables	11	152 282	-244 130	216 678	-347 366
Operating expenses		-801 190	-728 058	-1 139 991	-1 035 933
Salaries and social expenses	12	-2 034 153	-1 924 308	-2 894 339	-2 738 044
Bonuses and social expenses	12	-261 176	-521 702	-371 620	-742 315
Depreciation expense		-247 294	-199 553	-351 868	-283 938
Other expenses		-71 171	-146 357	-101 267	-208 247
Operating expenses		**-9 111 320**	**-9 867 567**	**-12 964 240**	**-14 040 283**
EBIT		**595 502**	**1 127 510**	**847 323**	**1 604 302**
Financial income (except ForEx rate difference)		54 649	103 316	77 759	147 005
Financial costs (except ForEx rate difference)		-649	0	-923	0
Foreign exchange +gain/(loss)		157 662	-243 167	224 333	-345 995
Financial items		**211 662**	**-139 851**	**301 168**	**-198 990**
EBT		**807 164**	**987 659**	**1 148 491**	**1 405 312**
Corporate income tax		**-87 237**	**-186 826**	**-124 127**	**-265 829**
Net profit		**719 927**	**800 833**	**1 024 364**	**1 139 483**

*Earnings per share
EPS 30.06.2012. = 0.24 LVL (0.34 EUR)
EPS 30.06.2011. = 0.27 LVL (0.38 EUR)

Income Statement for Q4 of the financial year 2011/12

	30.06.2012	30.06.2011	30.06.2012	30.06.2011
	LVL	LVL	EUR	EUR
Net sales	2 164 636	1 995 168	3 080 000	2 838 868
Other operating income	48 639	45 244	69 207	64 376
Total income	**2 213 275**	**2 040 412**	**3 149 207**	**2 903 245**
Direct cost of goods sold or services rendered	-1 204 842	-1 120 111	-1 714 336	-1 593 774
Marketing, advertising and public relations expenses	-137 376	-139 386	-195 468	-198 328
Bad receivables	28 261	-91 781	40 212	-130 593
Operating expenses	-216 712	-178 401	-308 353	-253 842
Salaries and social expenses	-510 433	-502 039	-726 281	-714 337
Bonuses and social expenses	-19 284	-30 472	-27 439	-43 358
Depreciation expense	-66 460	-50 752	-94 564	-72 214
Other expenses	-16 819	-18 424	-23 931	-26 215
Operating expenses	**-2 143 665**	**-2 131 366**	**-3 050 160**	**-3 032 661**
EBIT	**69 610**	**-90 954**	**99 046**	**-129 416**
Financial income (except ForEx rate difference)	26 206	35 539	37 288	50 567
Foreign exchange +gain/(loss)	47 975	-43 143	68 262	-61 387
Financial items	**74 181**	**-7 604**	**105 551**	**-10 819**
EBT	**143 791**	**-98 558**	**204 597**	**-140 234**
Corporate income tax	**6 009**	**11 310**	**8 550**	**16 093**
Net profit	**149 800**	**-87 248**	**213 147**	**-124 142**

*Earnings per share
EPS 30.06.2012. = 0.05 LVL (0.07 EUR)
EPS 30.06.2011. = -0.03 LVL (-0.04 EUR)

Consolidated cash flow statement for 12 months of the financial year 2011/12

	30.06.2012	30.06.2011	30.06.2012	30.06.2011
	LVL	LVL	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	**491 083**	**192 059**	**698 748**	**273 275**
Cash received from customers	10 397 403	10 755 559	14 794 173	15 303 783
Cash paid to suppliers and employees	-9 530 411	-10 567 174	-13 560 553	-15 035 734
Paid/Received VAT, corporate income tax	-375 909	3 674	-534 870	5 228
NET CASH USED IN INVESTING ACTIVITIES (of which)	**199 058**	**122 268**	**283 234**	**173 972**
Cash paid for other long-term investments (e.g. purchase of <50% shares)	0	-500	0	-711
Cash paid/received for short-term investments	379 369	180 808	539 793	257 267
Cash paid for purchasing non-current physical assets	-238 310	-165 134	-339 085	-234 965
Interest received	57 999	107 094	82 525	152 381
NET CASH USED IN FINANCING ACTIVITIES (of which)	**-610 238**	**-621 354**	**-868 290**	**-884 107**
Repayment of short-term loans	-3 619	3 599	-5 149	5 121
Repayment of long-term loans	22 775	20 878	32 406	29 707
Cash paid of long-term loans	0	-68 317	0	-97 206
Cash received from EU fonds	53 747	105 627	76 475	150 294
Dividends paid	-683 141	-683 141	-972 022	-972 022
Effects of exchange rate changes	**888**	**0**	**1 264**	**0**
TOTAL CASH FLOW:	**80 791**	**-307 027**	**114 955**	**-436 860**
Cash and cash equivalents as at the beginning of period	2 106 660	2 413 687	2 997 507	3 434 367
Cash and cash equivalents as at the end of period	2 187 451	2 106 660	3 112 462	2 997 507
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	**80 791**	**-307 027**	**114 955**	**-436 860**

