

SAF Tehnika
Consolidated Interim Report
for 6 months and Q2
of financial year 2013/14
(July 1, 2013 – December 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 more than 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 21.11.2013

Name	Ownership interest (%)
Didzis Liepkalns	17.05%
Andrejs Grišāns	10.03%
Normunds Bergs	9.74%
Juris Zieme	8.71%
Vents Lācars	6.08%
SIA "Koka zirgs"	5.27%

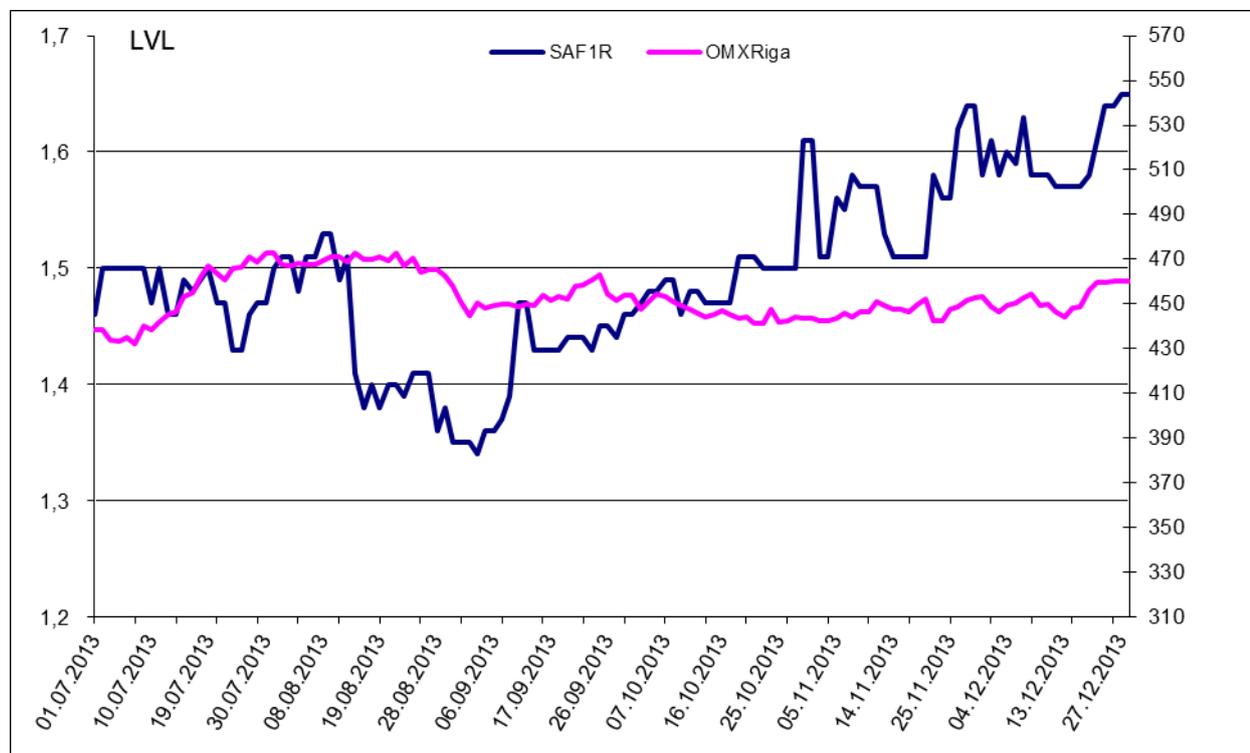
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2013 – December 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	Member	owns 17.05% of shares
Aira Loite	Member	owns 0.26% 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 2 shares
Aivis Olsteins	Member	owns no shares

Information on professional and educational background of the management board members

Normunds Bergs

Normunds Bergs, born in 1963, is Chairman of the Board and Chief Executive Officer of SAF Tehnika AS. Mr. Bergs is one of the founders of SIA Fortech (co-founding company of SAF Tehnika AS) where during the periods from 1990 to 1992 and 1999 to 2000 he acted as Managing Director and General Director, respectively. Following SIA Fortech's merger with AS Microlink in 2000, Mr. Bergs became Chief Executive Officer of SAF Tehnika AS and a member of the Management Board of AS Microlink. From 1992 to 1999, Mr. Bergs worked for World Trade Centre Riga, where he held the position of General Director and became a Member of the Board of Directors in 1998. Mr. Bergs graduated from the Riga Technical University with a degree in radio engineering in 1986.

Didzis Liepkalns

Didzis Liepkalns, born in 1962, is Member of the Board and Technical Director of SAF Tehnika. D. Liepkalns founded a private enterprise SAF in 1995 and co-founded the company SAF Tehnika AS in 1999. From 1985 to 1990 he worked as an engineer at the Institute of Electronic Engineering and Computer Sciences. D. Liepkalns has graduated Riga Technical University with a degree in radio engineering in 1985.

