SAF Tehnika
Interim Report
for 12 months of financial year 2010/11
(July 1, 2010 – June 30, 2011)

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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. The Company offers three product lines: CFM family - low to medium capacity radio links (PDH; up to 34 Mbps), CFQ family - high capacity radio links (SDH; up to 155 Mbps), and the new CFIP product line (super PDH; 366Mbps Lumina FODU (Optical Gigabit Ethernet), 108Mbps FODU (Fast Ethernet) and 366Mbps PhoeniX Hybrid Split Mount System). 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 Nokia Siemens Networks, Ericsson, 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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End of financial year:	30.06.2011
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Share and Shareholdings

SAF Tehnika shareholders (over 5%) as of 30.04.2011

Name	Ownership interest (%)
Didzis Liepkalns	17.05%
Andrejs Grišans	10.03%
Skandinavia Enskilda Banken	9.98%
Maleks S, SIA	9.76%
Normunds Bergs	9.74%
Juris Ziema	8.71%
Vents Lācars	6.08%

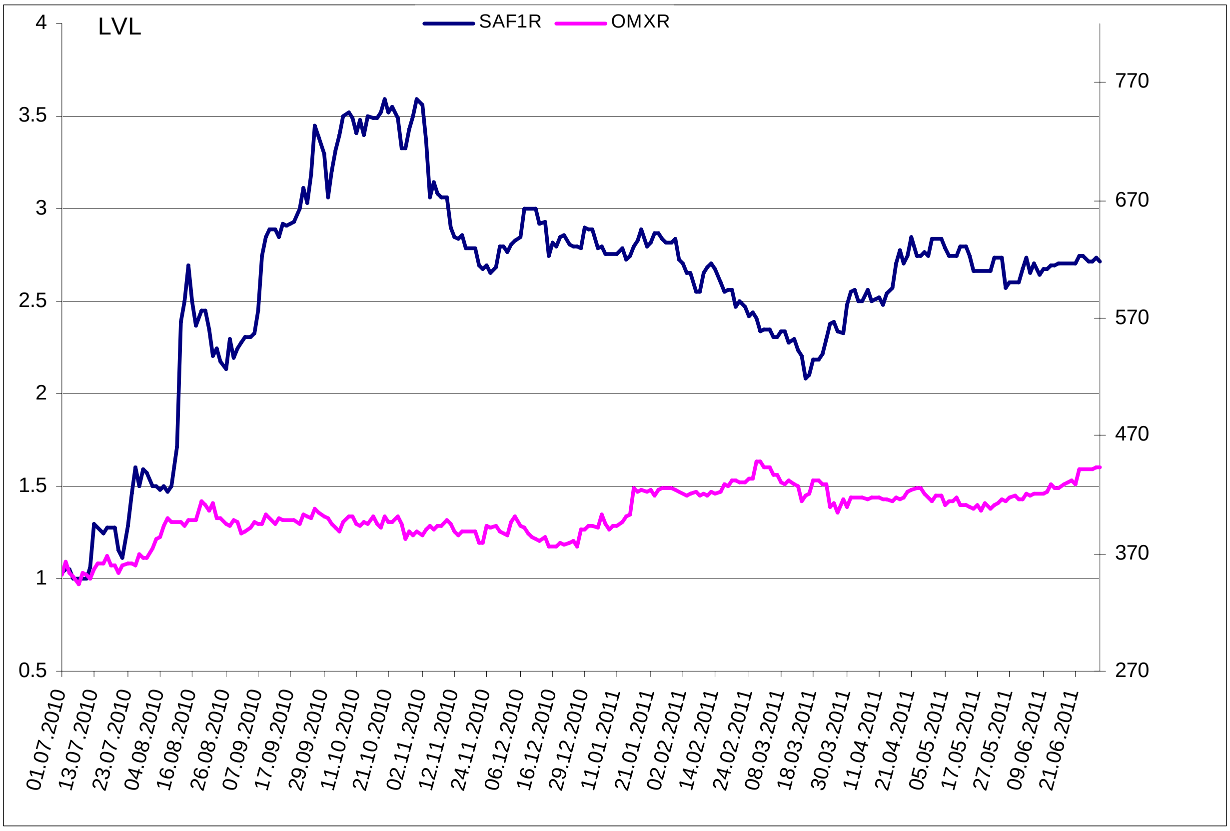
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (**SAF1R**)

Period: July 1, 2010 – June 30, 2011

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 0.66% of shares
Aira Loite	Member	owns 0.2% 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 0.09 % of shares
Juris Imaks	Member	-

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 Financial 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, Latnek Ipasumi and SIA Namipasumu parvalde, Member of the Supervisory Council of AS MFS bookkeeping and Member of the Board of SIA Hipno. 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,

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 June 30, 2011 and the results of its operations and cash flows for the 12 month period ended June 30, 2011.

