SAF Tehnika
Interim Report
for 9 months of financial year 2011/12
(July 1, 2011 – March 31, 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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Commercial Registry Nr.:	40003474109
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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%

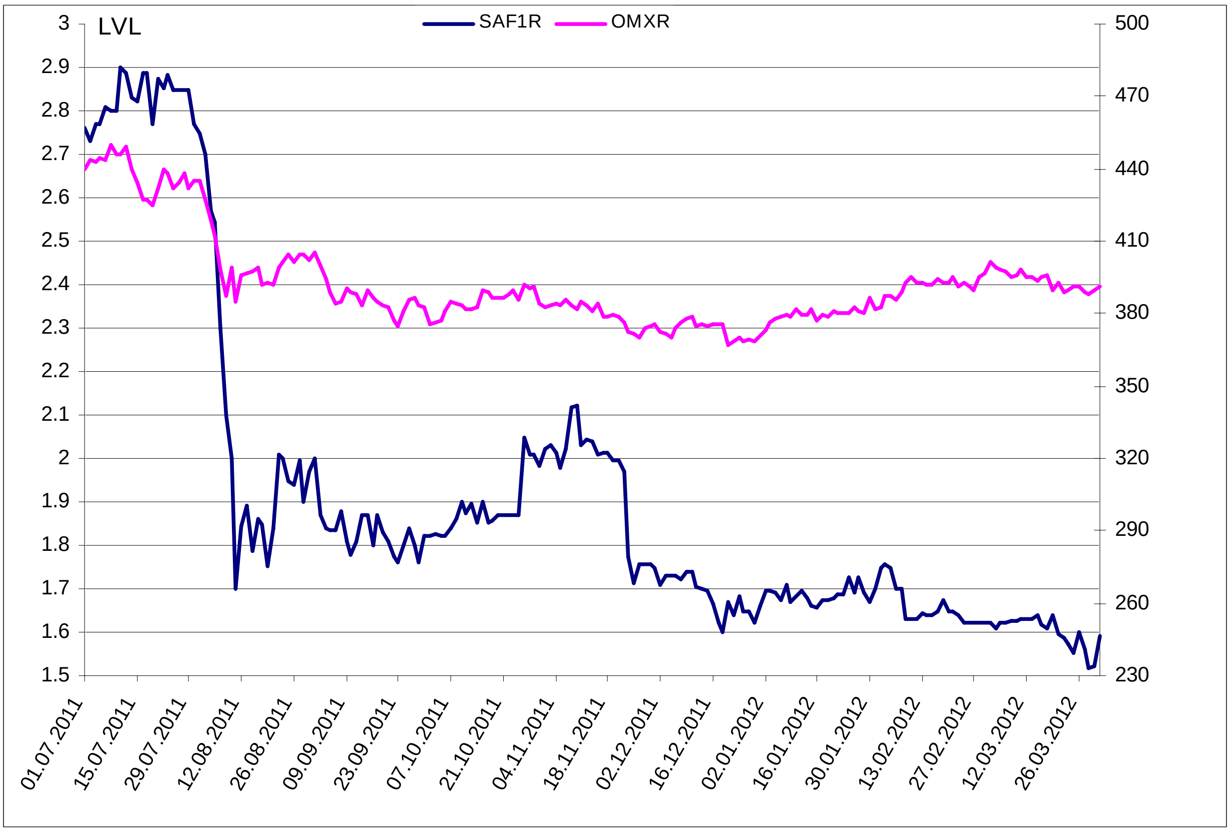
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (**SAF1R**)

Period: July 1, 2011 – March 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 0.73% 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 (hereinafter – the Company) is responsible for preparing the interim financial statements of the Company and its subsidiary. Interim financial statements of the Company have not been audited or otherwise checked by auditors.

The interim financial statements are prepared in accordance with the source documents and present fairly the financial position of the Company as at March 31, 2012 and the results of its operations and cash flows for the 9 month period ended March 31, 2012.

The 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 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 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 third quarter of financial year 2011/12 were 2.15 million LVL (3.05 million EUR), showing a 23% decrease comparing to the respective reporting quarter of the previous financial year. The result well reflects the overall situation in telecommunications market which continues show general price erosion in all markets SAF is present.