Aira Loite

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

Information on professional and educational background of the supervisory council members

Vents Lācars,

born in 1968, is Chairman of the Supervisory Council and Vice-President Business Development of SAF Tehnika. Before co-founding the Company, from 1992 to 1999, he worked in SIA Fortech, where throughout his career he held positions of programmer, leading programmer, and project manager in the networking department and networking department manager. From 1990 to 1992 V. Lacars worked as a programmer at state electric utility company Latvenergo. V. Lacars has studied in Faculty of Physics and Mathematics, University of Latvia.

Juris Ziema,

born in 1964, co-founder of the Company, is Vice-Chairman of the Supervisory Council and Production Department Director. From 1998 to 1999 he worked as an engineer at Didzis Liepkalns private enterprise SAF. From 1987 to 1999 J. Ziema worked as an engineer at the Institute of Electronic Engineering and Computer Sciences. J. Ziema has graduated Riga Technical University with a degree in radio engineering in 1987.

Andrejs Grišāns

born in 1957, is Member of the Supervisory Council and Production Department Manager. A. Grisans is one of the co-founders of SAF Tehnika. Prior to joining the Company, he owned and managed a private company specializing in electronic equipment engineering, production and distribution. From 1992 to 1999 A. Grisans was involved in entrepreneurial activities in the field of radio engineering. He worked as an engineer-constructor at the Institute of Polymer Mechanics from 1984 to 1992 and in the constructing bureau Orbita from 1980 to 1984. A. Grisans has graduated Riga Technical University with a degree in radio engineering in 1980.

Ivars Šenbergs,

born in 1962, Member of the Supervisory Council, also Chairman of the Board of SIA Juridiskais Audits, SIA Namipasumu parvalde, SIA Synergy Consulting, SIA IŠMU, SIA Dzirnavu centrs and Member of the Supervisory Council of AS MFS bookkeeping. From 1999 until 2000 he worked as Finance and Administrative Director at SIA Fortech. I. Senbergs has graduated Faculty of Law, University of Latvia in 1986..

Aivis Olsteins,

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

Statement of Board's Responsibilities

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

The consolidated financial statements are prepared in accordance with the source documents and present fairly the consolidated financial position of the Group as of 31 December 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, 2013.

Prudent and reasonable judgments and estimates have been made by the management in the preparation of the financial statements.

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

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

Currency Exchange rate for LVL/EUR is 0.702804



Aira Loite

COO, Member of the Management Board

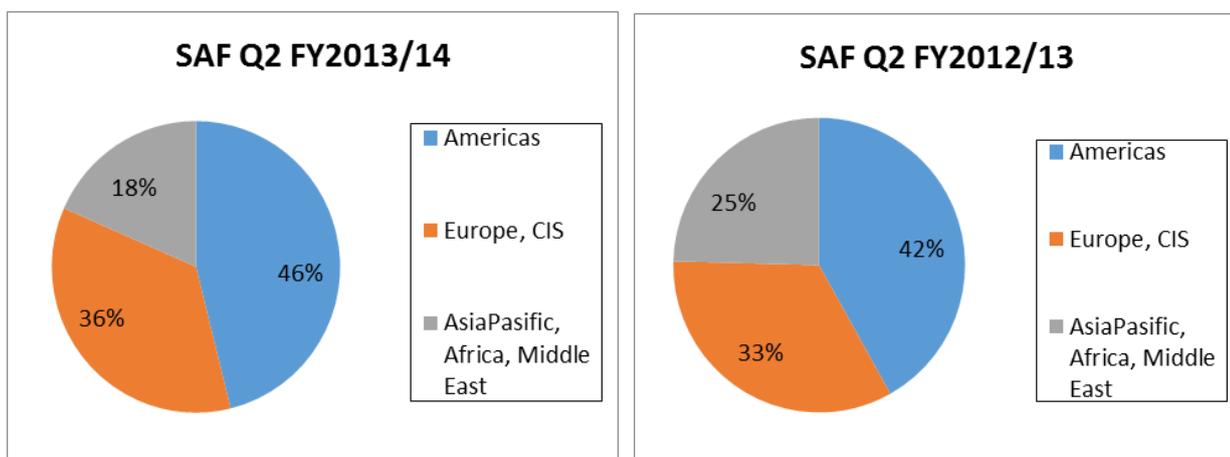
Management Report

The Group’s non-audited net sales for the second quarter of financial year 2013/14 were 1.99 million LVL (2.84 million EUR), decreasing by 25.8% compared to the second quarter of the previous financial year and being by 17% lower than sales in the previous quarter – Q1 of FY 2013/2014. The sales were substantially lower than planned as deliveries of several large orders were postponed to year 2014.