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, 2010. 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

CFO, Member of the Management Board

Management Report

The Company's non-audited net sales for the fourth quarter of financial year 2010/11 were 1 995 168 LVL (2 838 868 EUR), representing 53% of the fourth quarter of the previous financial year. Reporting quarter was the weakest in this financial year unlike from last financial year 2009/2010 when fourth quarter was the best.

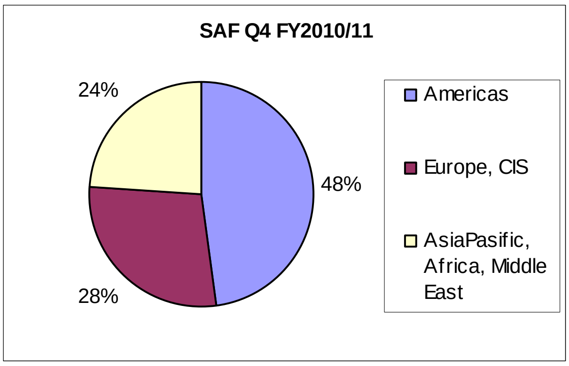
Sales in Americas represented the largest part of 4th quarter's turnover (48%) where sales rose by 40% or 271 thousand LVL (386 thousand EUR) compared with the same quarter of the previous corresponding period. Equipment deliveries for the Gigabit Ethernet network project in Manitoba province, in rural Canada has commenced in May (for additional information about the project please refer to our news release dated April 15, 2011 on www.saftehnika.com) and will be finalized in the 1st quarter of financial year 2011/12. Sales in Europe and CIS region formed 28% of quarterly sales, but were by 45% lower than in the 4th quarter of the previous financial year. The largest impact in quarterly sales comparative year-to-year decrease was from sales in Asia Pacific, Middle East and Africa region where sales dropped by 77% or 1.56 million LVL (2.22 million EUR). The main reason for decrease was the lack of similar scale projects in the fourth quarter of 2010/11 and various long-term project finalizations in the third quarter.

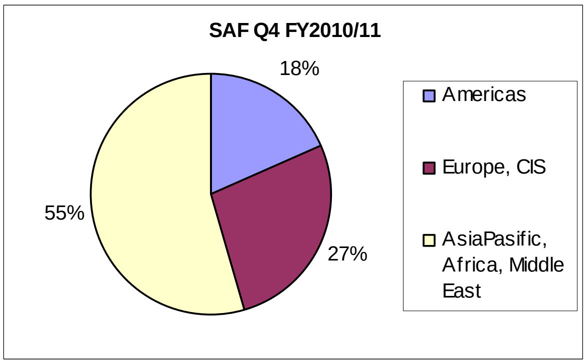
In order to strengthen presence in the strategic growth markets, the Company is considering opening local offices in a few countries. The first joint venture *SAF Tehnika Middle East Ltd*., founded together with NAJAHAT Development & Investment Company (Saudi Arabia) has recently started its operations, thus confirming Middle East as one of the strategic growth markets for SAF Tehnika products. Moreover, the Company continues partner network development in the target markets. Several new distribution agreements were signed with North American companies in the reporting quarter.

In order to meet current and prospective clients, as well as demonstrate SAF Tehnika's products and provide individual consultations regarding products and their applications, the Company had participated at the regional exhibitions SVIAZ EXPOCOMM 2011, Moscow, Russia, and CommunicAsia 2011, held in Singapore. All SAF product lines were presented, however the most interest was shown in the CFIP product line - CFIP Lumina FODU, CFIP PhoeniX M Split Mount system and CFIP-108 FODU, which have already been used in numerous telecommunication projects all over the world The interest also was shown in the latest product - the long-haul point-to-point microwave system for industrial applications - CFIP Marathon.

The Company's products were sold in 48 countries during the reporting quarter.

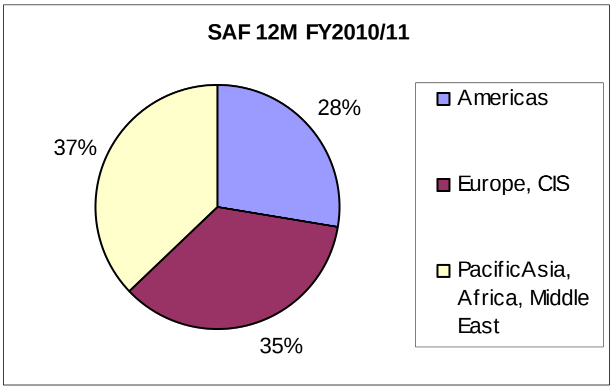
Chart 1. Quarter 4 revenue breakdown comparative charts:

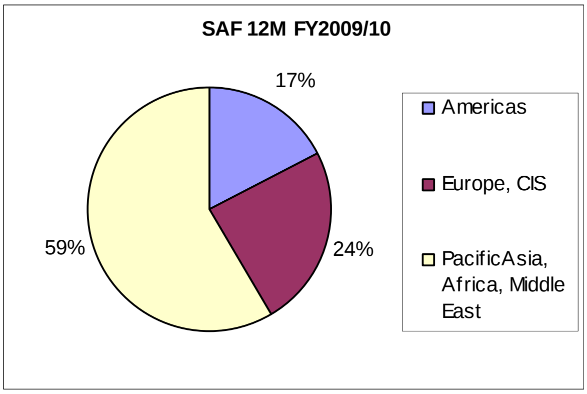




The Company's non-audited net sales for 12 months of the financial year 2010/11 were 10 896 072 LVL (15 503 714 EUR) representing a year-on-year increase of 7%. Sales in the Asia Pacific, Middle East and Africa region formed the largest sales proportion (37%) comprising 4.05 million LVL (5.76 million EUR) although it was by 32% less than in previous financial year 2009/10. Sales have increased year-on-year both in Americas and Europe, CIS regions. 68% sales increase was in Americas reaching 3 million LVL (4.3 million EUR) and 55% increase was recorded for Europe, CIS amounting to 3.8 million LVL (5.5 million EUR).

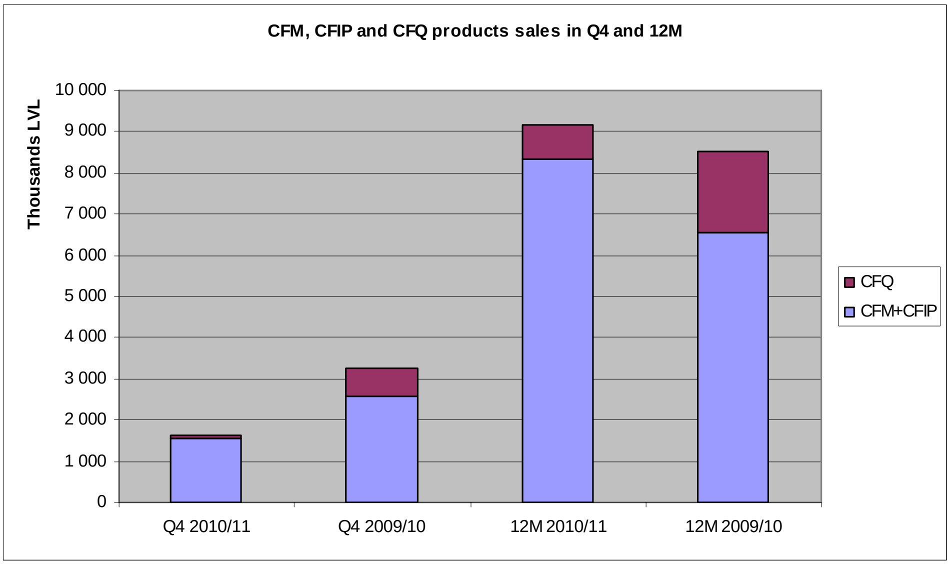
Chart 2. 12 months revenue breakdown comparative charts:





CFIP and CFM product sales represented 75% out of all sales in 12 months of financial year amounting to 8.2 million LVL (11.7 million EUR) showing increase by 26% or 1.7 million LVL (2.44 million EUR). As demand for CFQ products has decreased substantially, it has been decided to close the entire CFQ product line, providing the CFQ basic functionality with CFIP PhoeniX M split mount system. The Company forecasts that clients' requirements will be covered by full spectrum of CFIP and CFM products.

Chart 3. Quarter 4 and 12 months product sales breakdown.



The net loss of SAF Tehnika for the fourth quarter of financial year 2010/11 was -108 388 LVL (-154 221 EUR). This is the result of comparatively low sales during the quarter, additional provisions made for doubtful debtor and losses from foreign exchange.

The net profit of SAF Tehnika for the 12 months of financial year 2010/11 was 779 693 LVL (1 109 403 EUR) representing 52% of the net profit of previous financial year 2009/10.

The Company's net cash flow for the 12 month period of the financial year was a negative -307 027 LVL (-436 860 EUR). It has to be admitted that the Company's cash generated from operations was positive 192 059 LVL (273 275 EUR) and cash used in investing activities was positive 122 268 LVL (173 972 EUR) as well. Net cash used in financing activities was negative -621 354 LVL (-884 107 EUR) mainly impacted by dividends the Company paid in November 2010 (LVL 0.23 (twenty three santims) per share or, 683 141 LVL (972 022 EUR)). The Company carried a net cash balance (excluding interest bearing liabilities) of 2 096 881 LVL (2 983 593 EUR) as at June 30, 2011.

It has to be taken into account that the Company has deposited 1 479 081 LVL (2 104 543 EUR) (deposit period more than 90 days), recorded as a short-term investment in the balance sheet on June 30, 2011.

Market overview

The main discussion in the microwave industry continues to be about LTE implementation; however the mature technology of this mobile communication standard has not yet been defined.

The USA maintained its high business activity in spite of the economic collapse threat and protracted discussions on budget issues in the U.S. Congress.