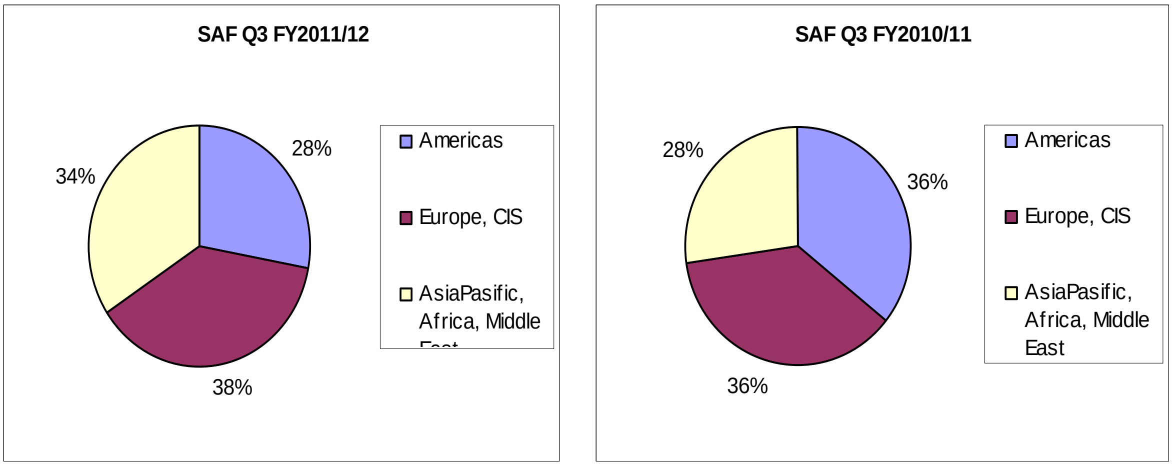
During the reporting quarter, the Company's products were sold in 62 countries. Sales volumes have been distributed rather equal among all three reporting regions. Similar to previous reporting quarter of the current financial year Europe, CIS region posted the best results bringing 38% of the 3rd quarter's turnover. Compared to the respective reporting quarter in previous financial year, Europe and CIS regions has experienced a drop of 20% or 0.2 million LVL (0.28 million EUR) in turnover, meanwhile still posting on-average results if compared to combined results of both previous reporting quarters of the financial year.

The revenue from Asia, Middle East and African regions increased by 34% from the previous quarter of the financial year, however still did not reach similar results as previously experienced and posted a 5% year-to-year decrease in revenue generated. The decrease in demand from Asian customers for SAF's products and continuous political instability in the Middle East and Africa regions have been the main factors influencing the Company's revenue performance in these regions.

Although the company faced decline in total revenue generated during the reporting quarter from Americas region posting a 39% year-to-year drop, the region retained it's leadership position generating 37% from the company's 9 month turnover and showing a 33% year-to-year growth in the same comparison period. This further illustrates the strategic importance of the region and more intense demand for the Company's products for both Latin America and especially USA market. While continuing to work on establishing subsidiary's *SAF North America* activities and further investing in SAF brand and product recognition Company expects to improve it's performance in this region. SAF designed product manufacturing in Brazil are expected to begin generating a stronger foothold and brand recognition in the MERCOSUR countries.

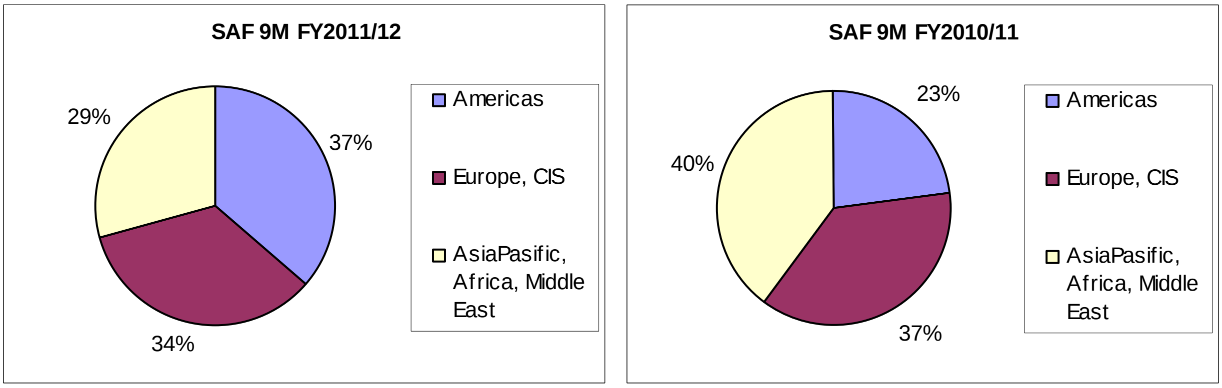
During the reporting quarter company has successfully taken part in several industry exhibitions and events, from which the most notable have been: North America - Animal Farm (Salt Lake City, USA), ISC West 2012 (Las Vegas, USA), Europe – Cebit 2012 (Hanover, Germany).

