SAF Tehnika A/S
Consolidated Interim Report
for 12 months of financial year 2008/09
(July 1, 2008 – June 30, 2009)

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KEY DATA

SAF Tehnika (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. The Group offers two main 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 – 108 Mbps capacity radio equipment (super PDH). 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 has succeeded in becoming an international player and has been able to compete with such multinational corporations as Nokia Siemens Networks, Ericsson, Alcatel and NEC. From 2004 until late 2008, the Group had a subsidiary in Sweden which worked on CFQ product line development. The subsidiary was bought out by its management.

AS SAF Tehnika 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 Stock Exchange.

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Latvia

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Beginning of financial year: 01.07.2008

End of financial year: 30.06.2009

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Share and Shareholdings

SAF Tehnika shareholders (over 5%) as of 30.04.2009

Name	Ownership interest (%)
Didzis Liepkalns	17.05%
Swedbank AS Nominal account	12.85%
Andrejs Grišāns	10.03%
Skandinavisa Enskilda Banker Nominal account	9.98%
Normunds Bergs	9.74%
Juris Ziema	8.71%
Vents Lācars	6.08%

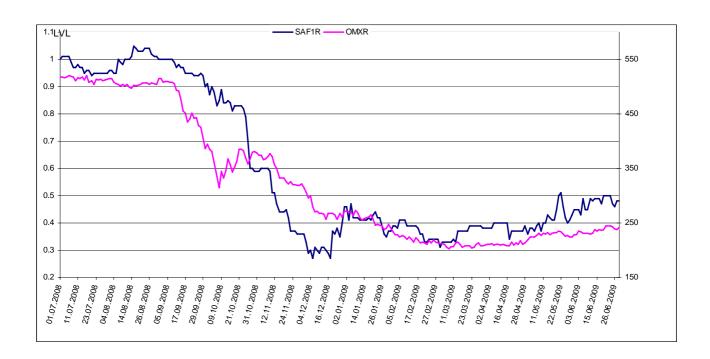
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2008 – June 30, 2009

Currency: LVL

Marketplace: NASDAQ OMX Riga Stock Exchange



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	
Aira Loite	Member	

SAF Tehnika Supervisory Board:

Name	Position	Ownership interest (%)
Vents Lācars	Chairman	owns 6.08% of shares
Juris Ziema	Vice-Chairman	owns 8.71% of shares
Andrejs Grišāns	Member	owns 10.03% of shares
Ivars Šenbergs	Member	
Jānis Bergs	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. Currently she is studying in a Master of Business Administration program (Salford MBA) in Riga International School of **Economics** and Business.

Information on professional and educational background of the supervisory council members Vents Lācars

Vents Lacars, 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

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

Andrejs Grisans, 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

Ivars Senbergs, 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.

Jānis Bergs

Janis Bergs, born in 1970, is Member of the Supervisory Council. Currently is the Chairman of the Board of SIA FMS. Former acted as Chairman of the Board of SIA "Fortech", later Chairman of the Board of Mirolink Group. In 2004 elected in the Board of the Latvian Information Technology and telecommunications Association. J. Bergs graduated from Riga Technical University with a degree in radio engineering in 1993. In 2000 he graduated from Riga Business School with an MBA degree.

Statement of Board's Responsibilities

The Board of SAF Tehnika A/S (hereinafter - the Company) is responsible for preparing the

consolidated interim financial statements of the Company and its subsidiary (hereinafter - the

Group). Interim financial statements of the Group has not been audited or otherwise checked by

auditors.

The consolidated interim financial statements are prepared in accordance with the source documents

and present fairly the financial position of the Group as at June 30, 2009 and the results of its

operations and cash flows for the 12 month period ended June 30, 2009.

The consolidated interim financial statements are prepared in accordance with International

Financial Reporting Standards as adopted by the EU on a going concern basis. Appropriate

accounting policies have been applied on a consistent basis. The consolidated interim financial

statements have been prepared based on the same accounting principles applied in the Consolidated

Financial Statements for the year ended on June 30, 2008. Prudent and reasonable judgments and

estimates have been made by the management in the preparation of the consolidated interim

financial statements.

