SAF Tehnika
Consolidated Interim Report
for 9 months of financial year 2012/13

(July 1, 2012 – March 31, 2013)

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KEY DATA

SAF Tehnika ((hereinafter – the Group) is a telecommunications Equipment Company engaged in the development, production and distribution of digital microwave radio equipment. SAF Tehnika products provide wireless backhaul solutions for digital voice and data transmission covering wide frequency range and providing equipment for both licensed and un-licensed frequencies.

Know-how in modern wireless data transmission technologies, creativity in solutions, accuracy in design, precision in production and logistics make SAF Tehnika a unique designer and manufacturer of point-to-point microwave data transmission equipment. Located in Northern Europe, SAF Tehnika managed to acquire and consolidate valuable locally available intellectual resources of the microelectronics industry and spread its presence to 100 countries, covering all relevant market segments worldwide within just a decade.

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

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

SAF Tehnika JSC is a public joint stock company incorporated under the laws of the Republic of Latvia. The shares of AS SAF Tehnika are quoted on NASDAQ OMX Riga.

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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%

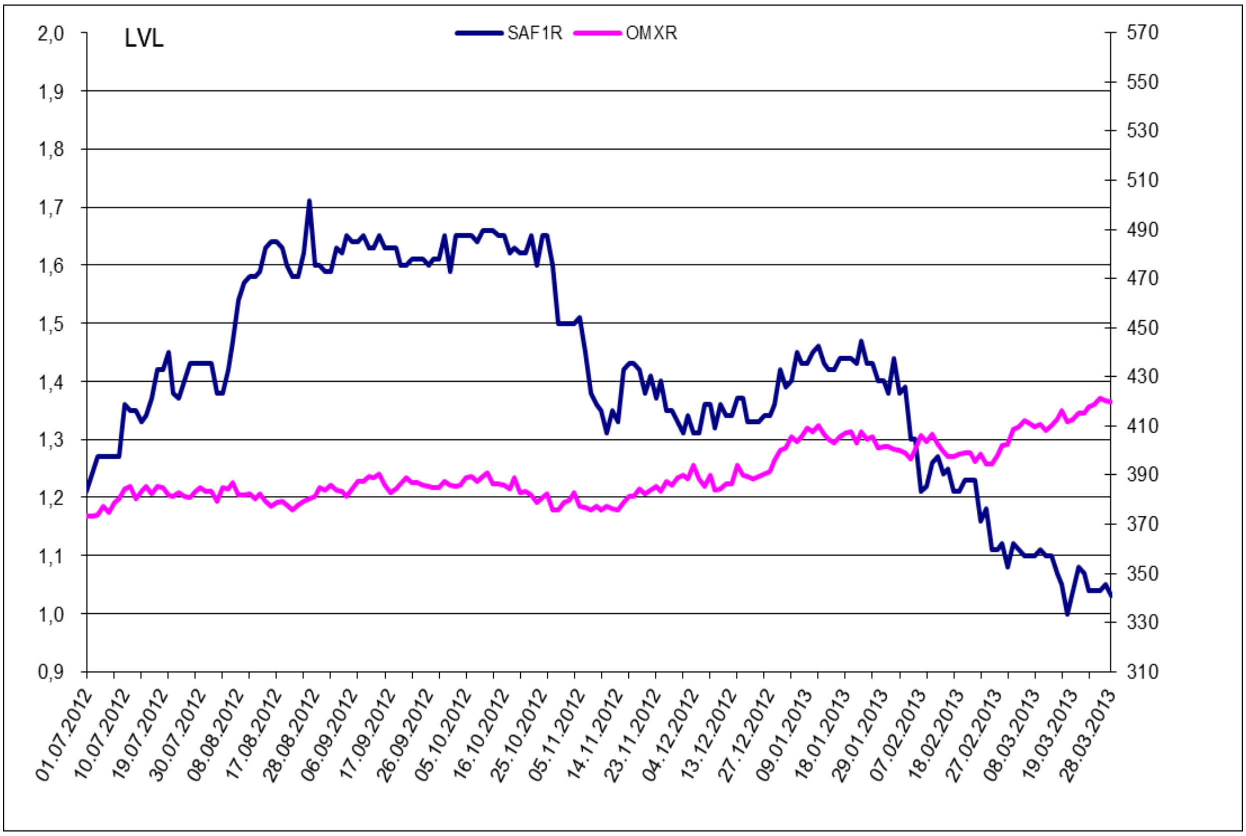
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (**SAF1R**)

Period: July 1, 2012 – March 31, 2013

Currency: **LVL**

Marketplace: **NASDAQ OMX Riga**



Information on management and supervisory board members

SAF Tehnika Management Board:

Name	Position	Ownership interest (%)
Normunds Bergs	Chairman	owns 9.74% of shares
Didzis Liepkalns	Vice Chairman	owns 17.05% of shares
Aira Loite	Member	owns 0.24% of shares
*Jānis Ennitis	Member till February 28, 2013	owns no shares

SAF Tehnika Supervisory Board:

Name	Position	Ownership interest (%)
Vents Lacars	Chairman	owns 6.08% of shares
Juris Ziema	Vice-Chairman	owns 8.71% of shares
Andrejs Grisans	Member	owns 10.03% of shares
Ivars Senbergs	Member	owns 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 March 2013 and the consolidated results of its financial performance and cash flows for the quarter then ended.