At the time when some large wireless Internet service providers in North America were struggling to fight off bankruptcy and competition among microwave suppliers had become more fierce, SAF Tehnika did capitalize on this opportunity by broadening the distribution network and strengthening the Company's presence in the region.

According to the third parties research total global shipments of point-to-point radios in the calendar year 2010 have decreased by 9.3% compared to 2009. Nevertheless, SAF Tehnika has gained 50% larger market share, thus taking the 12th position in the world rankings instead of the no. 17 the year before.

Guidance

Since SAF Tehnika has moved from the regional sales approach towards country-based operations and the foundation of the joint venture in Saudi Arabia was announced, the launch of CFIP Lumina production in Curitiba (Brazil) convincingly reinforced the growth strategy initiated a few months ago. The CFIP Lumina inauguration event with attendance of Vice President of Brazil and the Prime Minister of Latvia has helped to raise the Company's visibility in Latvia as well as build and reinforce brand recognition in South America.

The demand for wireless transmission products is expected to be high over the coming years and SAF Tehnika, by elevating the focus on the Company's core competencies will continue to create new products that meet clients evolving needs and preferences. Furthermore, the Company has recently completed a long-term product development strategy focusing on the next-generation products and we are looking forward introducing the new version of CFIP Lumina in the near future. License-exempt SAF FreeMile products will be further developed and the deliveries of long-haul point-to-point microwave radio CFIP Marathon will grow as the demand of this Full Indoor unit is expected to rise in all regions, including Middle East, Asia Pacific and North America.

On June 30, 2011 the Company employed 164 people (146 people on June 30, 2010).

Balance sheet
As of June 30, 2011

	Note	30.06.2011	30.06.2010	30.06.2011	30.06.2010
CURRENT ASSETS		**LVL**	**LVL**	**EUR**	**EUR**
Cash and bank		**2 106 660**	**2 413 687**	**2 997 507**	**3 434 367**
Short-term investments	**1**	**1 479 081**	**1 659 889**	**2 104 543**	**2 361 809**
Customer receivables	**2**				
Accounts receivable		2 203 447	3 018 161	3 135 223	4 294 456
Allowance for uncollectible receivables		-447 463	-203 333	-636 682	-289 317
Total		**1 755 984**	**2 814 828**	**2 498 540**	**4 005 139**
Other receivables					
Other current receivables		20 479	108 299	29 139	154 096
Short-term loans given		0	738	0	1 050
Short-term loans	**3**	22 772	0	32 402	0
Total		**43 251**	**109 037**	**61 541**	**155 146**
Prepaid expenses					
Prepaid taxes		22 331	26 783	31 774	38 109
Other prepaid expenses		66 925	63 783	95 226	90 755
Total		**89 256**	**90 566**	**127 000**	**128 864**
Inventories	**4**				
Raw materials		993 804	737 857	1 414 056	1 049 876
Work-in-progress		1 423 201	754 828	2 025 033	1 074 023
Finished goods		948 393	725 170	1 349 442	1 031 824
Prepayments to suppliers		47 182	31 019	67 134	44 136
Total		**3 412 580**	**2 248 874**	**4 855 664**	**3 199 859**
TOTAL CURRENT ASSETS		**8 886 812**	**9 336 881**	**12 644 794**	**13 285 185**
NON-CURRENT ASSETS					
Long-term financial assets					
Shares in companies	**5**	500	0	711	0
Long-term receivables	**2**	65 140	182 776	92 686	260 067
Deffered income tax		62 041	57 179	88 276	81 358
Long-term loans	**3**	24 670	0	35 102	0
Total		**152 351**	**239 955**	**216 776**	**341 425**
NON-CURRENT physical assets	**6**				
Plant and equipment		2 129 302	2 027 516	3 029 724	2 884 895
Other equipment and fixtures		1 115 415	1 149 025	1 587 093	1 634 915
Accumulated depreciation		-2 742 820	-2 626 539	-3 902 681	-3 737 228
Prepayments for noncurrent physical assets		2 457	0	3 496	0
Total		**504 354**	**550 002**	**717 631**	**782 582**
Intagible assets					
Purchased licenses, trademarks etc.		67 474	56 251	96 007	80 038
Total		**67 474**	**56 251**	**96 007**	**80 038**
TOTAL NON-CURRENT ASSETS		**724 179**	**846 208**	**1 030 414**	**1 204 046**
TOTAL ASSETS		**9 610 991**	**10 183 089**	**13 675 208**	**14 489 230**