The Board of SAF Tehnika AS 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 also responsible for the compliance with the laws of the countries in

which the Group's companies operates.

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

Currency Exchange rate for LVL/EUR is 0.702804

Aira Loite

CFO, Member of the Management Board

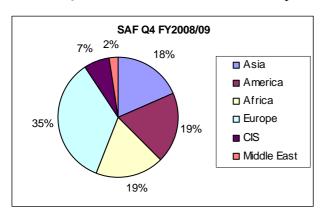
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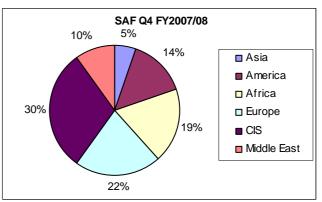
Management Report

The Group's consolidated non-audited net sales for the fourth quarter of financial year 2008/09 were 1 957 029 LVL (2 784 601 EUR), representing 67% of the fourth quarter of the previous financial year.

Sales in Europe were the largest contributor to fourth quarter revenues (35%). Despite a weak economic environment they remained stable. Sales volumes in Asia, Latin America and Africa were broadly similar, each contributing between 18 and 19%. Financing challenges, unfavourable exchange rates and low oil prices impacted regions such as the CIS and the Middle East. SAF Tehnika's sales in these regions decreased by more than 80% year-on-year. Customers' lack of financing ability was the reason for postponing deliveries to the next quarter for larger projects in India and Nigeria. Business activities in North America continued at an introductory phase and sales volumes were small. In order to promote the SAF brand and products, plus strengthen presence, the Group participated in the international telecommunication and information technology exhibition - "SVIAZ Expo Comm 2009" in Moscow, Russia May, 2009. Participation was co-funded by European Regional Development fund.

Chart 1. Quarter 4 revenue breakdown comparative charts:



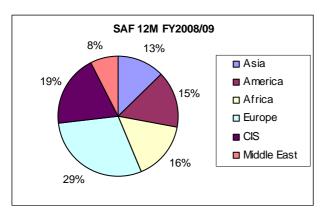


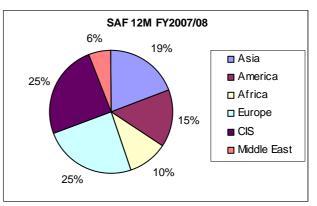
The Group's consolidated non-audited net sales for the 12 months of the financial year 2008/09 were 8 806 515 LVL (12 530 542 EUR) representing year-on-year revenue decrease by 17%.

Europe formed the largest sales portion (29%) comprising of 2.59 million LVL (3.68 million EUR) and represent a slight decrease on a year-on-year basis (-2%). Although sales in the CIS decreased substantially from the beginning of calendar year 2009, it was the second largest region by sales contribution in financial year 2008/2009 amounting to 1.71 million LVL (2.43 million EUR). The largest revenue increase (+26%) was reached in the African region where intensive sales endeavours brought results and 1.37 million LVL (1.95 million EUR) sales were recorded. The Group's products were sold in 79 countries during financial year 2008/2009. 11 of them were new markets. The sales

strategy of servicing a wider geographical customer base continues to provide a buffer in the current challenging environment.

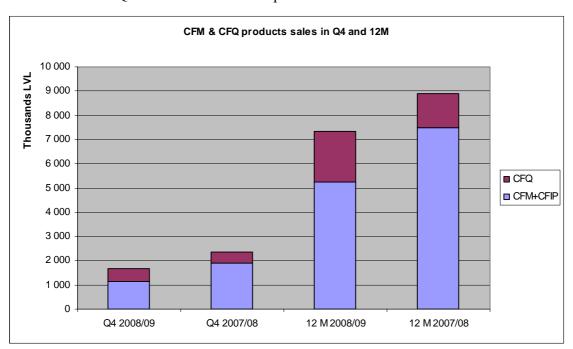
Chart 2. 12 months revenue breakdown comparative charts:





CFQ product sales increased on an annual basis and on a quarterly basis. The number of CFM products sold presents a steep reduction, but the sales of CFIP products from the CFM line family doubled in the fourth quarter of 2008/2009.

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



The consolidated net loss of the Group for the fourth quarter of financial year 2008/09 was 325 437 LVL (463 054 EUR).