Chart 1. Quarter 3 revenue breakdown comparative charts:



The Company's 2011/12 financial year's 9 month unaudited net turnover was 7.47 million LVL (10.63 million EUR), which represents a 16% year-to-year decrease. Both Europe, CIS and Asia, Africa and Middle East regions has shown a reduction in total turnover, whereas the Americas region continues to shown positive trends by showing a 33% year-to-year increase in revenue amounting 2.72 million LVL (3.87 million EUR), comprising 37% of the total the Company's turnover. The European customers have shown continuous appreciation for quality of equipment produced in European Union and the sales from the region summed up to 34%. Meanwhile the Asia, Africa and Middle East regions respectively captured 29% from the total revenue.

Chart 2. 9 months revenue breakdown comparative charts:



While the sales volume for CFIP product line slightly shrunk it still represent 71% from the total sales of the reporting quarter strengthening it's position as the main product line in SAF portfolio. Meanwhile FreeMile product line continues to shown positive trend by posting a growth of 31% in sales volumes compared to the previous quarter of the current year. The demand for CFM line products still remained stable posting slight growth, thus affirming that the product line is still popular among the customers.

While still providing high quality, customized solutions for its' clients, the company also continued to offer complementary data transmission products and accessories along it's own manufactured equipment. Within the Company's current reporting quarters revenue structure, the own produced equipment still captured the major part (70% - 75%) of the total revenue generated.

As the substantial part of long lasting overdue payments was paid during reporting quarter, it left positive impact on Company's financial result and allowed to decrease allowances for bad receivables. Although during the reporting quarter the Company posted losses related to foreign exchange rates, the same position still remained positive impact on company's financial year's 9 month profit, largely by taking the advantage of high USD to LVL exchange rate.

Company ended the third quarter of 2011/12 financial year with a net profit of 24 981 LVL (35 546 EUR), which is by 293 thousand LVL (416 thousand EUR), lower than in respective quarter of previous financial year. Meanwhile the Company's' unaudited net profit for the 9 months of 2011/12 financial year was 570 127 LVL (811 218 EUR). The main reason for such decrease in profit has been the diminished volume of sales and margins earned.

The Company's the financial year's 9 month net cash flow was negative -364 thousand LVL (-517 thousand EUR). As of March 31, 2012, the Company carried a net cash balance (excluding interest bearing liabilities) of 1.73 million LVL (2.47 million EUR).

Market overview

Based on the industry outlook for the next years, it is expected that the microwave radio market, where the company is operating, will continue to experience growth by delivering high capacity data traffic to actively growing customer base worldwide. Market researches predict that mobile data solutions will comprise the main part this segment. It is also expected that LTE will take over as the main market technology actively supported with Wi-Fi solutions in the areas with high customer density. Initial concerns against microwave technologies as not being capable to deliver high data capacity and suggestions of this technology soon being replaced by fiber connectivity is now overruled as new technologies are developed and introduced capable of delivering more than 1 GB data capacity.

The concept of mobile microcells which will be connected with network by means of wireless solution could be next wave for the development bringing new direction for microwave products.

In such growing conditions microwave market could approach the mass production structure showing high production volumes and substantial erosion of prices levels. In reaction to such developments, further consolidation between all active product manufacturers in this segment is expected. To maintain competitive edge even more active product and technology development competition will be seen among the surviving competitors. Therefore the attractiveness of product proposals will significantly increase at the same time bringing much lower total cost of the solution. This will give the opportunity for the customers with limited budgets to be able to capitalize on the advantages of microwave solutions in their networks.

Erosion on the general market price levels and rapid technology development requirements could further increase the entry barriers of some market segments.

Generally a very fierce competition is experienced in the microwave segment. SAF Tehnika continues to follow the approved strategy of maintaining competitiveness through constant technology development and delivering customized solutions that directly meets the customer’s needs.