LIABILITIES AND OWNERS' EQUITY	Note	30.06.2011	30.06.2010	30.06.2011	30.06.2010
CURRENT LIABILITIES		**LVL**	**LVL**	**EUR**	**EUR**
Debt obligations					
Short-term loans from financial institutons		9 779	6 181	13 914	8 795
Customer prepayments for goods and services		243 441	1 006 217	346 385	1 431 718
Accounts payable	**7**	1 250 433	1 266 987	1 779 206	1 802 760
Tax liabilities	**8**	234 843	81 402	334 151	115 825
Salary-related accrued expenses	**9**	278 672	313 691	396 515	446 342
Provisions for guarantees		39 126	46 890	55 671	66 718
Prepaid revenue		2 980	6 556	4 240	9 328
TOTAL CURRENT LIABILITIES		**2 059 274**	**2 727 924**	**2 930 084**	**3 881 486**
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		1 797 640	993 307	2 557 811	1 413 349
Net profit for the financial year		779 693	1 487 474	1 109 403	2 116 485
TOTAL OWNERS' EQUITY		**7 551 717**	**7 455 165**	**10 745 124**	**10 607 744**
TOTAL LIABILITIES AND OWNERS' EQUITY		**9 610 991**	**10 183 089**	**13 675 208**	**14 489 230**

Income Statement for 12 month of the financial year 2010/11

	Note	30.06.2011	30.06.2010	30.06.2011	30.06.2010
		LVL	LVL	EUR	EUR
Net sales	10	10 896 072	10 226 905	15 503 714	14 551 575
Other operating income		63 122	206 664	89 815	294 056
Total income		**10 959 194**	**10 433 569**	**15 593 528**	**14 845 631**
Direct cost of goods sold or services rendered		-5 700 948	-6 270 839	-8 111 718	-8 922 600
Marketing, advertising and public relations expenses		-398 607	-257 425	-567 167	-366 283
Bad receivables	11	-244 130	198 785	-347 366	282 846
Operating expenses		-728 058	-648 519	-1 035 933	-922 759
Salaries and social expenses	12	-1 924 308	-1 511 178	-2 738 044	-2 150 213
Bonuses and social expenses	12	-521 702	-236 279	-742 315	-336 195
Depreciation expense		-199 553	-278 569	-283 938	-396 368
Other expenses		-146 326	-285 505	-208 203	-406 237
Operating expenses		**-9 863 632**	**-9 289 529**	**-14 034 683**	**-13 217 808**
EBIT		**1 095 562**	**1 144 040**	**1 558 845**	**1 627 823**
Financial income (except ForEx rate difference)		103 316	165 084	147 005	234 893
Financial costs (except ForEx rate difference)		0	-2 132	0	-3 034
Foreign exchange +gain/(loss)		-243 169	190 316	-345 998	270 795
Financial items		**-139 853**	**353 268**	**-198 994**	**502 654**
EBT		**955 709**	**1 497 308**	**1 359 851**	**2 130 477**
Corporate income tax		**-176 016**	**-9 834**	**-250 448**	**-13 993**
Net profit		**779 693**	**1 487 474**	**1 109 403**	**2 116 485**

*Earnings per share
EPS 30.06.2011. = 0.26 LVL (0.37 EUR)
EPS 30.06.2010. = 0.50 LVL (0.71 EUR)

Income Statement for Q4 of the financial year 2010/11

	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	LVL	LVL	EUR	EUR
Net sales	1 995 168	3 739 199	2 838 868	5 320 401
Other operating income	9 361	60 618	13 320	86 252
Total income	**2 004 529**	**3 799 817**	**2 852 188**	**5 406 652**
Direct cost of goods sold or services rendered	-1 116 207	-1 905 740	-1 588 219	-2 711 624
Marketing, advertising and public relations expenses	-139 386	-90 263	-198 328	-128 433
Bad receivables	-91 781	33 011	-130 593	46 970
Operating expenses	-178 401	-165 872	-253 842	-236 015
Salaries and social expenses	-502 039	-399 530	-714 337	-568 480
Bonuses and social expenses	-30 472	-149 024	-43 358	-212 042
Depreciation expense	-50 752	-50 095	-72 214	-71 279
Other expenses	-18 393	-19 374	-26 171	-27 567
Operating expenses	**-2 127 431**	**-2 746 887**	**-3 027 062**	**-3 908 468**
EBIT	**-122 902**	**1 052 930**	**-174 874**	**1 498 184**
Financial income (except ForEx rate difference)	35 539	73 124	50 567	104 046
Financial costs (except ForEx rate difference)	0	-205	0	-292
Foreign exchange +gain/(loss)	-43 145	128 954	-61 390	183 485
Financial items	**-7 606**	**201 873**	**-10 821**	**287 240**
EBT	**-130 508**	**1 254 803**	**-185 695**	**1 785 425**
Corporate income tax	**22 120**	**-9 834**	**31 474**	**-13 993**
Net profit	**-108 388**	**1 244 969**	**-154 221**	**1 771 432**

*Earnings per share
EPS 30.06.2011. = -0.04 LVL (-0.05 EUR)
EPS 30.06.2010. = 0.42 LVL (0.60 EUR)