The consolidated net loss of the Group for the financial year 2008/09 was 1 117 116 LVL (1 589 513 EUR). The net loss mainly reflects lower sales and falling margins due to a lack of funding for investments for SAF Tehnika's clients and increasing competition. The loss was notably impacted by allowances recorded for bad and doubtful trade receivables amounting to 245 thousand LVL (348 thousand EUR). This was due to information received about significant liquidity problems of the

company's clients in Russia (sales were originally made during the second half of 2008). An extraordinary item relating to the divestment of SAF Tehnika Sweden amounting to 249 354 LVL (354 799 EUR) was a further contributor.

Market overview

The Point to Point (P2P) wireless radio market in which SAF Tehnika operates is experiencing significant investment reductions, similar to the situation in general global business conditions. High price erosion continues in all markets and is primarily attributed to over-estimated end-product demand by manufacturers. Further business consolidation is expected. It is being speculated by the industry that falling market sales volumes are pushing the main telecommunication equipment producers to sell products at a manufacturing cost level. The trend is observed in recent tenders around the world, giving little chance for smaller players to currently remain profitable. This should result in situation that some more (uncompetitive) players will leave the marketplace this year.

Guidance

Even in such tough conditions SAF Tehnika continues to roll out new products from the CFIP family to satisfy customer needs for higher capacity products and recover reducing sales for CFM products. A solid financial condition (net cash rather than net debt) allows the Company to maintain general operations at their previous level and increase the sales team's local presence in all regions. The Company's focus will be the further development of sales activities in North America where significant sales growth is expected already in the first part of financial year 2009/2010 and Asia where Company has already established a solid local presence. There will be ongoing attention on the reduction of production expenses by looking for more efficient product design and improvement of internal processes with the goal to end financial year 2009/2010 with a profit.

The Group's net cash flow for the 12 month period of the financial year was a positive 675 640 LVL (961 349 EUR). The Group carried a net cash balance (excluding interest bearing liabilities) of 2 344 922 LVL (3 336 523 EUR) as of June 30, 2009.

On June 30, 2009 the Group employed 143 people. (161 people on June 30, 2008)

Consolidated balance sheet As of June 30, 2009

	Note	30.06.2009	30.06.2008	30.06.2009	30.06.2008
CURRENT ASSETS		LVL	LVL	EUR	EUR
Cash and bank		2 346 818	1 950 035	3 339 221	2 774 650
Customer receivables	1				
Accounts receivable		2 148 530	2 667 252	3 057 083	3 795 158
Allowance for uncollectible receivables		-402 118	-145 582	-572 162	-207 145
Total		1 746 412	2 521 670	2 484 920	3 588 013
Other receivables					
Other current receivables	2	50 722	15 423	72 171	21 945
Short-term loans given		885	885	1 259	1 259
Derrivative financial instruments		0	61	0	87
Total		51 607	16 369	73 430	23 291
Prepaid expenses					
Prepaid taxes	3	61 788	165 473	87 916	235 447
Other prepaid expenses		30 668	75 377	43 637	107 252
Total		92 456	240 850	131 554	342 699
Inventories	4				
Raw materials		362 440	551 421	515 706	784 601
Work-in-progress		1 566 728	1 843 850	2 229 253	2 623 562
Finished goods		623 742	500 143	887 505	711 639
Prepayments to suppliers		25 813	19 844	36 729	28 235
Total		2 578 723	2 915 258	3 669 192	4 148 037
TOTAL CURRENT ASSETS		6 816 016	7 644 182	9 698 317	10 876 691
NON-CURRENT ASSETS					
Long-term financial assets					
Deffered income tax		55 893	100 051	79 529	142 360
Other long-term receivable		590	590	839	839
Total		56 483	100 641	80 368	143 199
NON-CURRENT physical assets	5				
Plant and equipment		1 997 082	1 989 880	2 841 592	2 831 344
Other equipment and fixtures		1 168 142	1 168 838	1 662 116	1 663 108
Accumulated depreciation		-2 447 274	-2 174 023	-3 482 157	-3 093 356
Prepayments for noncurrent physical assets		0	23 282	0	33 127
Total		717 950	1 007 977	1 021 550	1 434 223
Intagible assets	6				
Purchased licenses, trademarks etc.		67 273	114 685	95 721	163 182
Goodwill		0	402 028	0	572 034
Prepayments for intangible assets		0	12 707	0	18 081
Total		67 273	529 420	95 721	753 297
TOTAL NON-CURRENT ASSETS		841 706	1 638 038	1 197 639	2 330 719
TOTAL ASSETS		7 657 722	9 282 220		13 207 409