Statement of changes in consolidated equity for the 12 months period ended June 30 2012

	Share capital	Share premium	Retained earnings	Total
	LVL	LVL	LVL	LVL
As at 30 June 2010	**2 970 180**	**2 004 204**	**2 480 781**	**7 455 165**
Dividend relating to 2009/2010	-	-	**-683 141**	**-683 141**
Profit for the year	-	-	800 833	**800 833**
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	-	-	338	**338**
Profit for the period	-	-	719 927	**719 927**
As at 30 June 2012	**2 970 180**	**2 004 204**	**2 635 597**	**7 609 981**

Statement of changes in consolidated equity for the 12 months period ended June 30 2012

	Share capital	Share premium	Retained earnings	Total
	EUR	EUR	EUR	EUR
As at 30 June 2010	**4 226 185**	**2 851 725**	**3 529 833**	**10 607 744**
Dividend relating to 2009/2010	-	-	**-972 022**	**-972 022**
Profit for the year	-	-	1 139 482	**1 139 482**
As at 30 June 2011	**4 226 185**	**2 851 725**	**3 697 293**	**10 775 204**
Dividend relating to 2010/2011	-	-	**-972 022**	**-972 022**
Currency translation difference	-	-	481	**481**
Profit for the period	-	-	1 024 364	**1 024 364**
As at 30 June 2012	**4 226 185**	**2 851 725**	**3 750 116**	**10 828 027**

Notes for interim report

Note 1 Short-term investments

	30.06.2012 LVL	30.06.2011 LVL	30.06.2012 EUR	30.06.2011 EUR
Short-term investments	**999 712**	**1 479 081**	**1 422 462**	**2 104 543**

Short-term investments consist of deposits with a maturity period of more than 90 days commencing from 30/06/2012.

Note 2 Customer receivables

	30.06.2012 LVL	30.06.2011 LVL	30.06.2012 EUR	30.06.2011 EUR
Long-term receivables	**-**	**65 140**	**-**	**92 686**
Accounts receivable	1 552 874	2 203 447	2 209 541	3 135 223
Provisions for bad and doubtful accounts receivable	(295 181)	(447 463)	(420 005)	(636 682)
Total accounts receivable	**1 257 693**	**1 755 984**	**1 789 536**	**2 498 540**
Total receivables	**1 257 693**	**1 821 124**	**1 789 536**	**2 591 226**

Total receivables were by 31% lower compared with the previous year reflecting decreasing sales in the last 6 months and a fact that ongoing sales were with shorter payment terms. Provisions for doubtful accounts receivable has decreased by 34% as some long lasting overdue debts has been recovered..

Long term receivables include those whose due date is more than 360 days from the balance date. There are no long term receivables on reporting date.

Note 3 Other current receivables

	30.06.2012 LVL	30.06.2011 LVL	30.06.2012 EUR	30.06.2011 EUR
Other current receivables	**201 847**	**57 713**	**287 202**	**82 118**

Three research projects initiated by the Company are realised in "LEO pētījumu centrs"(LEO) since summer 2011. LEO is the company co-founded by Latvian Electrical Engineering and electronic Industry Association (LETERA) members. The Company has paid-in for LEO 146 thousand LVL (208 thousand EUR) as a deposit for execution of projects.

Note 4 Loans

	30.06.2012 LVL	30.06.2011 LVL	30.06.2012 EUR	30.06.2011 EUR
Short-term loans	**22 772**	**22 772**	**32 402**	**32 402**
Long-term loans	**1 898**	**24 670**	**2 701**	**35 102**
	24 670	**47 442**	**35 103**	**67 504**

In order to facilitate the Company's product sales, encourage clients to buy the Company'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.