Cash flow statement for 12 months of the financial year 2010/11

	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	LVL	LVL	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	**192 059**	**2 307 658**	**273 275**	**3 283 502**
Cash received from customers	10 755 559	9 975 657	15 303 783	14 194 082
Cash paid to suppliers and employees	-10 567 174	-7 745 668	-15 035 734	-11 021 093
Received tax	3 674	77 669	5 228	110 513
NET CASH USED IN INVESTING ACTIVITIES (of which)	**122 268**	**-1 650 825**	**173 972**	**-2 348 912**
Cash paid for other long-term investments (e.g. purchase of <50% shares)	-500	0	-711	0
Cash paid for short-term investments	180 808	-1 659 889	257 267	-2 361 809
Cash paid for purchasing non-current physical assets	-165 134	-119 271	-234 965	-169 707
Interest received	107 094	128 335	152 381	182 604
NET CASH USED IN FINANCING ACTIVITIES (of which)	**-621 354**	**-589 964**	**-884 107**	**-839 443**
Repayment of short-term loans	3 599	4 285	5 121	6 097
Repayment of long-term loans	20 878	0	29 707	0
Cash paid of long-term loans	-68 317	0	-97 206	0
Paid interest	0	-2 159	0	-3 072
Cash received from EU fonds	105 627	91 051	150 294	129 554
Dividends paid	-683 141	-683 141	-972 022	-972 022
TOTAL CASH FLOW:	**-307 027**	**66 869**	**-436 860**	**95 146**
Cash and cash equivalents as at the beginning of period	2 413 687	2 346 818	3 434 367	3 339 221
Cash and cash equivalents as at the end of period	2 106 660	2 413 687	2 997 507	3 434 367
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	**-307 027**	**66 869**	**-436 860**	**95 146**

Statement of changes in consolidated equity for the 12 months period ended June 30 2011

	Share capital	Share premium	Currency translation reserve	Retained earnings	Total
	LVL	LVL	LVL	LVL	LVL
As at 30 June 2009	**2 970 180**	**2 004 204**	-	**1 676 448**	**6 650 832**
Dividend relating to 2008/2009	-	-	-	**-683 141**	**-683 141**
Profit for the year	-	-	-	1 487 474	**1 487 474**
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 period	-	-	-	779 693	**779 693**
As at 30 June 2011	**2 970 180**	**2 004 204**	-	**2 577 333**	**7 551 717**

Statement of changes in consolidated equity for the 12 months period ended June 30 2011

	Share capital	Share premium	Currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
As at 30 June 2009	**4 226 185**	**2 851 725**	-	**2 385 371**	**9 463 281**
Dividend relating to 2008/2009	-	-	-	**-972 022**	**-972 022**
Profit for the year	-	-	-	2 116 484	**2 116 484**
As at 30 June 2010	**4 226 185**	**2 851 725**	-	**3 529 832**	**10 607 743**
Dividend relating to 2009/2010	-	-	-	**-972 022**	**-972 022**
Profit for the period	-	-	-	1 109 403	**1 109 403**
As at 30 June 2011	**4 226 185**	**2 851 725**	-	**3 667 213**	**10 745 124**

Notes for interim report

Note 1 Short-term investments

	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR	30.06.2010 EUR
Short-term investments	**1 479 081**	**1 659 889**	**2 104 543**	**2 361 809**

Short-term investments consist of deposits with a maturity period of more than 90 days commencing from 30/06/2011.

Note 2 Customer receivables

	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR	30.06.2010 EUR
Long-term receivables	**65 140**	**182 776**	**92 686**	**260 067**
Accounts receivable	2 203 447	3 018 161	3 135 223	4 294 456
Provisions for bad and doubtful accounts receivable	(447 463)	(203 333)	(636 682)	(289 317)
Total accounts receivable	**1 755 984**	**2 814 828**	**2 498 540**	**4 005 139**
Total receivables	**1 821 124**	**2 997 604**	**2 591 226**	**4 265 206**

Total receivables were by 39% smaller compared with the previous year reflecting decreasing sales in the reporting quarter Q4 and reflecting additional provisions made for doubtful accounts receivable. Allowance for uncollectible receivables forms 447 463 LVL (636 682 EUR) and 77% out of it are allowance for 2 customers in Africa. Representatives of both customers explain delays with temporal liquidity problems.

Long term receivables include those whose due date is more than 360 days from the balance date.

Note 3 Loans

	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR	30.06.2010 EUR
Short-term loans	**22 772**	**-**	**32 402**	**-**
Long-term loans	**24 670**	**-**	**35 102**	**-**
	47 442	**-**	**67 504**	**-**

In order to facilitate the Company's product sales, encourage clients to buy the Company's products and at the same time following tender requirements, financing was assigned for a Belorussian client. Up to now all payments have been made according to schedule.