Comparing sales results with the second quarter of the financial year 2012/2013, sales were lower in all regions, where the Group delivers. Sales in Americas formed almost half (46%) of turnover amounting to 0.92 million LVL (1.13 million EUR) and was by 12% more than in the previous quarter of the current financial year. Both - sales of standard CFIP products and deliveries of custom made solutions formed results in Europe and CIS region, which accounted 36% out of all quarterly sales. The largest decrease in sales (by 44%) was in Asia Pacific, Africa, and Middle East region, substantially impacted by postponed deliveries of produced orders.

During reporting quarter, SAF Tehnika continued its Europe roadshow for current and potential customers, presenting latest products *Integra* and *Spectrum Compact* , and organizing similar seminars for CIS clients as well. In order to meet clients, maintain presence and present the Group’s product offering, SAF Tehnika participated in regional exhibitions such as “WISPAPALOOZA”, (Las Vegas, USA), “AfricaCom 2013”(Cape Town, South Africa), “CNX7”(Frankfurt, Germany). Following the latest trends in design and accessibility the Group redesigned its website (www.saftehnika.com), which now is more concise, easy to navigate. The Group continued to develop video tutorials presenting application of SAF Tehnika products.

Chart 1. Quarter 2 revenue breakdown comparative charts:



The Group’s products were sold in 55 countries during the reporting quarter.

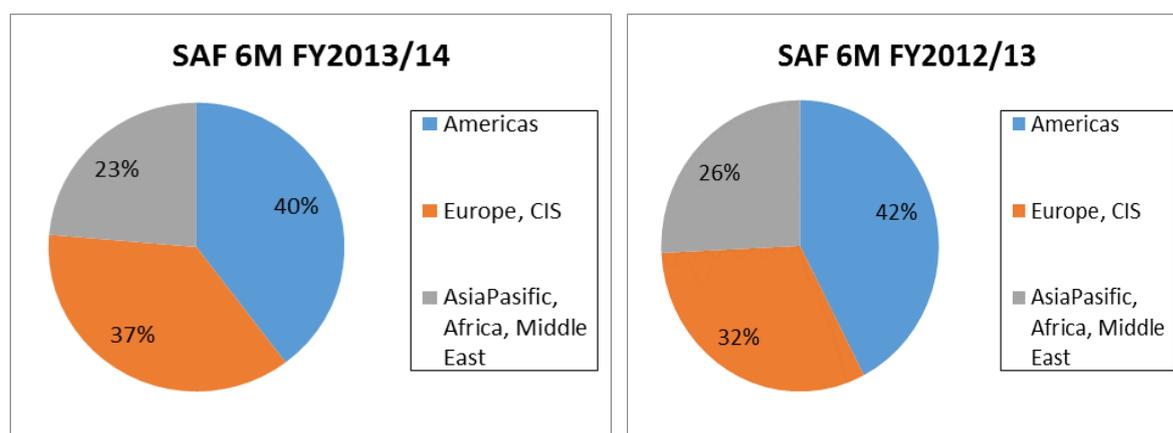
While the sales volume for CFIP product line slightly shrunk, it still represents largest part of the total sales of the reporting quarter, strengthening its position as the main product line in SAF

portfolio. *FreeMile* product line is on demand mostly in Europa and USA. Ever increasing demand was observed for *Spectrum Compact* and *Marathon*. The Group still receives orders for the oldest CFM line products, thus affirming that the product line is still popular among the customers.

One of the main events in the reporting period was beginning of commercial production of *Integra* product line. A mission of production in following months will be securing scheduled delivery times for ever increasing number of *Integra* orders.

The Group’s consolidated non-audited net sales for the 6 months of the financial year 2013/14 were 4.4 million LVL (6.25 million EUR) representing a year-on-year decrease of 5%. The main reasons for the decrease were: weakness in AsiaPacifc, Africa, MiddleEast where sales of the first 6 months of this financial year were 1.04 million LVL (1.48million EUR) or 13% lower than in the first half of FY 2012/13, and slowing sales in Americas – a decrease of 11%, while Europe, CIS showed 10% growth over the year due to more intensive sales endeavors.

Chart 2. 6 months revenue breakdown comparative charts:



The Group’s expenses were in budget limits. The Group is constantly looking for options to decrease production and other costs with the aim increase competitiveness in the market. Declining USD/ LVL exchange rate impacted negatively the Group’s bottom line.