Consolidated balance sheet As of June 30, 2009

LIABILITIES AND OWNERS' EQUITY	Note	30.06.2009	30.06.2008	30.06.2009	30.06.2008
CURRENT LIABILITIES		LVL	LVL	EUR	EUR
Debt obligations					
Short-term loans from financial institutons		1 896	5 159	2 698	7 341
Customer prepayments for goods and services		148 606	70 836	211 447	100 791
Accounts payable	7	538 133	876 787	765 694	1 247 556
Tax liabilities		54 615	114 585	77 710	163 040
Salary-related accrued expenses	8	200 234	317 169	284 907	451 291
Provisions for guarantees		21 054	0	29 957	0
Prepaid revenue	9	42 467	0	60 425	0
TOTAL CURRENT LIABILITIES		1 007 005	1 384 536	1 432 839	1 970 017
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		2 793 449	3 390 686	3 974 720	4 824 512
Net profit for the financial year		-1 117 116	-472 492	-1 589 513	-672 296
Currency translation reserve		0	5 106	0	7 265
TOTAL OWNERS' EQUITY		6 650 717	7 897 684	9 463 118	11 237 392
TOTAL LIABILITIES AND OWNERS' EQUITY		7 657 722	9 282 220	10 895 957	13 207 409

Consolidated Income Statement for 12 month of the financial year 2008/09

	Note	30.06.2009	30.06.2008	30.06.2009	30.06.2008
		LVL	LVL	EUR	EUR
Net sales	10	8 806 515	10 650 128	12 530 542	15 153 767
Other operating income		56 542	333 984	80 452	475 217
Total income		8 863 057	10 984 112	12 610 994	15 628 983
Direct cost of goods sold or services rendered		-5 924 783	-6 643 592	-8 430 207	-9 452 980
Marketing, advertising and public relations expenses	11	-657 664	-516 159	-935 772	-734 428
Bad receivables		-256 537	45 856	-365 019	65 247
Operating expenses	12	-688 875	-1 017 175	-980 181	-1 447 310
Salaries, bonuses and social expenses	13	-1 797 637	-2 545 420	-2 557 807	-3 621 806
Depreciation expense		-430 906	-608 961	-613 124	-866 473
Amortization of product Prototypes		0	-46 310	0	-65 893
Other expenses		-79 769	-28 495	-113 501	-40 543
Operating expenses		-9 836 171	-11 360 256	-13 995 609	-16 164 188
EBIT		-973 114	-376 144	-1 384 617	-535 205
Financial income (except ForEx rate difference)		83 479	31 282	118 780	44 510
Financial costs (except ForEx rate difference)		-4 163	-24 071	-5 923	-34 250
Foreign exchange +gain/(loss)		18 303	-66 163	26 043	-94 141
Financial items		97 619	-58 952	138 900	-83 881
Musta effective to allow the state of the st	-	240.254	0	25 4 700	
Write-off due to elamination of long-term investment	14	-249 354	0	-354 799	0
EBT		-1 124 849	-435 096	-1 600 515	-619 086
Corporate income tax		7 733	-37 396	11 003	-53 210
,					
Net profit		-1 117 116	-472 492	-1 589 513	-672 296

*Earnings per share EPS 30.06.2009. = -0.38 LVL (-0.54 EUR) EPS 30.06.2008. = -0.16 LVL (-0.23 EUR)