The above mentioned financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and are prepared on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. The consolidated interim financial statements have been prepared based on the same accounting principles applied in the Consolidated Financial Statements for the year ended on June 30, 2012.
Prudent and reasonable judgements and estimates have been made by the management in the preparation of the financial statements.

The Board of SAF Tehnika JSC is responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets and the prevention and detection of fraud and other irregularities in the Group. The Board is responsible for compliance with the requirements of normative acts of the countries the Group operates in (Latvia and United States of America).

The interim financial statements have been prepared in Latvian Lats and Euro.

Currency Exchange rate for LVL/EUR is 0.702804

Aira Loite
COO, Member of the Management Board

Management Report

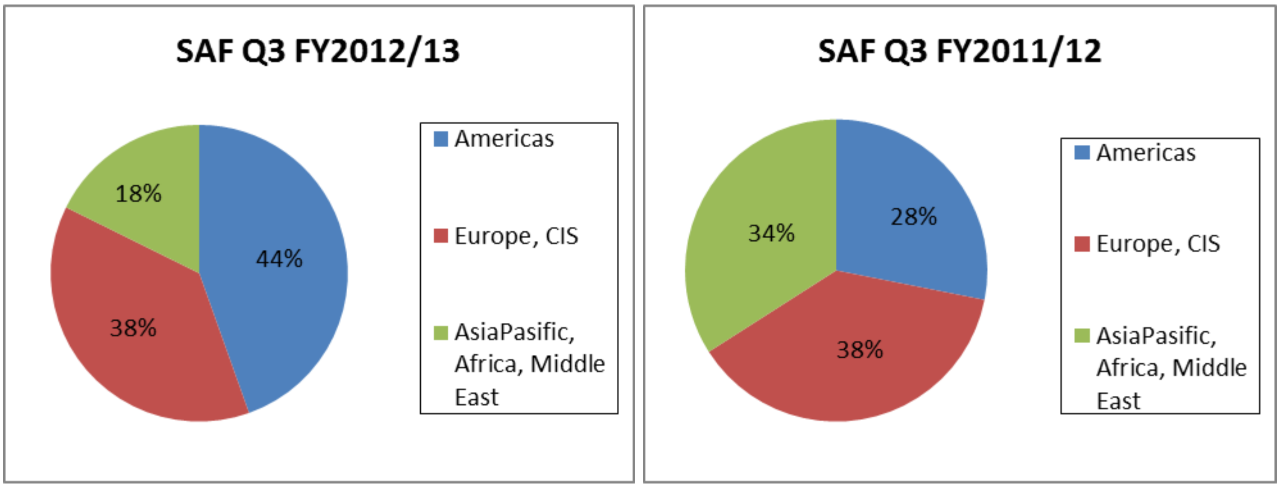
The Group’s non-audited net sales for the third quarter of financial year 2012/13 were 2.57 million LVL (3.66 million EUR), increasing by 20% compared to the third quarter of the previous financial year. Meanwhile the sales remained on the same level only posting a slight 4% decrease when compared to the previous reporting quarter of the current financial year (Q2 FY 2012/13). The Group reached the financial results by continuing to supply existing projects as well as attracting new business in the strategic markets.

The European, CIS region retained stable sales levels and posted a 8% growth comparing to Q2 FY 2012/13 at the same time growing significantly (20%) against the respective reporting quarter of the previous financial year. The Group provided customized, both Lumina and Marathon product line solutions to several customers, thus further assuring its focus and ability to provide individual approach and exceptional customer support for clients in the region. Similar as in the respective period of the previous financial year, the region amounted to a stable 38% share from the total Groups’ revenue.

Due to lower activity in existing projects and political instability in markets where Group is present the revenue from Asia, Middle East and Africa region decreased by 31% or 0.2 million LVL (0.29 million EUR) from the previous reporting quarter of the current financial year, meanwhile also showing a 38% year-to-year sales drop. Consequently the region generated only 18% from the total turnover of the reporting quarter, opposed to 34% in the respective reporting quarter of the previous year. The Group’s established office in Lagos, Nigeria actively works with opportunities in West and Central Africa to regain the previously enjoyed region’s revenue levels.

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%.