The consolidated net loss of the Group for the second quarter of 2013/14 financial year was - 251 thousand LVL (-357 thousand EUR), which is by 81 thousand LVL (115 thousand EUR) larger loss compared with the same quarter in the previous financial year.

The consolidated net loss of the Group for the 6 months of 2013/14 financial year was -160 thousand LVL (-227 thousand EUR).

The Group’s net cash flow for the 6 month period of the financial year was negative – 288 thousand LVL (-410 thousand EUR). As of December 31, 2013, the Group carried a net cash balance (excluding interest bearing liabilities) of 1.67 million LVL (2.39 million EUR).

Market overview

In opinion of SAF Tehnika the market conditions have not changed from previous reporting period to any significant degree. The drive for higher capacity of radio connections is slowly leading to wider adoption of equipment based on upcoming generation of modem technology. Radio frequency band wise - market is still dominated by product operating in spectrum bands between 6 to 40GHz, adoption of E- and V- band radios is happening slower than predicted few years ago.

Guidance

The Group is financially stable. The Group's main tasks stays unchanged – development of the Integra product line and working on specific niche products and solutions with the goal to satisfy ever increasing demand for efficient, qualitative, price attractive, high capacity data transmission products in the wide frequency range. The Group has set tasks to strengthen sales team, enlarge customer base in a strategic markets and regain higher sales and profitability. Meanwhile the further company's sales results largely depend on external factors such as availability of production components and financing allocation in customer's organization, therefore the Board of the Group would like to avoid being specific in predictions of sales and financial result projections.

On December 31, 2013 the Group employed 167 people (166 people on December 31, 2013).

KEY indicators

	Q2 2013/14		Q2 2012/13		Q2 2011/12	
	LVL	EUR	LVL	EUR	LVL	EUR
Net Sales	1 995 703	2 839 630	2 688 665	3 825 626	2 437 451	3 468 180
Earnings before interest, taxes and depreciation (EBITDA)	-158 771	-225 911	-60 861	-86 597	77 956	110 921
<i>share of the turnover %</i>	-8%	-8%	-2,3%	-2,3%	3,2%	3,2%
Profit/loss before interest and taxes (EBIT)	-233 657	-332 464	-131 603	-187 254	16 963	24 136
<i>share of the turnover %</i>	-12%	-12%	-5%	-5%	1%	1%
Net Profit	-251 516	-357 877	-170 497	-242 595	67 527	96 082
<i>share of the turnover %</i>	-13%	-13%	-6%	-6%	3%	
Total assets	7 825 941	11 135 311	8 182 264	11 642 313	9 062 830	12 895 245
Total Owners equity	7 006 327	9 969 105	6 918 919	9 844 735	7 434 862	10 578 856
Return on equity (ROE) %	-3,21%	-3,21%	-2,08%	-2,08%	0,75%	0,75%
Return on assets (ROA) %	-3,59%	-3,59%	-2,46%	-2,46%	0,91%	0,91%
Liquidity ratio						
Quick ratio %	206%	206%	114%	114%	117%	117%
Current ratio %	456%	456%	335%	335%	290%	290%
Earnings per share	-0,08	-0,12	-0,06	-0,08	0,02	0,03
Last share price at the end of period	1,60	2,28	1,36	1,94	1,66	2,36
P/E	-18,89		-23,69		73,02	
Number of employees at the end of reporting period	167		166		162	

Consolidated Statement of Financial Position

As of December 31, 2013

	Note	31.12.2013	31.12.2012	31.12.2013	31.12.2012
CURRENT ASSETS		LVL	LVL	EUR	EUR
Cash and bank		1 685 947	1 434 625	2 398 886	2 041 287
Short-term investments	1	409 409	767 603	582 537	1 092 201
Customer receivables	2				
Accounts receivable		1 795 365	1 953 881	2 554 574	2 780 122
Due from joint venture		32 209	0	45 829	0
Allowance for uncollectible receivables		-374 416	-377 332	-532 746	-536 895
Total		1 453 158	1 576 549	2 021 828	2 243 228
Other receivables					
Other current receivables	3	2 283	189 546	3 248	269 700
Short-term loans	4	182 729	266 293	260 000	378 901
Total		185 012	455 839	263 248	648 600
Prepaid expenses					
Prepaid taxes		70 879	116 466	100 852	165 716
Other prepaid expenses		79 998	76 598	113 827	108 989
Total		150 877	193 064	214 679	274 705
Inventories	5				
Raw materials		817 584	433 834	1 163 317	617 290
Work-in-progress		1 199 688	1 459 730	1 707 002	2 077 009
Finished goods		1 163 612	1 025 627	1 655 671	1 459 336
Prepayments to suppliers		70 007	27 254	99 611	38 779
Total		3 250 891	2 946 445	4 625 601	4 192 413
TOTAL CURRENT ASSETS		7 135 294	7 374 125	10 152 609	10 492 435
NON-CURRENT ASSETS					
Long-term financial assets					
Equity-accounted investments		17 089	0	24 315	0
Investments in other companies		835	835	1 188	1 188
Long-term receivables	2	0	79 181	0	112 664
Deffered income tax		86 581	92 559	123 194	131 701
Total		104 505	172 575	148 697	245 552
NON-CURRENT physical assets	6				
Plant and equipment		2 298 259	2 278 026	3 270 128	3 241 339
Other equipment and fixtures		1 313 300	1 239 057	1 868 658	1 763 019
Accumulated depreciation		-3 187 940	-2 977 914	-4 536 030	-4 237 190
Other long-term assets		129	10 200	184	14 513
Total		423 748	549 369	602 939	781 682
Intangible assets	6				
Purchased licenses, trademarks etc.		142 226	86 195	202 369	122 644
Other long-term intangible assets		20 168	0	28 696	0
Total		162 394	86 195	231 066	122 644
TOTAL NON-CURRENT ASSETS		690 647	808 139	982 702	1 149 878
TOTAL ASSETS		7 825 941	8 182 264	11 135 311	11 642 313