Consolidated Income Statement for Q4 of the financial year 2008/09

	30.06.2009	30.06.2008	30.06.2009	30.06.2008
	LVL	LVL	EUR	EUR
Net sales	1 957 029	2 907 762	2 784 601	4 137 373
Other operating income	51 718	187 566	73 588	266 882
Total income	2 008 747	3 095 328	2 858 189	4 404 255
Direct cost of goods sold or services rendered	-1 332 684			
Marketing, advertising and public relations expenses	-241 067	-192 323		-273 651
Bad receivables	-12 574	-7 128	-17 891	-10 142
Operating expenses	-173 723	-257 563	-247 186	-366 479
Salaries, bonuses and social expenses	-444 393	-651 356	-632 314	-926 796
Depreciation expense	-103 551	-138 353	-147 340	-196 859
Amortization of product Prototypes	0	-11 543	0	-16 424
Other expenses	-9 887	-13 640	-14 068	-19 408
Operating expenses	-2 317 879	-3 051 105	-3 298 045	-4 341 332
EBIT	-309 132	44 223	-439 855	62 924
Financial income (except ForEx rate difference)	28 126	20 643	40 020	29 372
Financial costs (except ForEx rate difference)	-431	-17	-613	-24
Foreign exchange +gain/(loss)	-51 733	23 063	-73 609	32 817
Financial items	-24 038	43 689	-34 202	62 164
EBT	-333 170	87 912	-474 057	125 088
Corporate income tax	7 733	-37 396	11 003	-53 210
•				
Net profit	-325 437	50 516	-463 054	71 878

*Earnings per share EPS 30.06.2009. = -0.11 LVL (-0.16 EUR) EPS 30.06.2008. = 0.02 LVL (0.03 EUR)

Consolidated cash flow statement for 12 months of the financial year 2008/09

	30.06.2009	30.06.2008	30.06.2008	30.06.2007
	LVL	LVL	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	579 947	2 858 960	825 190	4 067 934
Cash received from customers	9 329 801	10 448 042	13 275 112	14 866 225
Cash paid to suppliers and employees	-8 970 244	-7 904 627	-12 763 507	-11 247 271
Received tax	220 390	315 545	313 587	448 980
NET CASH USED IN INVESTING ACTIVITIES (of which)	49 925	-202 457	71 037	-288 070
Cash paid for purchasing non-current physical assets	-98 075	-237 879	-139 548	-338 471
Cash received from the sale of non-current physical assets	529	16 889	753	24 031
Cash received from other long-term investments	74 481	0	105 977	0
Interest received	72 990	18 533	103 855	26 370
NET CASH USED IN FINANCING ACTIVITIES (of which)	45 768	-1 020 133	65 122	-1 451 518
Repayment of short-term loans	-3 263	-1 462 257	-4 643	-2 080 604
Paid interest	-4 163	-24 002	-5 923	-34 152
Cash received from state	53 194	466 126	75 688	663 238
Effects of exchange rate changes	0	14 077	0	20 030
TOTAL CASH FLOW:	675 640	1 650 447	961 349	2 348 375
Cash and cash equivalents as at the beginning of period	1 671 178	299 588	2 377 872	426 275
Cash and cash equivalents as at the end of period	2 346 818	1 950 035	3 339 221	2 774 650
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	675 640	1 650 447	961 349	2 348 375

Statement of changes in consolidated equity for the 12 months period ended June 30 2009

	Share capital	Share premium	Currency translation reserve	Retained earnings	Total
	LVL	LVL	LVL	LVL	LVL
As at 30 June 2007	2 970 180	2 004 204	15 968	3 390 686	8 381 038
Currency translation difference	-	-	-10 862	-	-10 862
Profit for the year	-	-	-	-472 492	-472 492
As at 30 June 2008	2 970 180	2 004 204	5 106	2 918 194	7 897 684
Write-off due to elamination of long-term investment	-	-	-	-124 745	-124 745
Currency translation difference	-	-	-5 106	-	-5 106
Profit for the year	-	-	-	-1 117 116	-1 117 116
As at 30 June 2009	2 970 180	2 004 204	-	1 676 333	6 650 717

Statement of changes in consolidated equity for the 12 months period ended June 30 2009

	Share capital	Share premium	Currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
As at 30 June 2007	4 226 185	2 851 725	22 720	4 824 512	11 925 143
Currency translation difference	-	-	-15 455	-	-15 455
Profit for the year	-	-	-	-672 296	-672 296
As at 30 June 2008	4 226 185	2 851 725	7 265	4 152 216	11 237 392
Write-off due to elamination of long-term investment	-	-	-	-177 496	-177 496
Currency translation difference	-	-	-7 265	-	-7 265
Profit for the year	-	-	-	-1 589 513	-1 589 513
As at 30 June 2009	4 226 185	2 851 725		2 385 207	9 463 118

