SAF Tehnika A/S
Consolidated Interim Report
for 6 month of financial year 2007/08

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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: low to medium capacity radio links PDH (up to 34 Mbps) and high capacity radio links SDH(up to 155 Mbps). The complete product range offers solutions to mobile network operators, data service providers, 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. Through the acquisition of Viking Microwave AB on June 1, 2004, SAF Tehnika has considerably improved its R&D capacity.

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 Riga Stock Exchange.

Legal address:	Ganibu Dambis 24a Riga, LV – 1005 Latvia
Commercial Registry Nr.:	40003474109
VAT Registry Nr.:	LV40003474109
Beginning of financial year:	01.07.2007
End of financial year:	30.06.2008
Phone:	+371 7046840
Fax:	+ 371 7046809
E-mail:	info@saftehnika.com

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Aira Loite,

CFO, Member of the Management Board

February 6, 2008

Share and Shareholdings

SAF Tehnika shareholders (over 5%) as of 25.09.2007

Name	Ownership interest (%)
Hansapank AS Clients Account	24.41%
Didzis Liepkalns	17.05%
Skandinaviska Enskilda Banken AB Clients Account	10.47%
Andrejs Grišāns	10.03%
Normunds Bergs	9.74%
Juris Ziema	8.71%
Vents Lācars	6.08%

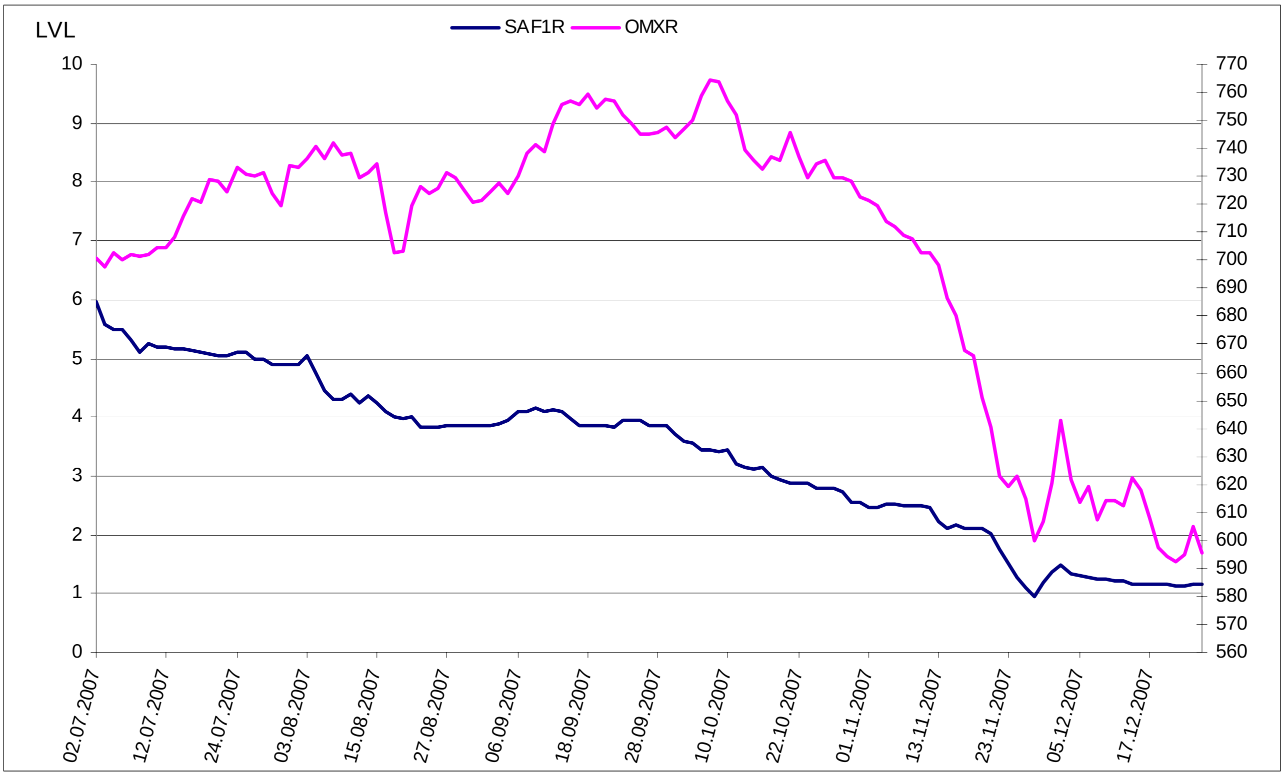
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (**SAF1R**)