LIABILITIES AND OWNERS' EQUITY	Note	31.12.2013	31.12.2012	31.12.2013	31.12.2012
CURRENT LIABILITIES		LVL	LVL	EUR	EUR
Debt obligations					
Short-term loans from financial institutons		8 859	9 903	12 605	14 091
Customer prepayments for goods and services		52 278	151 518	74 385	215 591
Accounts payable	7	544 602	765 486	774 899	1 089 188
Tax liabilities	8	45 121	76 089	64 201	108 265
Salary-related accrued expenses	9	140 903	227 876	200 487	324 238
Provisions for guarantees		26 870	26 165	38 233	37 229
Prepaid revenue		981	6 308	1 396	8 975
TOTAL CURRENT LIABILITIES		819 614	1 263 345	1 166 206	1 797 578
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		2 196 684	2 226 197	3 125 600	3 167 593
Net profit for the financial year		-160 183	-290 072	-227 920	-412 735
Currency translation reserve		-4 558	8 410	-6 485	11 966
TOTAL OWNERS' EQUITY		7 006 327	6 918 919	9 969 105	9 844 735
TOTAL LIABILITIES AND OWNERS' EQUITY		7 825 941	8 182 264	11 135 311	11 642 313

Consolidated Statement of Profit or Loss for 6 month of the financial year 2013/2014

	Note	31.12.2013	31.12.2012	31.12.2013	31.12.2012
		LVL	LVL	EUR	EUR
Net sales	10	4 395 006	4 605 271	6 253 530	6 552 710
Other operating income		7 913	33 657	11 259	47 890
Total income		4 402 919	4 638 928	6 264 789	6 600 600
Direct cost of goods sold or services rendered		-2 480 053	-2 751 593	-3 528 798	-3 915 164
Marketing, advertising and public relations expenses		-188 237	-321 428	-267 837	-457 351
Bad receivables	11	-18 383	-82 151	-26 157	-116 890
Operating expenses		-426 878	-429 554	-607 393	-611 200
Salaries and social expenses	12	-1 107 690	-1 066 164	-1 576 101	-1 517 015
Bonuses and social expenses	12	-66 166	-48 021	-94 146	-68 328
Depreciation expense		-146 405	-143 965	-208 316	-204 844
Other expenses		-38 361	-15 082	-54 583	-21 460
Operating expenses		-4 472 173	-4 857 958	-6 363 329	-6 912 251
EBIT		-69 254	-219 030	-98 540	-311 651
Financial income (except ForEx rate difference)		5 586	17 087	7 948	24 313
Foreign exchange +gain/(loss)		-90 207	-90 135	-128 353	-128 251
Financial items		-84 621	-73 048	-120 405	-103 939
Share of profit/(loss) of equity-accounted investees		-6 308	4 735	-8 975	6 737
EBT		-160 183	-287 343	-227 920	-408 853
Corporate income tax		0	-2 729	0	-3 883
Profit after taxes		-160 183	-290 072	-227 920	-412 735
Net profit		-160 183	-290 072	-227 920	-412 735

*Earnings per share

EPS 31.12.2013. = -0.05 LVL (-0.08 EUR)