Note 4 Inventories

	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR	30.06.2010 EUR
Raw materials	1 285 779	918 849	1 829 499	1 307 404
Allowance for slow-moving items	(291 975)	(180 992)	(415 443)	(257 528)
Work-in- progress	1 423 201	754 828	2 025 033	1 074 023
Finished goods	948 393	725 170	1 349 442	1 031 824
Prepayments to suppliers	47 182	31 019	67 134	44 136
	3 412 580	**2 248 874**	**4 855 664**	**3 199 859**

Inventories in comparison with June 30 of the previous financial year 2009/10 increased by 52% as the Company had to make inventory reserves in order to be able to produce large scale orders in competitive terms. Besides the Company keeps components for previously produced and sold product types for repair purpose.

Note 5 Shares in Companies

	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR	30.06.2010 EUR
Shares in companies	**500**	**-**	**711**	**-**

With the aim to attract EU funds for research and development within the sphere of electronics and electrical engineering, the Company, together with other members of the Latvian Electrical Engineering and electronic Industry Association (LETERA), co-founded a limited liability company “LEO kompetences centrs” (LEO) investing 500 LVL (711 EUR) in its equity capital and becoming the owner of 10% of its share capital.

Note 6 Non-current physical assets

	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR	30.06.2010 EUR
Plant and equipment	2 129 302	2 027 516	3 029 724	2 884 895
Other equipment and fixtures	1 115 415	1 149 025	1 587 093	1 634 915
Accumulated depreciation	(2 742 820)	(2 626 539)	(3 902 681)	(3 737 228)
Prepayments for noncurrent physical assets	2 457	-	3 496	-
	504 354	**550 002**	**717 631**	**782 582**

Decrease of the net book value of non current physical assets, in comparison with the year before is mainly due to accumulated depreciation. During 12 months of financial year 2010/11 the Company has invested 169 thousand LVL (240 thousand EUR) in product certification, development and production software, production equipment and IT.

Note 7 Accounts payable

	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR	30.06.2010 EUR
Accounts payable	**1 250 433**	**1 266 987**	**1 779 206**	**1 802 760**

Note 8 Tax liabilities

	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR	30.06.2010 EUR
Tax liabilities	**234 843**	**81 402**	**334 151**	**115 825**

As the Company works with a net profit, accruals for corporate Income Tax payment have been calculated and recorded representing 68% out all Tax liabilities.

Note 9 **Salary-related accrued expenses**

	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR	30.06.2010 EUR
Salary-related accrued expenses	**278 672**	**313 691**	**396 515**	**446 342**

Salary–related accrued expenses decreased as amount of performance bonuses for quarterly results decreased due to not reached financial targets.

Note 10 **Segment information**

a) The Company's operations may be divided into two major structural units by product lines – CFM (Hybrid/ PDH radio) and CF IP (Hybrid/ super PDH system) as the first structural unit and CFQ (SDH) as the second unit. These structural units are used as a basis for providing information about the primary segments of the Company, i.e. business segments. Production, as well as research and development are organised and managed for each structural units (CFM, CFIP and CFQ) separately.

CFM microwave radio product line has been the main type of radio SAF has been supplying to the market over many years, yet it is still demanded and popular as ever. Such medium capacity, simple yet extremely reliable and feature rich radio forms the basis of many new deployments in the areas of rapid development of telecom networks.

CFIP - a new and growing product line is represented by 3 notable 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.

All CFIP radios are offered in most widely used frequency bands from 6 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.

Even though mentioned CFIP products are set to carry SAF Tehnika's fortunes into the future, SAF is still offering a popular CFQ radio, still widely used due to an ability to reconfigure the terminal to provide widest range of interfaces in any SAF system.

This note provides information about division of the Group's turnover and balance items by structural units by product type for 12 month of the financial year 2010/11 and financial year 2009/10.

	CFQ		CFM; CFIP		Other		Total	
	2010/11 LVL	2009/10 LVL	2010/11 LVL	2009/10 LVL	2010/11 LVL	2009/10 LVL	2010/11 LVL	2009/10 LVL
Segment assets	**1 431 432**	**1 520 623**	**3 911 641**	**3 606 374**	**570 233**	**753 902**	**5 913 306**	**5 880 899**
Undivided assets							**3 697 685**	**4 302 190**
Total assets							**9 610 991**	**10 183 089**
Segment liabilities	**226 576**	**541 770**	**1 190 378**	**1 505 050**	**264 600**	**386 978**	**1 681 554**	**2 433 798**
Undivided liabilities							**377 720**	**294 126**
Total liabilities							**2 059 274**	**2 727 924**
Net sales	951 384	2 187 568	8 226 628	6 509 182	1 718 060	1 530 155	10 896 072	10 226 905
Segment results	**114 579**	**820 279**	**3 259 845**	**2 072 363**	**758 306**	**560 474**	**4 132 730**	**3 453 116**
Undivided expenses							-3 100 305	-2 515 746
Profit from operations							**1 032 425**	**937 370**
Other income							65 727	212 332
Financial income, net							-142 443	347 606
Profit before taxes							**955 709**	**1 497 308**
Corporate income tax							-176 016	-9 834
Net profit							**779 693**	**1 487 474**
Other information								
intangible asets	1 257	5 944	57 062	77 701	83	0	58 402	83 645
Undivided additions							110 516	16 000
Total additions of property plant and equipment and intangible asets							**168 918**	**99 645**
Depreciation and amortization	10 524	13 600	101 875	159 741	88	10	112 487	173 351
Undivided depreciation							87 066	105 218
Total depreciation and amortization							**199 553**	**278 569**