Chart 1. Quarter 3 revenue breakdown comparative charts:



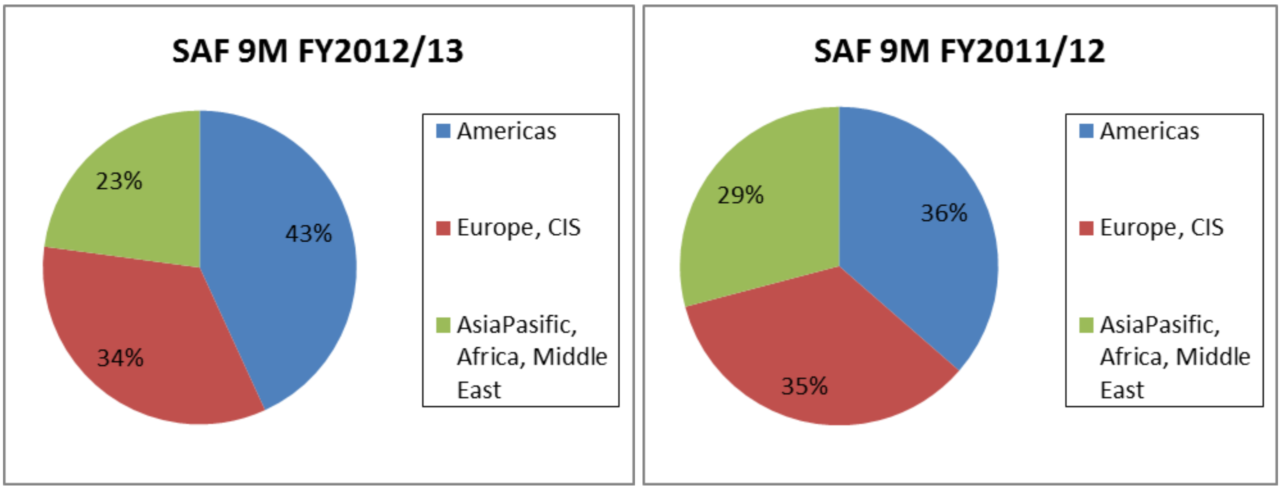
By establishing an agreement with new strategic partner, the Group resumed deliveries to the previously announced regional broadcasting project in Brazil. New timeframe for project completion has been agreed while the project scope remained the same.

The co-founded joint-venture company “SAF Services LLC”, made partial progress towards some of the opportunities it has been working on, by finalizing some of the managed service works it has been entrusted. The company is fully devoted to continuing providing 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 Group made extensive efforts in US market by participating in “Animal Farm 7” (Salt Lake City, UT), “2013 Rural Telecom Industry Meeting & EXPO (NTCA)” (Lake Buena Vista, Florida) and “Wireless without limits cruise 2013” (New Orleans, LA). Same as many previous years, the Group also took part in “CeBIT 2013” (Hanover, Germany).

The Group’s products were sold in 57 countries during the reporting quarter.

Chart 2. 9 months revenue breakdown comparative charts:



The Group's 2012/13 financial year's 9 month unaudited net turnover was 7.18 million LVL (10.21 million EUR), which represents 96% 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 5% and 25% respectively, while the Americas region grew by 14% comprising 43% of the total Group's turnover. Meanwhile the sales revenue from Asia, Africa and Middle East region summed up to 23% and European and CIS regions respectively 34% from the total revenue. The rather even split of revenues among the different regions has been the keystone for minimizing business and financial risks while maintaining steady revenue stream.

The main CFIP product line accounted for 80% from total sales of the reporting quarter. CFIP Lumina proved to remain the flagship product, with total shipped quantity doubling from the same respective quarter of the previous financial year. Meanwhile Freemile product line continued to grow by a year-to-year rate of 56%. Group fulfilled certain requests for extensive amounts of older CFM line products that amounted for approximately 10% from the total revenue generated in the quarter.

To Group continues to work on fully implementing the new CRM software to further improve the efficiency of internal processes as well as quality of customer and technical support services. The Group is also continuously communicating with clients to further improve the existing products and solutions as well as develop new offerings specifically to fit certain client's requirements. The Group will focus to extensively promote the new Spectrum analyzer, as well as further gather feedback and suggestions for further development of the product.

The Group continuously work to decrease the operating costs however, at the same time, intends to follow the previously set strategy of increasing local activities and presence in specific target markets that will yield returns in the following periods.

By being able to settle the collection of some of the outstanding payments from clients, the Group was able to decrease the allowance for bad receivables. Furthermore, the Group made financial gains from favourable USD to LVL, foreign exchange rates positively contributing to the reporting quarter's profits.

The Group ended third quarter of 2012/13 financial year with a net profit of 270 thousand LVL (384 thousand EUR), which represents an increase of 245 thousand LVL (349 thousand EUR) when compared to respective quarter of previous financial year.