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

Consolidated Statement of Profit or Loss for Q2 of the financial year 2013/2014

	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	LVL	LVL	EUR	EUR
Net sales	1 995 703	2 688 665	2 839 630	3 825 626
Other operating income	5 674	26 435	8 073	37 614
Total income	2 001 377	2 715 100	2 847 703	3 863 239
Direct cost of goods sold or services rendered	-1 135 578	-1 674 794	-1 615 782	-2 383 017
Marketing, advertising and public relations expenses	-120 442	-196 261	-171 374	-279 254
Bad receivables	197	-84 782	280	-120 634
Operating expenses	-245 539	-240 017	-349 371	-341 513
Salaries and social expenses	-584 624	-544 285	-831 845	-774 448
Bonuses and social expenses	-52 140	-24 618	-74 189	-35 028
Depreciation expense	-74 886	-70 742	-106 553	-100 657
Other expenses	-22 022	-11 204	-31 334	-15 942
Operating expenses	-2 235 034	-2 846 703	-3 180 167	-4 050 493
EBIT	-233 657	-131 603	-332 464	-187 254
Financial income (except ForEx rate difference)	2 255	11 399	3 209	16 219
Foreign exchange +gain/(loss)	-22 555	-53 234	-32 093	-75 745
Financial items	-20 300	-41 835	-28 884	-59 526
Share of profit/(loss) of equity-accounted investees	-1 675	4 678	-2 383	0
EBT	-255 632	-168 760	-363 732	-246 780
Corporate income tax	4 116	-1 737	5 857	-2 472
Net profit	-251 516	-170 497	-357 875	-242 595

*Earnings per share

EPS 31.12.2013. = -0.08 LVL (-0.12 EUR)

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

Consolidated cash flow statement for 6 months of the financial year 2013/14

	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	LVL	LVL	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	-346 120	-357 577	-492 484	-508 786
Cash received from customers	4 732 165	4 085 240	6 733 264	5 812 774
Cash paid to suppliers and employees	-5 208 066	-4 440 674	-7 410 410	-6 318 510
Paid/Received VAT, corporate income tax	129 781	-2 143	184 662	-3 049
NET CASH USED IN INVESTING ACTIVITIES (of which)	-46 288	962 350	-65 862	1 369 301
Investment in equity-accounted investees	-19 389	0	-27 588	0
Cash paid/received for short-term investments	174 271	1 090 790	247 965	1 552 054
Cash paid for purchasing non-current physical assets	-202 783	-146 457	-288 534	-208 390
Interest received	1 613	18 017	2 295	25 636
NET CASH USED IN FINANCING ACTIVITIES (of which)	106 876	-497 793	152 071	-708 296
Repayment of short-term loans	73 654	4 418	104 800	6 286
Repayment of long-term loans	0	11 388	0	16 204
Cash paid of short-term loans	0	-253 010	0	-360 001
Cash received from EU funds	33 222	36 429	47 271	51 834
Dividends paid	0	-297 018	0	-422 619
Effects of exchange rate changes	-2 907	-1 125	-4 136	-1 601
TOTAL CASH FLOW:	-288 438	105 855	-410 410	150 618
Cash and cash equivalents as at the beginning of period	1 974 385	1 328 770	2 809 297	1 890 669
Cash and cash equivalents as at the end of period	1 685 947	1 434 625	2 398 886	2 041 287
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	-288 438	105 855	-410 410	150 618

Statement of changes in consolidated equity for the 6 months period ended December 31 2013

	Share capital	Share premium	Currency translation reserve	Retained earnings	Total
	LVL	LVL	LVL	LVL	LVL
As at 30 June 2012	2 970 180	2 004 204	-	2 523 215	7 497 650
Dividend relating to 2010/2011	-	-	-	-297 018	-297 018
Currency translation difference	0	0	-86	-	-86
Loss for the year	-	-	-	-29 513	-29 513
As at 30 June 2013	2 970 180	2 004 204	-35	2 196 684	7 171 033
Currency translation difference	-	-	-4 523	0	-4 523
Profit for the period	-	-	-	-160 183	-160 183
As at 31 December 2013	2 970 180	2 004 204	-4558	2 036 501	7 006 327

Statement of changes in consolidated equity for the 6 months period ended December 31 2013

	Share capital	Share premium	Currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
As at 30 June 2012	4 226 185	2 851 725	-	3 590 211	10 668 195
Dividend relating to 2010/2011	-	-	-	-422 619	-422 619
Currency translation difference	-	-	-122	-	-122
Loss for the year	-	-	-	-41 994	-41 994
As at 30 June 2013	4 226 185	2 851 725	-50	3 125 599	10 203 460
Currency translation difference	-	-	-6 436	0	-6 436
Profit for the period	-	-	-	-227 920	-227 920
As at 31 December 2013	4 226 185	2 851 725	-6486	2 897 679	9 969 104