Notes for consolidated interim report

Note 1 Customer receivables

	30.06.2009	30.06.2008	30.06.2009	30.06.2008
	LVL	LVL	EUR	EUR
Accounts receivables Provisions for bad and doubtful accounts receivable	2 148 530	2 667 252	3 057 083	3 795 158
	(402 118)	(145 582)	(572 162)	(207 145)
10001.40.10	1 746 412	2 521 670	2 484 920	3 588 013

Additional allowances were recorded for bad and doubtful trade receivables amounting to 245 thousand LVL (348 thousand EUR) due to information received about client liquidity problems in Russia. The sales were made in the second half of 2008.

Note 2 Other current receivables

	30.06.2009	30.06.2008	30.06.2009	30.06.2008
	LVL	LVL	EUR	EUR
Other current receivables	50 722	15 423	72 171	21 945

The increase is mainly due to assigned, but not received co-financing from EU structural funds for the completed project "Participation of JSC "SAF Tehnika" in international telecommunication and information technology exhibitions - "CeBIT 2009" and "Sviaz ExpoComm 2009".

Note 3 Prepaid taxes

	30.06.2009 LVL	30.06.2008 LVL	30.06.2009 EUR	30.06.2008 EUR
Prepaid taxes	61 788	165 473	87 916	235 447
5 11 1 1 1 TYPE 4	0.4.4 1./ELID	1.40.1 1		

Prepaid taxes have decreased by LVL 104 thousand (EUR 148 thousand). This is mainly due to less paid advance Corporate Income tax and less VAT.

Note 4 Inventories

	30.06.2009 LVL	30.06.2008 LVL	30.06.2009 EUR	30.06.2008 EUR
Raw materials	540 074	786 448	768 456	1 119 014
Allowance for slow-moving items	(177 634)	$(235\ 027)$	(252750)	(334 413)
Work-in- progress	1 566 728	1 843 850	2 229 253	2 623 562
Finished goods	623 742	500 143	887 505	711 639
Prepayments to suppliers	25 813	19 844	36 729	28 235
	2 578 723	2 915 528	3 669 192	4 148 037

Inventories in comparison with the 12 month period of the previous financial year 2007/08 decreased by 12%. Current stock levels are deemed appropriate for present production volumes.

Note 5 Non-current physical assets

	30.06.2009 LVL	30.06.2008 LVL	30.06.2009 EUR	30.06.2008 EUR
Plant and equipment	1 997 082	1 989 880	2 841 592	2 831 344
Other equipment and fixtures	1 168 142	1 168 838	1 662 116	1 663 108
Accumulated depreciation	(2447274)	(2 174 023)	(3 482 157)	(3 093 356)
Prepayments for non-current physical assets	- -	23 282	-	33 127
	717 950	1 007 977	1 021 550	1 434 223

Decrease of the balance value of non current physical assets, in comparison with the 12 month period of the previous financial year 2007/08, is mainly due to accumulated depreciation.

Note 6 Intangible assets

Ü	30.06.2009 LVL	30.06.2008 LVL	30.06.2009 EUR	30.06.2008 EUR
Purchased licences, trademarks etc.	67 273	114 685	95 721	163 182
Goodwill	-	402 028	-	572 034
Prepayments for intangible assets		12 707	-	18 081
	67 273	529 420	95 721	753 297

There is no goodwill in the balance sheet as the Swedish subsidiary SAF Sweden was sold in November 2008.

Note 7 Accounts payable

	30.06.2009	30.06.2008	30.06.2009	30.06.2008
	LVL	LVL	EUR	EUR
Accounts payable	538 133	876 787	765 694	1 247 556

Note 8 Salary-related accrued expenses

	30.06.2009	30.06.2008	30.06.2009	30.06.2008
	LVL	LVL	EUR	EUR
Salary-related accrued expenses	200 234	317 169	284 907	451 291

Salary-related accrued expenses were lower as the number of employees has decreased. This is mainly due to the sale of the subsidiary SAF Tehnika Sweden in November, 2008.