	CFQ		CFM; CFIP		Other		Total	
	2010/11 EUR	2009/10 EUR	2010/11 EUR	2009/10 EUR	2010/11 EUR	2009/10 EUR	2010/11 EUR	2009/10 EUR
Segment assets	2 036 744	2 163 652	5 565 764	5 131 408	811 367	1 072 706	8 413 874	8 367 763
Undivided assets							5 261 334	6 121 467
Total assets							**13 675 208**	**14 489 230**
Segment liabilities	322 389	770 869	1 693 755	2 141 493	376 492	550 620	2 392 636	3 462 983
Undivided liabilities							537 446	418 503
Total liabilities							**2 930 082**	**3 881 486**
Net sales	1 353 697	3 112 629	11 705 437	9 261 732	2 444 579	2 177 214	15 503 714	14 551 575
Segment results	**163 031**	**1 167 152**	**4 638 342**	**2 948 707**	**1 078 972**	**797 484**	**5 880 345**	**4 913 341**
Undivided expenses							-4 411 336	-3 579 583
Profit from operations							**1 469 008**	**1 333 757**
Other income							93 521	302 121
Financial income, net							-202 678	494 599
Profit before taxes							**1 359 851**	**2 130 477**
Corporate income tax							-250 448	-13 993
Net profit							**1 109 403**	**2 116 485**
Other information								
Additions of property plant and equipment and intangible asets	1 789	8 458	81 192	110 559	118	0	83 099	119 016
Undivided additions							157 250	22 766
Total additions of property plant and equipment and intangible asets							**240 349**	**141 782**
Depreciation and amortization	14 974	19 351	144 955	227 291	125	14	160 055	246 656
Undivided depreciation							123 883	149 711
Total depreciation and amortization							**283 938**	**396 367**

b) This note provides information about division of the Company's turnover and assets by geographical regions (customer location) for 12 month of the financial year 2010/11 and financial year 2009/10.

	Net sales		Assets		Net sales		Assets	
	2010/11 LVL	2009/10 LVL	30.06.2011 LVL	30.06.2010 LVL	2010/11 EUR	2009/10 EUR	30.06.2011 EUR	30.06.2010 EUR
America	3 004 794	1 787 390	540 179	470 417	4 275 436	2 543 227	768 605	669 343
Europe, CIS	3 843 473	2 475 325	226 704	751 536	5 468 770	3 522 070	322 571	1 069 339
Asia, Africa, Middle East	4 047 805	5 964 190	1 054 241	1 775 651	5 759 508	8 486 278	1 500 050	2 526 524
	10 896 072	**10 226 905**	**1 821 124**	**2 997 604**	**15 503 714**	**14 551 575**	**2 591 226**	**4 265 206**
Unallocatted assets	-	-	7 789 867	7 185 485	-	-	11 083 982	10 224 025
	10 896 072	**10 226 905**	**9 610 991**	**10 183 089**	**15 503 714**	**14 551 575**	**13 675 208**	**14 489 230**

Note 11 Bad receivables

	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR	30.06.2010 EUR
Bad receivables	**(244 130)**	**198 785**	**(347 366)**	**282 846**

The Company records accruals based on its accrual policy for bad and doubtful debtors. Actually there are 2 customers in Africa who delays payments more than 90 days and provisions for those particular customers' forms 77% out of all provisions for bad and doubtful accounts. Representatives of both customers explain delays with overcoming liquidity problems.

Note 12 Salaries, bonuses and social expenses

	30.06.2011 LVL	30.06.2010 LVL	30.06.2011 EUR	30.06.2010 EUR
Salaries and social expenses	(1 924 308)	(1 511 178)	(2 738 044)	(2 150 213)
Bonuses and social expenses	(521 702)	(236 279)	(742 315)	(336 195)
	(2 446 010)	**(1 747 457)**	**(3 480 359)**	**(2 486 407)**

Salaries and social expenses, in comparison with the 12 month period of the previous financial year increased by 27% due to increased headcount and changes in fixed salaries for some part of employees. It has to be taken into account evaluating increase that due to a sales decrease in Q2 and Q3 FY 2009/10 workload for production was reduced by 20% on average and salaries were decreased accordingly. Salaries was returned back to previous level in Q4 FY 2009/10.

Bonuses and social expenses were accrued and paid quarterly based on financial and individual performance results. As financial targets has not been reached in Q4 the amount of bonuses accrued and paid for this quarter were substantially lower than for the first three quarters of financial year 2010/11.