Notes for interim report

Note 1 Short-term investments

	31.12.2013 LVL	31.12.2012 LVL	31.12.2013 EUR	31.12.2012 EUR
Short-term investments	409 409	767 603	582 537	1 092 201

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

Note 2 Customer receivables

	31.12.2013 LVL	31.12.2012 LVL	31.12.2013 EUR	31.12.2012 EUR
Long-term receivables	-	79 181	-	112 664
Accounts receivable	1 795 365	1 953 881	2 554 574	2 780 122
Due from joint venture	32 209	-	45 829	-
Provisions for bad and doubtful accounts receivable	(374 416)	(377 332)	(532 746)	(536 895)
Total accounts receivable	1 453 158	1 576 549	2 021 828	2 243 228
Total receivables	1 453 158	1 655 730	2 021 828	2 355 892

Total receivables decreased by 12% comparing with the previous year reflecting decreased sales volumes. Provisions for doubtful accounts receivable are on the same level as year before.

Calculations of provisions for bad and doubtful accounts were done according to Group's provision calculation policy.

Note 3 Other current receivables

	31.12.2013 LVL	31.12.2012 LVL	31.12.2013 EUR	31.12.2012 EUR
Other current receivables	2 283	189 546	3 248	269 700

The deposit for execution of projects realized in competence center "LEO pētījumu centrs"(LEO) has been returned in Q2 of FY 2013/14.

Note 4 Loans

	31.12.2013 LVL	31.12.2012 LVL	31.12.2013 EUR	31.12.2012 EUR
Short-term loans	182 729	266 293	260 000	378 901

The Parent has lent 182 729 LVL (EUR 260 000) to related party SIA Namīpašumu pārvalde based on a loan agreement. The initial loan repayment date was prolonged till March 31, 2014.

Note 5 Inventories

	31.12.2013 LVL	31.12.2012 LVL	31.12.2013 EUR	31.12.2012 EUR
Raw materials	1 231 999	1 033 770	1 752 977	1 470 922
Allowance for slow-moving items	(414 415)	(599 936)	(589 659)	(853 632)
Work-in- progress	1 199 688	1 459 730	1 707 002	2 077 009
Finished goods	1 163 612	1 025 627	1 655 671	1 459 336
Prepayments to suppliers	70 007	27 254	99 611	38779
	3 250 891	2 946 445	4 625 601	4 192 413

Inventories in comparison with December 31, 2012 increased by 10%. The main increase is in component stock as previously bought components has been consumed, and finished goods stock. as some deliveries were postponed on customers' request.

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

Note 6 Non-current assets

	31.12.2013 LVL	31.12.2012 LVL	31.12.2013 EUR	31.12.2012 EUR
Plant and equipment	2 298 259	2 278 026	3 270 128	3 241 339
Other equipment and fixtures	1 313 300	1 239 07	1 868 658	1 763 019
Accumulated depreciation	(3 187 940)	(2 977 914)	(4 536 030)	(4 237 190)
Other long term assets	129	10 200	184	14 513
	423 748	549 369	602 939	781 682
Purchased licenses, trademarks etc.	142 226	86 195	202 369	122 644
Other long term intangible assets	20 168	-	28 696	-
	162 394	86 195	231 066	122 644

The Group invested 101 thousand LVL (144 thousand EUR) in 6 months of FY 2013/2014 – mainly in IT HW and certification.

Note 7 Accounts payable

	31.12.2013 LVL	31.12.2012 LVL	31.12.2013 EUR	31.12.2012 EUR
Accounts payable	544 602	765 486	774 899	1 089 188

Note 8 Tax liabilities

	31.12.2013 LVL	31.12.2012 LVL	31.12.2013 EUR	31.12.2012 EUR
Tax liabilities	45 121	76 089	64 201	108 265

Note 9 Salary-related accrued expenses

	31.12.2013 LVL	31.12.2012 LVL	31.12.2013 EUR	31.12.2012 EUR
Salary-related accrued expenses	140 903	227 876	200 487	324 238

The Group has paid salaries for December at the end of December, 2013. Usually salaries are paid in the first week of following month.

Note 10 Segment information

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

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

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

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

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

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

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

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

This note provides information about division of the Group's turnover and balance items by structural units by product type for 6 month of the financial year 2013/14 and financial year 2012/13.