Meanwhile the Groups unaudited net loss for 2012/13 financial year's 9 months was -21 thousand LVL (30 thousand EUR).

The Group's net cash flow for the 9 month period of the financial year was 294 thousand LVL (419 thousand EUR). As of March 31, 2013, the Group carried a net cash balance (excluding interest bearing liabilities) of 1.62 million LVL (2.31 million EUR).

Market overview

The high growth of Wi-Fi and mobile data traffic usage continues to drive the previous trend of surge in communication network infrastructure and accessibility developments worldwide. Although some industry reports show that the global market shipments of point-to-point microwave transmission equipment slightly declined, microwave equipment in the current market development scenario is considered to be the most effective solution by providing high quality and fast data transmission. While the application types of microwave transmission equipment is constantly evolving, the equipment still requires technological advancement to address all service providers requirements. Consequently in order to succeed, manufacturers have to constantly not only develop both existing and new products, but also improve product delivery flexibility and maintain the price competitiveness with the market.

Guidance

The Group has always focused on responding to customer and market requirements. Following an extensive R&D activity the Group prepares to launch the first products from a new generation product line supporting extended functionality that addresses many requirements of the existing and potential Group's customers. Throughout the remaining year Group is determined to complete the whole product line.

The Group will continue to focus on strategic niche markets offering current and new products, customized solutions for specific clients as well as launching promotions for the new product line. Additionally the Group will continue developing it's managed services offering.

The Group remains financially stable and with positive outlook for the next operating periods. Meanwhile due to market competition pressures and dependencies on customer and market activities, the Board of the Group avoids giving any forward-looking sales and financial result statements.

On March 31, 2013 the Group employed 163 people (163 people on March 31, 2012).

KEY indicators

	Q3 2012/13		Q3 2011/12		Q3 2010/11	
	LVL	EUR	LVL	EUR	LVL	EUR
Net Sales	2 571 714	3 659 219	2 144 255	3 051 000	2 771 775	3 943 881
Earnings before interest, taxes and depreciation (EBITDA)	122 109	173 745	8 808	12 533	427 448	608 204
share of the turnover %	5%	5%	0,4%	0,4%	15%	15%
Profit/loss before interest and taxes (EBIT)	194 603	276 895	74 561	106 091	475 888	677 128
share of the turnover %	8%	8%	3%	3%	17%	17%
Net Profit	270 023	384 210	24 981	35 545	317 654	451 981
share of the turnover %	10%	10%	1%	1%	11%	
Total assets	8 182 264	11 642 313	9 062 830	12 895 245	9 647 656	13 727 378
Total Owners equity	6 918 919	9 844 735	7 434 862	10 578 856	7 660 105	10 899 347
Return on equity (ROE) %	3%	3%	0,28%	0,28%	3%	3%
Return on assets (ROA) %	4%	4%	0,34%	0,34%	4%	4%
Liquidity ratio						
Quick ratio %	108%	108%	110%	110%	108%	108%
Current ratio %	308%	308%	294%	294%	285%	285%
Earnings per share	0,09	0,13	0,01	0,01	0,11	0,16
Last share price at the end of period	1,03	1,47	1,59	2,27	2,55	3,63
P/E	11,33		189,40		23,84	
Number of employees at the end of reporting period	163		163		168	

Consolidated Statement of Financial Position

As of March 31, 2013

	Note	31.03.2013	31.03.2012	31.03.2013	31.03.2012
CURRENT ASSETS		**LVL**	**LVL**	**EUR**	**EUR**
Cash and bank		**1 622 960**	**1 743 031**	**2 309 264**	**2 480 110**
Short-term investments	**1**	**725 281**	**932 293**	**1 031 982**	**1 326 533**
Customer receivables	**2**				
Accounts receivable		2 287 001	2 170 344	3 254 109	3 088 121
Allowance for uncollectible receivables		-393 270	-323 442	-559 573	-460 217
Total		**1 893 731**	**1 846 902**	**2 694 536**	**2 627 906**
Other receivables					
Other current receivables	**3**	130 016	131 651	184 996	187 322
Short-term loans	**4**	260 600	22 772	370 800	32 402
Total		**390 616**	**154 423**	**555 796**	**219 724**
Prepaid expenses					
Prepaid taxes		143 798	160 297	204 606	228 082
Other prepaid expenses		85 605	132 598	121 805	188 670
Total		**229 403**	**292 895**	**326 411**	**416 752**
Inventories	**5**				
Raw materials		598 520	972 301	851 617	1 383 460
Work-in-progress		1 413 159	1 519 931	2 010 744	2 162 667
Finished goods		927 847	899 194	1 320 207	1 279 438
Prepayments to suppliers		61 594	26 803	87 640	38 137
Total		**3 001 120**	**3 418 229**	**4 270 209**	**4 863 701**
TOTAL CURRENT ASSETS		**7 863 111**	**8 387 773**	**11 188 199**	**11 934 726**
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**	53 422	0	76 013	0
Deffered income tax		92 559	73 032	131 700	103 916
Long-term loans	**4**	0	7 591	0	10 801
Total		**146 816**	**81 634**	**208 900**	**116 155**
NON-CURRENT physical assets	**6**				
Plant and equipment		2 276 926	2 202 934	3 239 774	3 134 493
Other equipment and fixtures		1 298 765	1 142 306	1 847 976	1 625 355
Accumulated depreciation		-3 037 525	-2 868 228	-4 322 009	-4 081 121
Prepayments for noncurrent physical assets		65 309	8 484	92 926	12 072
Total		**603 475**	**485 496**	**858 668**	**690 799**
Intagible assets	**6**				
Purchased licenses, trademarks etc.		76 537	95 097	108 902	135 311
Total		**76 537**	**95 097**	**108 902**	**135 311**
TOTAL NON-CURRENT ASSETS		**826 828**	**662 227**	**1 176 470**	**942 264**
TOTAL ASSETS		**8 689 939**	**9 050 000**	**12 364 669**	**12 876 990**