Guidance

Today SAF Tehnika is proceeding with research and development of next generation wireless data transmission devices with the aim to enrich its long-term competence in the market niche of microwave radio. Company is also looking into expanding its product portfolio with one of the incremental steps already made by recently announcing an addition to CFIP product line with releasing FreeMile 5.8GHz radio. By adding the product to the SAF-lastmile.com webshop, together with the earlier introduced license-free FreeMile products in 17 and 24 GHz frequency range, Company continues to pursue the improvement of its distribution mechanism to make the products more accessible to our customers. In addition, one of the key factors for better reaching out to customers has been the strengthening of local presence in regions rather distant from the manufacturing site. This has led to more localized approach and customer support and is expected to streamline and speed up the product deliveries and support to the region’s customers.

Concerning other regions we see substantial business perspectives both in Brazilian as well as Arab Gulf state markets that are expected to yield returns in the near future. The Company will continue strengthening local presence in these and other target markets, following the positive indications of such activities already performed in North American market.

Apart from that company also sees continuous demand for it’s main product: CFIP Lumina and by continuing to build the confidence in excellent product quality and performance SAF was proud to introduce the 5-year warranty policy for customers in our flagship regions of Europe and North America.

Due to uncertainty in the global financial situation and telecommunication market the Board of the Company cannot provide certain prognosis for sales figures and operational results despite positive results of the reporting quarter.

On March 31, 2011 the Company employed 163 people (168 people on March 31, 2011).

Balance sheet
As of March 31, 2012

	Note	31.03.2012	31.03.2011	31.03.2012	31.03.2011
CURRENT ASSETS		**LVL**	**LVL**	**EUR**	**EUR**
Cash and bank		**1 743 031**	**2 141 414**	**2 480 110**	**3 046 958**
Short-term investments	**1**	**932 293**	**1 416 035**	**1 326 533**	**2 014 836**
Customer receivables	**2**				
Accounts receivable		2 170 344	2 439 296	3 088 121	3 470 806
Allowance for uncollectible receivables		-323 442	-355 682	-460 217	-506 090
Total		**1 846 902**	**2 083 614**	**2 627 905**	**2 964 716**
Other receivables					
Other current receivables	**3**	131 651	110	187 322	157
Short-term loans	**4**	22 772	22 772	32 402	32 402
Total		**154 423**	**22 882**	**219 724**	**32 558**
Prepaid expenses					
Prepaid taxes		160 297	33 353	228 082	47 457
Other prepaid expenses		132 598	57 777	188 670	82 209
Total		**292 895**	**91 130**	**416 752**	**129 666**
Inventories	**5**				
Raw materials		972 301	891 195	1 383 460	1 268 056
Work-in-progress		1 519 931	1 281 557	2 162 667	1 823 491
Finished goods		899 194	832 830	1 279 438	1 185 010
Prepayments to suppliers		26 803	46 037	38 137	65 505
Total		**3 418 229**	**3 051 619**	**4 863 702**	**4 342 063**
TOTAL CURRENT ASSETS		**8 387 773**	**8 806 694**	**11 934 726**	**12 530 797**
NON-CURRENT ASSETS					
Long-term financial assets					
Shares in subsidiaries	**6**	511	0	727	0
Shares in companies		500	500	711	711
Long-term receivables	**2**	0	186 970	0	266 034
Deffered income tax		73 032	57 179	103 915	81 358
Long-term loans	**4**	7 591	30 363	10 801	43 203
Total		**81 634**	**275 012**	**116 155**	**391 307**
NON-CURRENT physical assets	**7**				
Plant and equipment		2 202 934	2 106 367	3 134 493	2 997 090
Other equipment and fixtures		1 142 306	1 140 824	1 625 355	1 623 246
Accumulated depreciation		-2 868 228	-2 738 172	-4 081 121	-3 896 068
Prepayments for noncurrent physical assets		8 484	3 845	12 072	5 471
Total		**485 496**	**512 864**	**690 799**	**729 740**
Intagible assets					
Purchased licenses, trademarks etc.		95 097	53 086	135 311	75 535
Total		**95 097**	**53 086**	**135 311**	**75 535**
TOTAL NON-CURRENT ASSETS		**662 227**	**840 962**	**942 264**	**1 196 581**
TOTAL ASSETS		**9 050 000**	**9 647 656**	**12 876 990**	**13 727 378**