Note 9 Prepaid revenue

	30.06.2009	30.06.2008	30.06.2009	30.06.2008
	LVL	LVL	EUR	EUR
Prepaid revenue	42 467	-	60 425	

Co-financing as advance payment received from EUREKA funds for a new product development project.

Note 10 Segment information

a) The Group's operations may currently be divided into two major structural units by product type – CFM (PDH) and CFQ (SDH) product lines. The new CFIP products belong to the CFM product type (super PDH). The structural units are used as a basis for providing information about the primary segments of the Group, i.e. business segments. Production, as well as research and development are organised and managed for each product line (CFM, CFQ) separately.

The CFM product line, or plesiochronous digital hierarchy radio equipment, is offered as a digital microwave radio communications system operating over 7, 8, 13, 15, 18, 23, 26, and 38 GHz frequency bands, as well as ensuring wireless point-to-point channels for digitalised voice and data transmission. CFM is available with 4, 8, 16, or 34 Mbps full-duplex data transmission rate.

CFIP radio is capable to provide up to 108Mbps of bit rate to all interfaces combined. This product family provides a perfect solution for a user looking for higher than PDH E3 capacity without need for STM-1 capacity. Apart from the full system capacity of 108Mbps, it is possible to configure the radio to any of 7 MHz, 14 MHz and 28MHz channel bandwidths.

The CFQ product line, or synchronous digital hierarchy radio equipment, is a digital point-to-point radio system providing high capacity (up to 155 Mbps) data transmission over frequency bands from 7 to 38 GHz. The product is generally exported to developed European countries where the demand for high capacity data transmission possibilities dominates.

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 2008/09 and financial year 2007/08.

	CF 2008/9	Q 2007/8	CF 2008/9	M 2007/8	Oth 2008/9	er 2007/8	To 2008/9	tal 2007/8
	LVL	LVL	LVL	LVL	LVL	LVL	LVL	LVL
Segment assets	1 385 792	1 349 690	3 223 325	4 880 449	439 315	658 257	5 048 432	6 888 396
Undivided assets							2 609 290	2 393 824
Total assets							7 657 722	9 282 220
Segment liabilities	214 239	256 586	520 349	824 736	116 626	180 124	851 214	1 261 446
Undivided liabilities							155 792	123 090
Total liabilities							1 007 005	1 384 536
Net sales	2 245 645	1 444 963	5 228 338	7 553 502	1 332 532	1 651 663	8 806 515	10 650 128
Segment results	305 183	-405 397	707 376	1 457 705	270 537	315 812	1 283 096	1 368 120
Undivided expenses							-2 312 752	-2 078 245
Profit from operations							-1 029 656	-710 125
Other income							56 542	334 203
Financial expenses, net							97 619	-59 174
Write-off due to elamination of long-term							0.40.05.4	•
investment Profit before taxes							-249 354 -1 124 849	-435 096
Corporate income tax							7 733	- 435 096 -37 396
'							-1 117 116	-472 492
Net profit							-1 117 116	-412 492
Other information								
intangible asets	23 955	1 302	65 683	94 206	0	210	89 638	95 718
Undivided additions							40 842	122 960
Total additions of property plant and equipment and intangible asets							130 480	218 678
Depreciation and amortization	24 785	101 864	238 255	352 045	1 292	3 213	264 332	457 122
Unaividea depreciation					0_		166 574	198 152
Total depreciation and amortization							430 906	655 274