LIABILITIES AND OWNERS' EQUITY	Note	31.03.2013	31.03.2012	31.03.2013	31.03.2012
CURRENT LIABILITIES		**LVL**	**LVL**	**EUR**	**EUR**
Debt obligations					
Short-term loans from financial institutons		7 545	10 395	10 737	14 791
Customer prepayments for goods and services		92 304	53 888	131 337	76 676
Accounts payable	**7**	979 866	1 028 676	1 394 224	1 463 674
Tax liabilities	**8**	93 842	173 322	133 525	246 615
Salary-related accrued expenses	**9**	302 110	262 761	429 864	373 875
Provisions for guarantees		21 769	50 512	30 974	71 872
Prepaid revenue		6 308	10 603	8 976	15 087
TOTAL CURRENT LIABILITIES		**1 503 744**	**1 590 157**	**2 139 638**	**2 262 590**
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		-20 751	570 127	-29 526	811 218
Currency translation reserve		6 365	0	9 057	0
TOTAL OWNERS' EQUITY		**7 186 195**	**7 459 843**	**10 225 033**	**10 614 400**
TOTAL LIABILITIES AND OWNERS' EQUITY		**8 689 939**	**9 050 000**	**12 364 669**	**12 876 990**

Consolidated Statement of Profit or Loss for 9 month of the financial year 2012/2013

	Note	31.03.2013	31.03.2012	31.03.2013	31.03.2012
		LVL	LVL	EUR	EUR
Net sales	10	7 176 985	7 474 273	10 211 930	10 634 932
Other operating income		19 421	19 274	27 634	27 424
Total income		**7 196 406**	**7 493 547**	**10 239 563**	**10 662 357**
Direct cost of goods sold or services rendered		-4 082 155	-4 186 367	-5 808 383	-5 956 664
Marketing, advertising and public relations expenses		-407 829	-320 033	-580 288	-455 366
Bad receivables	11	-98 089	124 021	-139 568	176 466
Operating expenses		-639 805	-584 478	-910 360	-831 637
Salaries and social expenses	12	-1 618 499	-1 523 720	-2 302 917	-2 168 058
Bonuses and social expenses	12	-129 776	-241 892	-184 655	-344 181
Depreciation expense		-216 459	-180 834	-307 993	-257 304
Other expenses		-28 221	-54 352	-40 155	-77 336
Operating expenses		**-7 220 833**	**-6 967 655**	**-10 274 320**	**-9 914 080**
EBIT		**-24 427**	**525 892**	**-34 756**	**748 278**
Financial income (except ForEx rate difference)		32 019	28 443	45 559	40 471
Financial costs (except ForEx rate difference)		0	-649	0	-923
Foreign exchange +gain/(loss)		-37 666	109 687	-53 594	156 071
Financial items		**-5 647**	**137 481**	**-8 035**	**195 617**
EBT		**-30 074**	**663 373**	**-42 791**	**943 894**
Corporate income tax		**-2 746**	**-93 246**	**-3 907**	**-132 677**
Profit after taxes		**-32 820**	**570 127**	**-46 699**	**811 218**
Minority interest		**12 069**	**0**	**17 173**	**0**
Net profit		**-20 751**	**570 127**	**-29 526**	**811 218**

*Earnings per share

EPS 31.03.2013. = -0.01 LVL (-0.01 EUR)

EPS 31.03.2012. = 0.19 LVL (0.27 EUR)