LIABILITIES AND OWNERS' EQUITY	Note	31.03.2012	31.03.2011	31.03.2012	31.03.2011
CURRENT LIABILITIES		**LVL**	**LVL**	**EUR**	**EUR**
Debt obligations					
Short-term loans from financial institutons		10 395	11 161	14 792	15 882
Customer prepayments for goods and services		53 888	174 718	76 676	248 601
Accounts payable	**8**	1 028 676	1 105 315	1 463 674	1 572 722
Tax liabilities	**9**	173 322	270 466	246 615	384 838
Salary-related accrued expenses	**10**	262 761	394 023	373 875	560 644
Provisions for guarantees		50 512	27 994	71 872	39 832
Prepaid revenue		10 603	3 874	15 088	5 513
TOTAL CURRENT LIABILITIES		**1 590 157**	**1 987 551**	**2 262 593**	**2 828 033**
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		570 127	888 081	811 218	1 263 625
TOTAL OWNERS' EQUITY		**7 459 843**	**7 660 105**	**10 614 399**	**10 899 346**
TOTAL LIABILITIES AND OWNERS' EQUITY		**9 050 000**	**9 647 656**	**12 876 990**	**13 727 378**

Income Statement for 9 month of the financial year 2011/12

	Note	31.03.2012	31.03.2011	31.03.2012	31.03.2011
		LVL	LVL	EUR	EUR
Net sales	11	7 474 273	8 900 904	10 634 932	12 664 845
Other operating income		19 274	53 761	27 424	76 495
Total income		**7 493 547**	**8 954 665**	**10 662 357**	**12 741 340**
Direct cost of goods sold or services rendered		-4 186 367	-4 584 741	-5 956 664	-6 523 499
Marketing, advertising and public relations expenses		-320 033	-259 221	-455 366	-368 838
Bad receivables	12	124 021	-152 349	176 466	-216 773
Operating expenses		-584 478	-549 657	-831 637	-782 091
Salaries and social expenses	13	-1 523 720	-1 422 269	-2 168 058	-2 023 706
Bonuses and social expenses	13	-241 892	-491 230	-344 181	-698 957
Depreciation expense		-180 834	-148 801	-257 304	-211 725
Other expenses		-54 352	-127 933	-77 336	-182 032
Operating expenses		**-6 967 655**	**-7 736 201**	**-9 914 080**	**-11 007 622**
EBIT		**525 892**	**1 218 464**	**748 277**	**1 733 718**
Financial income (except ForEx rate difference)		28 443	67 777	40 471	96 438
Financial costs (except ForEx rate difference)		-649	0	-923	0
Foreign exchange +gain/(loss)		109 687	-200 024	156 071	-284 609
Financial items		**137 481**	**-132 247**	**195 618**	**-188 171**
EBT		**663 373**	**1 086 217**	**943 895**	**1 545 548**
Corporate income tax		**-93 246**	**-198 136**	**-132 677**	**-281 922**
Net profit		**570 127**	**888 081**	**811 218**	**1 263 625**

*Earnings per share
EPS 31.03.2012. = 0.19 LVL (0.27 EUR)
EPS 31.03.2011. = 0.30 LVL (0.43 EUR)

Income Statement for Q3 of the financial year 2011/12

	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	LVL	LVL	EUR	EUR
Net sales	2 144 255	2 771 775	3 051 000	3 943 881
Other operating income	2 349	44 862	3 342	63 833
Total income	**2 146 604**	**2 816 637**	**3 054 342**	**4 007 713**
Direct cost of goods sold or services rendered	-1 219 455	-1 375 682	-1 735 128	-1 957 419
Marketing, advertising and public relations expenses	-111 760	-101 850	-159 020	-144 919
Bad receivables	91 852	68 453	130 694	97 400
Operating expenses	-187 377	-186 411	-266 613	-265 239
Salaries and social expenses	-523 921	-520 124	-745 472	-740 070
Bonuses and social expenses	-26 605	-163 085	-37 856	-232 049
Depreciation expense	-65 753	-48 440	-93 558	-68 924
Other expenses	-29 024	-13 610	-41 297	-19 365
Operating expenses	**-2 072 043**	**-2 340 749**	**-2 948 252**	**-3 330 586**
EBIT	**74 561**	**475 888**	**106 091**	**677 128**
Financial income (except ForEx rate difference)	7 086	16 337	10 082	23 245
Financial costs (except ForEx rate difference)	0	0	0	0
Foreign exchange +gain/(loss)	-52 052	-110 371	-74 063	-157 044
Financial items	**-44 966**	**-94 034**	**-63 980**	**-133 797**
EBT	**29 595**	**381 854**	**42 111**	**543 330**
Corporate income tax	**-4 614**	**-64 200**	**-6 565**	**-91 348**
Net profit	**24 981**	**317 654**	**35 546**	**451 982**