Note 5 Inventories

	30.06.2012 LVL	30.06.2011 LVL	30.06.2012 EUR	30.06.2011 EUR
Raw materials	1 195 003	1 285 779	1 700 336	1 829 499
Allowance for slow-moving items	(545 656)	(291 975)	(776 399)	(415 443)
Work-in- progress	1 455 922	1 423 201	2 071 590	2 025 033
Finished goods	870 032	948 393	1 237 944	1 349 442
Prepayments to suppliers	58 236	47 182	82 862	67 134
	3 033 537	**3 412 580**	**4 316 334**	**4 855 664**

Inventories in comparison with June 30, 2011 decreased by 11% reflecting sales decrease. The Company has changed its estimate in relation to direct overhead cost allocation to the cost of inventory for the year ended June 30, 2012 as to represent inventory more precisely.

During Q4 additional allowances for slow-moving items was recorded and in total increased year-to-year by 87% as components were consumed slower due to turnover decrease. The Company is keeping inventory reserves in order to be able to produce large scale orders in competitive terms for all kind of products currently being in the Company's product list. Company also keeps components for previously produced and sold product types for repair and maintenance purpose.

Note 6 Non-current assets

	30.06.2012 LVL	30.06.2011 LVL	30.06.2012 EUR	30.06.2011 EUR
Plant and equipment	2 253 630	2 129 302	3 206 627	3 029 724
Other equipment and fixtures	1 144 713	1 115 415	1 628 780	1 587 093
Accumulated depreciation	(2 912 190)	(2 742 820)	(4 143 673)	(3 902 681)
Prepayments for noncurrent physical assets	-	2 457	-	3 4961
	486 153	**504 354**	**691 733**	**717 631**
Purchased licences, trademarks etc.	**92 404**	**67 474**	**131 479**	**96 007**

During financial year 2011/12 the Company invested 256 thousand LVL (365 thousand EUR) in product certification, product development software, production equipment and IT.

Note 7 Accounts payable

	30.06.2012 LVL	30.06.2011 LVL	30.06.2012 EUR	30.06.2011 EUR
Accounts payable	**638 201**	**1 253 473**	**908 078**	**1 783 531**

Note 8 Tax liabilities

	30.06.2012 LVL	30.06.2011 LVL	30.06.2012 EUR	30.06.2011 EUR
Tax liabilities	**79 750**	**257 537**	**113 474**	**366 442**

Actually 63% out of all tax liabilities are regular liabilities for social tax, but the remaining part was personal income tax.

Note 9 **Salary-related accrued expenses**

	30.06.2012 LVL	30.06.2011 LVL	30.06.2012 EUR	30.06.2011 EUR
Salary-related accrued expenses	**230 592**	**278 672**	**328 103**	**396 515**

Salary–related accrued expenses were decreased by 17% in comparison with June 30, 2011. As financial targets were no reached lower individual bonus amounts were accrued.

Note 10 **Segment information**

a) The Company'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 Company's turnover and balance items by structural units by product type for 12 month of the financial year 2011/12 and financial year 2010/11.

	CFM; CFIP; FreeMile		Other		Total	
	2011/12 LVL	2010/11 LVL	2011/12 LVL	2010/11 LVL	2011/12 LVL	2010/11 LVL
Segment assets	**3 446 294**	3 910 724	**1 934 430**	2 001 231	**5 380 724**	**5 911 955**
Undivided assets					**3 250 888**	**3 745 910**
Total assets					**8 631 612**	**9 657 865**
Segment liabilities	**578 353**	1 199 255	**247 847**	495 376	**826 200**	**1 694 631**
Undivided liabilities					**195 432**	**390 377**
Total liabilities					**1 021 632**	**2 085 008**
Net sales	**6 813 824**	**8 226 628**	**2 825 085**	**2 669 444**	**9 638 909**	**10 896 072**
Segment results	**2 000 048**	**3 257 197**	**912 906**	**871 632**	**2 912 954**	**4 128 829**
Undivided expenses					-2 385 421	-3 100 335
Profit from operations					**527 533**	**1 028 494**
Other income					122 615	101 610
Financial expenses, net					157 013	-142 445
Profit before taxes					**807 161**	**987 659**
Corporate income tax					-87 234	-186 826
Net profit					**719 927**	**800 833**
Other information						
Additions of property plant and equipment and intangible asets	140 364	57 062	2 360	1 340	142 724	58 402
Undivided additions					113 754	110 516
Total additions of property plant and equipment and intangible asets					**256 478**	**168 918**
Depreciation and amortization	139 273	101 875	6 364	10 612	145 637	112 487
Undivided depreciation					101 657	87 066
Total depreciation and amortization					**247 294**	**199 553**