Consolidated Statement of Profit or Loss for Q3 of the financial year 2012/2013

	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	LVL	LVL	EUR	EUR
Net sales	2 571 714	2 144 255	3 659 219	3 051 000
Other operating income	-14 236	2 349	-20 256	3 342
Total income	**2 557 478**	**2 146 604**	**3 638 963**	**3 054 342**
Direct cost of goods sold or services rendered	-1 330 562	-1 219 455	-1 893 219	-1 735 128
Marketing, advertising and public relations expenses	-86 401	-111 760	-122 938	-159 020
Bad receivables	-15 938	91 852	-22 678	130 694
Operating expenses	-210 251	-187 377	-299 160	-266 613
Salaries and social expenses	-552 335	-523 921	-785 902	-745 472
Bonuses and social expenses	-81 755	-26 605	-116 327	-37 856
Depreciation expense	-72 494	-65 753	-103 150	-93 558
Other expenses	-13 139	-29 024	-18 695	-41 297
Operating expenses	**-2 362 875**	**-2 072 043**	**-3 362 068**	**-2 948 252**
EBIT	**194 603**	**74 561**	**276 895**	**106 091**
Financial income (except ForEx rate difference)	15 633	7 086	22 244	10 082
Foreign exchange +gain/(loss)	52 469	-52 052	74 657	-74 063
Financial items	**68 102**	**-44 966**	**96 900**	**-63 980**
EBT	**262 705**	**29 595**	**373 796**	**42 111**
Corporate income tax	**-17**	**-4 614**	**-24**	**-6 565**
Minority interest	**7 335**	**0**	**10 437**	**0**
Net profit	**270 023**	**24 981**	**384 208**	**35 546**

*Earnings per share

EPS 31.03.2013. = 0.09 LVL (0.13 EUR)

EPS 31.03.2012. = 0.01 LVL (0.01 EUR)

Consolidated cash flow statement for 9 months of the financial year 2012/13

	31.03.2013	31.03.2012	31.03.2013	31.03.2012
	LVL	LVL	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	**-215 818**	**-68 121**	**-307 081**	**-96 927**
Cash received from customers	6 505 946	7 554 227	9 257 128	10 748 698
Cash paid to suppliers and employees	-6 722 047	-7 330 500	-9 564 611	-10 430 362
Paid/Received VAT, corporate income tax	283	-291 848	403	-415 262
NET CASH USED IN INVESTING ACTIVITIES (of which)	**997 316**	**317 530**	**1 419 053**	**451 804**
Cash paid for purchasing shares in subsidiary	0	-511	0	-727
Cash paid/received for short-term investments	1 133 112	446 788	1 612 273	635 722
Cash paid for purchasing non-current physical assets	-168 202	-173 887	-239 330	-247 419
Interest received	32 406	45 140	46 110	64 228
NET CASH USED IN FINANCING ACTIVITIES (of which)	**-486 890**	**-613 038**	**-692 782**	**-872 274**
Repayment of short-term loans	2 060	1 291	2 931	1 837
Repayment of long-term loans	17 082	17 081	24 305	24 304
Cash paid of short-term loans	-253 010	0	-360 001	0
Cash received from EU fonds	46 014	51 731	65 472	73 607
Dividends paid	-297 018	-683 141	-422 619	-972 022
Minority cash	-2 018	0	-2 871	0
Effects of exchange rate changes	**-419**	**0**	**-596**	**0**
TOTAL CASH FLOW:	**294 190**	**-363 629**	**418 595**	**-517 397**
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	1 622 960	1 743 031	2 309 264	2 480 110
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	**294 190**	**-363 629**	**418 595**	**-517 397**

Statement of changes in consolidated equity for the 9 months period ended March 31 2013

	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	-	-	6 314	0	**6 314**
Profit for the period	-	-	-	-20 751	**-20 751**
As at 31 March 2013	**2 970 180**	**2 004 204**	**6365**	**2 205 446**	**7 186 195**

Statement of changes in consolidated equity for the 9 months period ended March 31 2013

	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	-	-	8 984	0	**8 984**
Profit for the period	-	-	-	-29 526	**-29 526**
As at 31 March 2013	**4 226 185**	**2 851 725**	**9057**	**3 138 065**	**10 225 033**

Notes for interim report

Note 1 Short-term investments

	31.03.2013 LVL	31.03.2012 LVL	31.03.2013 EUR	31.03.2012 EUR
Short-term investments	**725 281**	**932 293**	**1 031 982**	**1 326 533**

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

Note 2 Customer receivables

	31.03.2013 LVL	31.03.2012 LVL	31.03.2013 EUR	31.03.2012 EUR
Long-term receivables	**53 422**	**-**	**76 013**	**-**
Accounts receivable	2 287 001	2 170 344	3 254 109	3 088 121
Provisions for bad and doubtful accounts receivable	(393 270)	(323 442)	(559 573)	(460 217)
Total accounts receivable	**1 893 731**	**1 846 902**	**2 694 536**	**2 627 906**
Total receivables	**1 947 153**	**1 846 902**	**2 770 549**	**2 627 906**

Total receivables increased by 5.4% comparing with the previous year reflecting increased sales in the reporting quarter. Provisions for doubtful accounts receivable has increased by 22% as Groups had to record additional provisions for customers who delayed agreed payments terms. Calculations were done according to Group's provision calculation policy.