*Earnings per share
EPS 31.03.2012. = 0.01 LVL (0.01 EUR)
EPS 31.03.2011. = 0.11 LVL (0.15 EUR)

Cash flow statement for 9 months of the financial year 2011/12

	31.03.2012	31.03.2011	31.03.2012	31.03.2011
	LVL	LVL	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	**-68 121**	**124 563**	**-96 927**	**177 237**
Cash received from customers	7 554 227	8 329 853	10 748 698	11 852 314
Cash paid to suppliers and employees	-7 330 500	-8 207 243	-10 430 362	-11 677 855
Received tax	-291 848	1 953	-415 262	2 779
NET CASH USED IN INVESTING ACTIVITIES (of which)	**317 530**	**228 830**	**451 804**	**325 596**
Cash paid for purchasing shares in subsidiary	-511	0	-727	0
Cash paid for other long-term investments (e.g. purchase of <50% shares)	0	-500	0	-711
Cash paid/received for short-term investments	446 788	243 854	635 722	346 973
Cash paid for purchasing non-current physical assets	-173 887	-108 504	-247 419	-154 387
Interest received	45 140	93 980	64 228	133 721
NET CASH USED IN FINANCING ACTIVITIES (of which)	**-613 038**	**-625 666**	**-872 274**	**-890 243**
Repayment of short-term loans	1 291	4 981	1 837	7 087
Repayment of long-term loans	17 081	15 184	24 304	21 605
Cash paid of long-term loans	0	-68 317	0	-97 206
Cash received from EU fonds	51 731	105 627	73 607	150 294
Dividends paid	-683 141	-683 141	-972 022	-972 022
TOTAL CASH FLOW:	**-363 629**	**-272 273**	**-517 397**	**-387 410**
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	1 743 031	2 141 414	2 480 110	3 046 958
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	**-363 629**	**-272 273**	**-517 397**	**-387 410**

Statement of changes in consolidated equity for the 9 months period ended March 31 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**
Profit for the period	-	-	570 127	**570 127**
As at 31 March 2012	**2 970 180**	**2 004 204**	**2 485 459**	**7 459 843**

Statement of changes in consolidated equity for the 9 months period ended March 31 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**
Profit for the period	-	-	811 218	**811 218**
As at 31 March 2012	**4 226 185**	**2 851 725**	**3 536 489**	**10 614 400**

Notes for interim report

Note 1 Short-term investments

	31.03.2012 LVL	31.03.2011 LVL	31.03.2012 EUR	31.03.2011 EUR
Short-term investments	**932 293**	**1 416 035**	**1 326 533**	**2 014 836**

Short-term investments consist of deposits with a maturity period of more than 90 days commencing from 31/03/2012.

Note 2 Customer receivables

	31.03.2012 LVL	31.03.2011 LVL	31.03.2012 EUR	31.03.2011 EUR
Long-term receivables	**-**	**186 970**	**-**	**266 034**
Accounts receivable	2 170 344	2 439 296	3 088 121	3 470 806
Provisions for bad and doubtful accounts receivable	(323 442)	(355 682)	(460 217)	(506 090)
Total accounts receivable	**1 846 902**	**2 083 614**	**2 627 905**	**2 964 716**
Total receivables	**1 846 902**	**2 270 584**	**2 627 905**	**3 230 750**

Total receivables were by 19% lower compared with the previous year reflecting decreasing sales in the reporting quarter Q3. Provisions for doubtful accounts receivable has decreased by 9%.

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

	31.03.2012 LVL	31.03.2011 LVL	31.03.2012 EUR	31.03.2011 EUR
Other current receivables	**131 651**	**110**	**187 322**	**157**

Three research projects initiated by the Company are realised in “LEO kompetences 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 128 thousand LVL (182 thousand EUR) as a deposit for execution of projects.

Note 4 Loans

	31.03.2012 LVL	31.03.2011 LVL	31.03.2012 EUR	31.03.2011 EUR
Short-term loans	**22 772**	**22 772**	**32 402**	**32 402**
Long-term loans	**7 591**	**30 363**	**10 801**	**43 203**
	30 363	**53 135**	**43 203**	**75 605**

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

	31.03.2012 LVL	31.03.2011 LVL	31.03.2012 EUR	31.03.2011 EUR
Raw materials	1 416 101	1 146 509	2 014 930	1 631 335
Allowance for slow-moving items	(443 800)	(255 314)	(631 471)	(363 279)
Work-in- progress	1 519 931	1 281 557	2 162 667	1 823 491
Finished goods	899 194	832 830	1 279 438	1 185 010
Prepayments to suppliers	26 803	46 037	38 137	65 505
	3 418 229	**3 051 619**	**4 863 702**	**4 342 063**

Inventories in comparison with March 31, 2011 increased by 13% as the Company had to make 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.