	CFM; CFIP; FreeMile		Other		Total	
	2013/14 LVL	2012/13 LVL	2013/14 LVL	2012/13 LVL	2013/14 LVL	2012/13 LVL
Segment assets	3 824 194	4 073 504	1 486 751	1 512 255	5 310 945	5 585 759
Undivided assets					2 514 996	2 596 504
Total assets					7 825 941	8 182 263
Segment liabilities	512 669	876 592	197 952	230 783	710 621	1 107 375
Undivided liabilities					108 993	155 969
Total liabilities					819 614	1 263 344
Net sales	3 424 626	3 594 496	970 380	1 010 775	4 395 006	4 605 271
Segment results	1 014 663	832 633	193 172	358 943	1 207 835	1 191 576
Undivided expenses					-1 277 089	-1 474 772
Profit from operations					-69 254	-283 196
Other income					5 586	53 628
Financial income/expenses, net					-90 207	-62 509
Share of profit/(loss) of equity-accounted investees					-6 308	4 735
Profit before taxes					-160 183	-287 342
Corporate income tax					0	-2 730
Profit after taxes					-160 183	-290 072
Net profit					-160 183	-290 072
Other information						
Additions of property plant and equipment and intangible assets	33 002	46 876	0	0	33 002	46 876
Undivided additions					125 253	143 955
Total additions of property plant and equipment and intangible assets					158 255	190 831
Depreciation and amortization	57 003	73 259	393	915	57 396	74 174
Undivided depreciation					89 009	69 792
Total depreciation and amortization					146 405	143 966

	CFM; CFIP; FreeMile		Other		Total	
	2013/14 EUR	2012/13 EUR	2013/14 EUR	2012/13 EUR	2013/14 EUR	2012/13 EUR
Segment assets	5 441 338	5 796 074	2 115 455	2 151 744	7 556 792	7 947 819
Undivided assets					3 578 519	3 694 494
Total assets					11 135 311	11 642 311
Segment liabilities	729 462	1 247 278	281 660	328 375	1 011 123	1 575 653
Undivided liabilities					155 083	221 925
Total liabilities					1 166 206	1 797 578
Net sales	4 872 804	5 114 507	1 380 726	1 438 203	6 253 530	6 552 710
Segment results	1 443 735	1 184 730	274 859	510 731	1 718 594	1 695 460
Undivided expenses					-1 817 133	-2 098 412
Profit from operations					-98 540	-402 952
Other income					7 948	76 306
Financial expenses, net					-128 353	-88 942
Share of profit/(loss) of equity-accounted investees					-8 975	6 737
Profit before taxes					-227 920	-408 851
Corporate income tax					0	-3 884
Profit after taxes					-227 920	-412 735
Net profit					-227 920	-412 735
Other information						
Additions of property plant and equipment and intangible assets	46 958	66 699	0	0	46 958	66 699
Undivided additions					178 218	204 830
Total additions of property plant and equipment and intangible assets					225 176	271 529
Depreciation and amortization	81 108	104 238	559	1 302	81 667	105 540
Undivided depreciation					126 649	99 304
Total depreciation and amortization					208 316	204 844

b) This note provides information about division of the Group's turnover and assets by geographical regions (customer location) for 6 month of the financial year 2013/14 and financial year 2012/13.

	Net sales		Assets		Net sales		Assets	
	2013/14 LVL	2012/13 LVL	31.12.2013 LVL	31.12.2012 LVL	2013/14 EUR	2012/13 EUR	31.12.2013 EUR	31.12.2012 EUR
Americas	1 745 532	1 951 808	684 927	673 656	2 483 668	2 777 173	974 563	958 527
Europe, CIS	1 610 940	1 466 054	427 185	442 418	2 292 161	2 086 007	607 829	629 505
Asia, Africa, Middle East	1 038 535	1 187 409	338 800	465 534	1 477 701	1 689 531	482 070	662 396
	4 395 006	4 605 271	1 450 912	1 581 609	6 253 530	6 552 711	2 064 462	2 250 428
Unallocated assets	-	-	6 375 029	6 600 655	-	-	9 070 849	9 391 885
	4 395 006	4 605 271	7 825 941	8 182 264	6 253 530	6 552 711	11 135 311	11 642 313

Note 11 Bad receivables

	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	LVL	LVL	EUR	EUR
Bad receivables	(18 383)	(82 151)	(26 157)	(116 890)

Provisions for doubtful and bad accounts receivable were calculated according to Group's provision calculation policy. The Group starts to calculate provisions for customers who delays payment terms more than 3 months. Additional provisions were calculated for debts where probability not to receive payment is high, although agreed payment term has not come yet.

Note 12 Salaries, bonuses and social expenses

	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	LVL	LVL	EUR	EUR
Salaries and social expenses	(1 107 690)	(1 066 164)	(1 576 101)	(1 517 015)
Bonuses and social expenses	(66 166)	(48 021)	(94 146)	(68 328)
	(1 173 856)	(1 114 185)	(1 670 247)	(1 585 343)

Salaries and social expenses, in comparison with the 6 months period of the previous financial year were increased by 4% reflecting increase in fixed salaries for key specialists. Bonuses were paid as specific financial and development targets were reached.