Note 3 Other current receivables

	31.03.2013 LVL	31.03.2012 LVL	31.03.2013 EUR	31.03.2012 EUR
Other current receivables	**130 016**	**131 651**	**184 996**	**187 322**

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

	31.03.2013 LVL	31.03.2012 LVL	31.03.2013 EUR	31.03.2012 EUR
Short-term loans	**260 600**	**22 772**	**370 800**	**32 402**
Long-term loans	**-**	**7 591**	**-**	**10 801**
	260 600	**30 363**	**370 800**	**43 203**

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. Loan will be paid fully in July, 2013.

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

	31.03.2013 LVL	31.03.2012 LVL	31.03.2013 EUR	31.03.2012 EUR
Raw materials	1 068 587	1 416 101	1 520 462	2 014 930
Allowance for slow-moving items	(470 067)	(443 800)	(668 845)	(631 471)
Work-in- progress	1 413 159	1 519 931	2 010 744	2 162 667
Finished goods	927 847	899 194	1 320 207	1 279 438
Prepayments to suppliers	61 594	26 803	87 640	38 137
	3 001 120	**3 418 229**	**4 270 209**	**4 863 701**

Inventories in comparison with March 31, 2012 decreased by 12%. The main decrease is in component stock due to increased sales and respectively production volumes.

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

Note 6 Non-current assets

	31.03.2013 LVL	31.03.2012 LVL	31.03.2013 EUR	31.03.2012 EUR
Plant and equipment	2 276 926	2 202 934	3 239 774	3 134 493
Other equipment and fixtures	1 298 765	1 142 306	1 847 976	1 625 355
Accumulated depreciation	(3 037 525)	(2 868 228)	(4 322 009)	(4 081 121)
Prepayments for noncurrent physical assets	65 309	8 484	92 926	12 072
	549 369	**485 496**	**858 668**	**690 799**
Purchased licences, trademarks etc.	**76 537**	**95 097**	**108 902**	**135 311**

The Group invested 251 thousand LVL (358 thousand EUR) in 9 months of FY 2012/2013 – mainly in production equipment, IT HW and SW update.

Note 7 Accounts payable

	31.03.2013 LVL	31.03.2012 LVL	31.03.2013 EUR	31.03.2012 EUR
Accounts payable	**979 866**	**1 028 676**	**1 394 224**	**1 463 674**

Note 8 Tax liabilities

	31.03.2013 LVL	31.03.2012 LVL	31.03.2013 EUR	31.03.2012 EUR
Tax liabilities	**93 842**	**173 322**	**133 525**	**246 615**

Note 9 Salary-related accrued expenses

	31.03.2013 LVL	31.03.2012 LVL	31.03.2013 EUR	31.03.2012 EUR
Salary-related accrued expenses	**302 110**	**262 761**	**429 864**	**373 875**

Salary– related accrued expenses increased by 15% in comparison with March 31, 2012. Main reason – increase in fixed salaries for several group of specialists providing market remuneration level.

***Note 10* Segment information**

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

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

- a split mount PhoeniX hybrid radio system with Gigabit Ethernet + 20 E1 interfaces;
- Lumina high capacity Full Outdoor all-in-one radio with Gigabit Ethernet traffic interface;
- CFIP-108 entry level radio - perfect for upgrade of E1 networks into packet data networks;
- Marathon FIDU low frequency low capacity system for servicing rural and industrial applications.

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

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

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

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

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

This note provides information about division of the Group's turnover and balance items by structural units by product type for 9 month of the financial year 2012/13 and financial year 2011/12.