	CFM; CFIP; FreeMile		Other		Total	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	EUR	EUR	EUR	EUR	EUR	EUR
Segment assets	4 903 635	5 564 459	2 752 445	2 847 495	7 656 079	8 411 954
Undivided assets					4 625 599	5 329 950
Total assets					**12 281 677**	**13 741 904**
Segment liabilities	822 922	1 706 386	352 655	704 857	1 175 577	2 411 243
Undivided liabilities					278 075	555 459
Total liabilities					**1 453 652**	**2 966 702**
Net sales	**9 695 198**	**11 705 437**	**4 019 734**	**3 798 277**	**13 714 932**	**15 503 714**
Segment results	**2 845 812**	**4 634 574**	**1 298 948**	**1 240 222**	**4 144 760**	**5 874 794**
Undivided expenses					-3 394 147	-4 411 379
Profit from operations					**750 612**	**1 463 415**
Other income					174 465	144 578
Financial expenses, net					223 409	-202 681
Profit before taxes					**1 148 487**	**1 405 312**
Corporate income tax					-124 123	-265 829
Net profit					**1 024 364**	**1 139 483**
Other information						
Additions of property plant and equipment and intangible asets	199 720	81 192	3 358	1 907	203 078	83 099
Undivided additions					161 857	157 250
Total additions of property plant and equipment and intangible asets					**364 935**	**240 349**
Depreciation and amortization	198 168	144 955	9 055	15 100	207 223	160 055
Undivided depreciation					144 644	123 884
Total depreciation and amortization					**351 867**	**283 939**

b) This note provides information about division of the Company's turnover and assets by geographical regions (customer location) for 12 month of the financial year 2011/12 and financial year 2010/11.

	Net sales		Assets		Net sales		Assets	
	2011/12	2010/11	30.06.2012	30.06.2011	2011/12	2010/11	30.06.2012	30.06.2011
	LVL	LVL	LVL	LVL	EUR	EUR	EUR	EUR
America	3 290 854	3 004 794	418 036	540 179	4 682 463	4 275 436	594 812	768 605
Europe, CIS	3 678 375	3 843 472	374 110	226 705	5 233 856	5 468 768	532 310	322 573
Asia, Africa, Middle East	2 669 680	4 047 806	465 547	1 054 241	3 798 613	5 759 510	662 414	1 500 050
	9 638 909	**10 896 072**	**1 257 693**	**1 821 125**	**13 714 932**	**15 503 714**	**1 789 536**	**2 591 228**
Unallocatted assets	-	-	7 266 142	7 836 740	-	-	10 338 789	11 150 676
	9 638 909	**10 896 072**	**8 523 835**	**9 657 865**	**13 714 932**	**15 503 714**	**12 128 325**	**13 741 904**

Note 11 Bad receivables

	30.06.2012 LVL	30.06.2011 LVL	30.06.2012 EUR	30.06.2011 EUR
Bad receivables	**152 282**	**(244 130)**	**216 678**	**(347 366)**

The Company records accruals based on its accrual policy for bad and doubtful debtors. One of Africa customers' who delayed payments substantially has paid debt in full, but the another continues debt repayment, but slowly.

Note 12 **Salaries, bonuses and social expenses**

	30.06.2012 LVL	30.06.2011 LVL	30.06.2012 EUR	30.06.2011 EUR
Salaries and social expenses	(2 034 153)	(1 924 308)	(2 894 339)	(2 738 044)
Bonuses and social expenses	(261 176)	(521 702)	(371 620)	(742 315)
	(2 295 329)	**(2 446 010)**	**(3 265 959)**	**(3 480 359)**

Salaries and social expenses, in comparison with the 12 month period of the previous financial year increased due to increased headcount and changes in fixed salaries for some groups of specialists.

As the Company's financial targets for Q4 were not fulfilled - Bonuses for Q4 were much lower than for Q4 FY 2010/11. In total bonuses and social expenses for 12 months of FY 2011/12 were by half lower than for 12 months of FY 2010/11.