During Q3 additional allowances for slow-moving items was recorded and in total increased year-to-year by 74% as components were consumed slower due to turnover decrease.

Note 6 Shares in Subsidiaries

	31.03.2012 LVL	31.03.2011 LVL	31.03.2012 EUR	31.03.2011 EUR
Shares in subsidiaries	**511**	**-**	**727**	**-**

With the aim to facilitate demand for SAF Tehnika products in USA and provide efficient local support for current and potential USA clients a subsidiary SAF North America was established. The Company owns 100% of SAF North America shares and has invested 511 LVL (1 000 USD) in its share capital on reporting date.

Note 7 Non-current assets

	31.03.2012 LVL	31.03.2011 LVL	31.03.2012 EUR	31.03.2011 EUR
Plant and equipment	2 202 934	2 106 367	3 134 493	2 997 090
Other equipment and fixtures	1 142 306	1 140 824	1 625 355	1 623 246
Accumulated depreciation	(2 868 228)	(2 738 172)	(4 081 121)	(3 896 068)
Prepayments for noncurrent physical assets	8 484	3 845	12 072	5 471
	485 496	**512 864**	**690 799**	**729 740**
Purchased licences, trademarks etc.	**95 097**	**53 086**	**135 311**	**75 535**

During 9 months of financial year 2011/12 the Company invested 184 thousand LVL (262 thousand EUR) in product certification, product development software, production equipment and IT.

Note 8 Accounts payable

	31.03.2012 LVL	31.03.2011 LVL	31.03.2012 EUR	31.03.2011 EUR
Accounts payable	**1 028 676**	**1 105 315**	**1 463 674**	**1 572 722**

Note 9 **Tax liabilities**

	31.03.2012 LVL	31.03.2011 LVL	31.03.2012 EUR	31.03.2011 EUR
Tax liabilities	**173 322**	**270 466**	**257 123**	**384 838**

As the Company operates with profit corporate income tax (CIT) liabilities were calculated and accrued. Actually 54% out of all tax liabilities are accruals for CIT. The remaining part are running liabilities for social tax and personal income tax – 44%.

Note 10 **Salary-related accrued expenses**

	31.03.2012 LVL	31.03.2011 LVL	31.03.2012 EUR	31.03.2011 EUR
Salary-related accrued expenses	**262 761**	**394 023**	**373 875**	**560 644**

Salary–related accrued expenses were decreased by 33% in comparison with March 31, 2011. As financial targets were no reached lower individual bonus amounts were accrued.

Note 11 **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.

As demand for CFQ products has decreased substantially, it has been decided to phase out the entire CFQ product line starting from summer 2011, providing the CFQ basic functionality with CFIP PhoeniX M split mount system. The clients' requirements will be covered by full spectrum of CFIP and CFM products. Information about phased out CFQ line is included in the other products unit in order to provide unequivocal information for comparison purpose.

This note provides information about division of the Group's turnover and balance items by structural units by product type for 9 month of the financial year 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	**3 986 677**	3 820 416	**2 308 484**	2 153 288	**6 295 161**	**5 973 704**
Undivided assets					**2 754 839**	**3 673 952**
Total assets					**9 050 000**	**9 647 656**
Segment liabilities	**888 378**	1 042 880	**398 243**	441 776	**1 286 621**	**1 484 656**
Undivided liabilities					**303 536**	**502 895**
Total liabilities					**1 590 157**	**1 987 551**
Net sales	**5 295 049**	**6 705 946**	**2 179 223**	**2 194 958**	**7 474 272**	**8 900 904**
Segment results	**1 609 382**	**2 847 759**	**687 581**	**721 714**	**2 296 963**	**3 569 473**
Undivided expenses					-1 790 401	-2 404 806
Profit from operations					**506 562**	**1 164 667**
Other income					47 772	53 791
Financial expenses, net					109 039	-132 241
Profit before taxes					**663 373**	**1 086 217**
Corporate income tax					-93 246	-198 136
Net profit					**570 127**	**888 081**
Other information						
Additions of property plant and equipment and intangible asets	97 026	34 182	2 360	1 340	99 386	35 522
Undivided additions					84 618	72 540
Total additions of property plant and equipment and intangible asets					**184 004**	**108 062**
Depreciation and amortization	100 979	76 541	5 907	8 056	106 886	84 597
Undivided depreciation					73 948	64 204
Total depreciation and amortization					**180 834**	**148 801**