	CFQ		CFM		Oth	er	Total	
	2008/9 EUR	2007/8 EUR	2008/9 EUR	2007/8 EUR	2008/9 EUR	2007/8 EUR	2008/9 EUR	2007/8 EUR
Segment assets Undivided assets	1 971 804	1 920 436	4 586 378	6 944 253	625 088	936 615	7 183 270 3 712 687	9 801 305 3 406 104
Total assets							10 895 957	13 207 409
Segment liabilities Undivided liabilities	304 835	365 089	740 390	1 173 494	165 944	256 293	1 211 168 221 671	1 794 876 175 141
Total liabilities							1 432 839	1 970 017
Net sales Segment results Undivided expenses Profit from operations	3 195 265 434 236	2 055 997 -576 828	7 439 255 1 006 505	10 747 665 2 074 127	1 896 022 384 939	2 350 105 449 361	12 530 542 1 825 681 -3 290 749 -1 465 068	15 153 767 1 946 659 -2 957 076 -1 010 417
Other income Financial expenses, net Write-off due to elamination of long-term							80 453 138 899	475 528 -84 197
investment							-354 799	0
Profit before taxes							-1 600 516	-619 086 -53 210
Corporate income tax Net profit							-1 589 513	-672 296
Other information								
Additions of property plant and equipment and intangible asets Undivided additions	34 085	1 853	93 458	134 043	0	299	127 543 58 113	136 194 174 956
Total additions of property plant and equipment and intangible asets							185 656	311 150
Depreciation and amortization unaivided depreciation	35 266	144 939	339 006	500 915	1 838	4 572	376 111 237 013	650 426 281 945
Total depreciation and amortization							613 124	932 371

b) This note provides information about division of the Group's turnover and assets by geographical regions (customer location) for 12 month of the financial year 2008/09 and financial year 2007/08.

	Net s	ales	Assets		Assets Net sales		Assets	
•	2008/9	2007/8	30.06.2009	30.06.2008	2008/9	2007/8	30.06.2009	30.06.2008
	LVL	LVL	LVL	LVL	EUR	EUR	EUR	EUR
Asia	1 136 468	2 072 583	454 728	113 757	1 617 049	2 949 020	647 020	161 862
America	1 339 548	1 598 122	337 145	503 111	1 906 005	2 273 923	479 714	715 862
Africa	1 371 203	1 084 962	158 600	86 592	1 951 046	1 543 762	225 667	123 209
Europe	2 585 393	2 625 372	652 917	482 207	3 678 682	3 735 568	929 017	686 119
CIS	1 709 801	2 640 707	98 195	526 660	2 432 827	3 757 388	139 719	749 370
Middle East	664 103	628 382	44 827	809 343	944 933	894 107	63 783	1 151 592
	8 806 515	10 650 128	1 746 412	2 521 670	12 530 542	15 153 767	2 484 920	3 588 013
Unallocatted assets		_						
_	-	<u>-</u>	5 911 310	6 760 550		<u>-</u>	8 411 037	9 619 396
•	8 806 515	10 650 128	7 657 722	9 282 220	12 530 542	15 153 767	10 895 957	13 207 409

<i>Note 11</i> M:	arketing, a	dvert	tising ar	nd public	relations exp	oenses		
					30.06.2009 LVL	30.06.2008 LVL	30.06.2009 EUR	30.06.2008 EUR
Marketing, expenses	advertising	and	public	relations	(657 664)	(516 159)	(935 772)	(734 428)

Note 12 Operating expenses

	30.06.2009	30.06.2008	30.06.2009	30.06.2008
	LVL	LVL	EUR	EUR
Operating expenses	(688 875)	(1 017 175)	(980 181)	(1 447 310)

The main decrease in operating expenses, in comparison with the 12 month period of the previous financial year 2007/08, was due to the sale of SAF Tehnika Sweden in November 2008 and decreased travel, IT, and office –related expenses.

Note 13 Salaries, bonuses and social expenses

,	30.06.2009	30.06.2008	30.06.2009	30.06.2008
	LVL	LVL	EUR	EUR
Salaries, bonuses and social expenses	(1 797 637)	(2 545 420)	(2 557 807)	(3 621 806)

Salaries, bonuses and social expenses, in comparison with the 12 month period of the previous financial year 2007/08 have decreased by 29% mainly due to decreased employee headcount and decreased bonus amounts.

Note 14 Write-off due to elimination of long-term investment

17016 17 Wille-on due to chimilation of ion	30.06.2009	30.06.2008	30.06.2009	30.06.2008
	LVL	LVL	EUR	EUR
Write-off due to elimination of long-term investment	(249 354)	-	(354 799)	-

The impact on the Parent company's Income Statement from the divestment of SAF Tehnika Sweden is a LVL 249 354 (354 799 EUR) loss.