	CFM; CFIP; FreeMile		Other		Total	
	2012/13 LVL	2011/12 LVL	2012/13 LVL	2011/12 LVL	2012/13 LVL	2011/12 LVL
Segment assets	**4 295 567**	3 986 677	**1 478 080**	2 308 484	**5 773 647**	**6 295 161**
Undivided assets					**2 916 291**	**2 754 839**
Total assets					**8 689 938**	**9 050 000**
Segment liabilities	**976 017**	888 378	**269 518**	398 243	**1 245 535**	**1 286 621**
Undivided liabilities					**258 209**	**303 536**
Total liabilities					**1 503 744**	**1 590 157**
Net sales	**5 486 903**	**5 295 049**	**1 690 082**	**2 179 223**	**7 176 985**	**7 474 272**
Segment results	**1 246 258**	**1 609 382**	**705 185**	**687 581**	**1 951 443**	**2 296 963**
Undivided expenses					-2 123 413	-1 790 401
Profit from operations					**-171 970**	**506 562**
Other income					104 562	47 772
Financial income/expenses, net					37 334	109 039
Profit before taxes					**-30 074**	**663 373**
Corporate income tax					-2 746	-93 246
Profit after taxes					**-32 820**	**570 127**
Minority interest					**12 069**	**0**
Net profit					**-20 751**	**570 127**
Other information						
Additions of property plant and equipment and intangible asets	78 966	97 026	0	2 360	78 166	99 386
Undivided additions					173 700	84 618
Total additions of property plant and equipment and intangible asets					**251 866**	**184 004**
Depreciation and amortization	105 216	100 979	1 372	5 907	106 588	106 886
Undivided depreciation					109 871	73 948
Total depreciation and amortization					**216 459**	**180 834**

	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	6 112 041	5 672 530	2 103 117	3 284 677	8 215 158	8 957 207
Undivided assets					4 149 510	3 919 783
Total assets					**12 364 668**	**12 876 990**
Segment liabilities	1 388 747	1 264 048	383 490	566 649	1 772 237	1 830 697
Undivided liabilities					367 398	431 896
Total liabilities					**2 139 635**	**2 262 593**
Net sales	**7 807 160**	**7 534 176**	**2 404 770**	**3 100 755**	**10 211 930**	**10 634 931**
Segment results	**1 773 265**	**2 289 944**	**1 003 388**	**978 341**	**2 776 653**	**3 268 284**
Undivided expenses					-3 021 344	-2 547 511
Profit from operations					**-244 691**	**720 773**
Other income					148 778	67 973
Financial expenses, net					53 121	155 149
Profit before taxes					**-42 791**	**943 895**
Corporate income tax					-3 907	-132 677
Profit after taxes					**-46 699**	**811 218**
Minority interest					**17 173**	**0**
Net profit					**-29 526**	**811 218**
Other information						
Additions of property plant and equipment and intangible asets	112 358	138 056	0	3 358	111 220	141 414
Undivided additions					247 153	120 401
Total additions of property plant and equipment and intangible asets					**358 373**	**261 815**
Depreciation and amortization	149 709	143 680	1 952	8 405	151 661	152 085
Undivided depreciation					156 331	105 218
Total depreciation and amortization					**307 992**	**257 303**

b) This note provides information about division of the Group's turnover and assets by geographical regions (customer location) for 9 month of the financial year 2012/13 and financial year 2011/12.

	Net sales		Assets		Net sales		Assets	
	2012/13	2011/12	31.03.2013	31.03.2012	2012/13	2011/12	31.03.2013	31.03.2012
	LVL	LVL	LVL	LVL	EUR	EUR	EUR	EUR
Americas	3 097 716	2 720 260	659 476	563 646	4 407 652	3 870 581	938 350	801 996
Europe, CIS	2 437 214	2 578 445	415 565	556 019	3 467 843	3 668 796	591 296	791 144
Asia, Africa, Middle East	1 642 055	2 175 567	516 389	727 237	2 336 434	3 095 555	734 755	1 034 764
	7 176 985	**7 474 272**	**1 591 430**	**1 846 902**	**10 211 929**	**10 634 932**	**2 264 401**	**2 627 904**
Unallocatted assets	-	-	7 098 509	7 203 098	-	-	10 100 268	10 249 086
	7 176 985	**7 474 272**	**8 689 939**	**9 050 000**	**10 211 929**	**10 634 932**	**12 364 669**	**12 876 990**

Note 11 Bad receivables

	31.03.2013 LVL	31.03.2012 LVL	31.03.2013 EUR	31.03.2012 EUR
Bad receivables	**(98 089)**	**124 021**	**(139 568)**	**176 466**

Provisions for doubtful and bad accounts receivable were calculated according to Group's provision calculation policy for customers who delayed payment terms more than 3 months.

Additional provisions were calculated for debts were probability not to receive payment is high, although agreed payment term has not come yet.

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

	31.03.2013 LVL	31.03.2012 LVL	31.03.2013 EUR	31.03.2012 EUR
Salaries and social expenses	(1 618 499)	(1 523 720)	(2 302 917)	(2 168 058)
Bonuses and social expenses	(129 776)	(241 892)	(184 655)	(344 181)
	(1 748 275)	**(1 765 612)**	**(2 487 572)**	**(2 512 239)**

Salaries, bonuses and social expenses, in comparison with the 9 months period of the previous financial year is on the same level..

As the Group's financial targets for Q3 were not fulfilled - Bonuses for Q3 were much lower than for Q3 FY 2011/12..