	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	5 672 530	5 435 962	3 284 676	3 063 853	8 957 205	8 499 815
Undivided assets					3 919 785	5 227 563
Total assets					**12 876 990**	**13 727 378**
Segment liabilities	1 264 048	1 483 885	566 649	628 591	1 830 697	2 112 475
Undivided liabilities					431 893	715 558
Total liabilities					**2 262 590**	**2 828 033**
Net sales	**7 534 176**	**9 541 702**	**3 100 755**	**3 123 144**	**10 634 931**	**12 664 845**
Segment results	**2 289 944**	**4 051 996**	**978 340**	**1 026 908**	**3 268 284**	**5 078 903**
Undivided expenses					-2 547 510	-3 421 731
Profit from operations					**720 773**	**1 657 172**
Other income					67 973	76 538
Financial expenses, net					155 149	-188 162
Profit before taxes					**943 895**	**1 545 548**
Corporate income tax					-132 677	-281 922
Net profit					**811 218**	**1 263 625**
Other information						
Additions of property plant and equipment and intangible asets	138 056	48 637	3 358	1 907	141 414	50 543
Undivided additions					120 401	103 215
Total additions of property plant and equipment and intangible asets					**261 815**	**153 758**
Depreciation and amortization	143 680	108 908	8 405	11 463	152 085	120 371
Undivided depreciation					105 218	91 354
Total depreciation and amortization					**257 303**	**211 725**

b) This note provides information about division of the Company's turnover and assets by geographical regions (customer location) for 9 month of the financial year 2011/12 and financial year 2010/11.

	Net sales		Assets		Net sales		Assets	
	2011/12	2010/11	31.03.2012	31.03.2011	2011/12	2010/11	31.03.2012	31.03.2011
	LVL	LVL	LVL	LVL	EUR	EUR	EUR	EUR
America	2 720 260	2 051 345	563 646	599 406	3 870 581	2 918 800	801 996	852 878
Europe, CIS	2 578 445	3 279 454	556 019	394 115	3 668 796	4 666 242	791 144	560 775
Asia, Africa, Middle East	2 175 567	3 570 105	727 237	1 277 063	3 095 555	5 079 803	1 034 764	1 817 097
	7 474 272	**8 900 904**	**1 846 902**	**2 270 584**	**10 634 932**	**12 664 845**	**2 627 904**	**3 230 750**
Unallocatted assets	-	-	7 203 098	7 377 072	-	-	10 249 086	10 496 628
	7 474 272	**8 900 904**	**9 050 000**	**9 647 656**	**10 634 932**	**12 664 845**	**12 876 990**	**13 727 378**

Note 12 Bad receivables

	31.03.2012 LVL	31.03.2011 LVL	31.03.2012 EUR	31.03.2011 EUR
Bad receivables	**124 021**	**(152 349)**	**176 466**	**(216 773)**

The Company records accruals based on its accrual policy for bad and doubtful debtors. Africa customers' who delayed payments substantially continued debt repayment although payments were made slower than promised in a schedule submitted by customers.

This quarter, provisions for doubtful debtors was decreased by 92 thousand LVL (131 thousand EUR).

Note 13 **Salaries, bonuses and social expenses**

	31.03.2012 LVL	31.03.2011 LVL	31.03.2012 EUR	31.03.2011 EUR
Salaries and social expenses	(1 523 720)	(1 422 269)	(2 168 058)	(2 023 706)
Bonuses and social expenses	(241 892)	(491 230)	(344 181)	(698 957)
	(1 765 612)	**(1 913 499)**	**(2 512 239)**	**(2 722 663)**

Salaries and social expenses, in comparison with the 9 month period of the previous financial year increased due to increased headcount and changes in fixed salaries for employees of Product development and Production department.

As the Company's financial targets for Q3 were not fulfilled - Bonuses for Q3 were much lower than for Q3 FY 2010/11. In total bonuses and social expenses for 9 months of FY 2011/12 were by 51% lower than for 9 months of FY 2010/11.