Period: **2007-07-01 - 2007-12-31**

Currency: **LVL**

Marketplace: **RSE**



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	
Aleksis Orlovs*	Member	
Aira Loite**	Member	

* Board member till October 31, 2007

** Board member from November 1, 2007

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 A/S. Mr. Bergs is one of the founders of SIA Fortech (co-founding company of SAF Tehnika A/S) 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 A/S and a member of the Management Board of AS Microlink. From 1992 to 1999, Mr. Bergs worked for World Trade Centre Riga, where he was holding 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. Since 1998, he has been a lecturer at the Riga Business School.

Didzis Liepkalns,

Didzis Liepkalns, born in 1962, co-founded the Company in 2000 and serves as Deputy Chairman of the Board and Technical Director. Mr. Liepkalns graduated from the Riga Technical University with a degree in radio engineering in 1985.

Jānis Ennitis

Janis Ennitis is a Board Member 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. Mr. 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 is Member of the Board and Chief Financial Officer of SAF Tehnika AS since November 1st, 2007. Prior to joining the Company , Aira Loite worked from April 2006 to October 2007 for SIA Lattelecom – initially as the Corporate Management Director, but after February 2007 as the Director of Corporate Information and Control Unit. A. Loite was a Board Member and the Manager of Finance and Administration Department at SIA Microlink Latvia from October 2000 to March 2006. Within the period from March 2004 to October 2005 she simultaneously performed the duties of the CFO for Microlink Group. A. Loite has higher education in mathematics (University of Latvia, 1983-1988) and she is presently studying at Riga International School of Economics and Business Administration within Salford MBA program.

Aleksis Orlovs , was Board Member and Chief Financial Officer till November 1st, 2007. He left SAF Tehnika on November, 30 2007.

Information on professional and educational background of the supervisory board members

Vents Lācars,

Vents Lācars, born in 1968, is a Member of the Supervisory Council and Sales and Marketing Director of SAF Tehnika A/S. Before co-founding the Company, from 1992 to 2000, he worked in SIA Fortech, where throughout his career he held positions of programmer, lead programmer, project manager in the networking department and networking department manager. Mr. Lācars graduated from the University of Latvia with a degree in physics and mathematics in 1994.

Juris Ziema,

Juris Ziema, born in 1964, co-founder of the Company, is a Member of the Supervisory Council and Production Department Manager. From 1998 to 2000 he worked as an engineer at D. Liepkalns private enterprise SAF. From 1987 to 1999 Mr. Ziema served as an engineer at the Institute of Electronic Engineer and Computer Science. Mr. Ziema received a degree in radio engineering from the Riga Technical University in 1987

Andrejs Grišāns

Andrejs Grišāns, born in 1957, co-founder of the Company, is a Member of the Supervisory Council. Prior to joining the Company, he owned and managed a private company specializing in electronic equipment engineering, production and distribution. From 1992 to 1999, Mr. Grišāns was involved in entrepreneurial activities in the field of radio engineering. He served as engineer-constructor at the Institute of Polymer Mechanics from 1984 to 1992 and in SIA Orbita from 1980 to 1984. Mr. Grišāns graduated from the Riga Technical University with a degree in radio engineering in 1980.

Ivars Šenbergs

Ivars Šenbergs, born in 1962, is a Member of the Supervisory Council. From November 2004, Member of the Board of SIA „Juridiskais Audits" and Chairman of the Board of SIA „Namīpašumu pārvalde". From 1999 until 2000 worked as SIA „Fortek" Finance and Administrative Director. Graduated Law Faculty of University of Latvia.

Jānis Bergs

Janis Bergs, born in 1970, is a Member of the Supervisory Council. Currently is the Chairman of Management Board of SIA FMS. Former acted as Chairman of the Management Board of SIA „Fortech", later Chairman of the management Board of Mirolink Group. In 2004 elected in the Management 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 31 December 2007 and the results of its operations and cash flows for the 6 month period ended 31 December 2007.

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, 2007. 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 A/S 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 are operating (Latvia and Sweden).

The consolidated 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

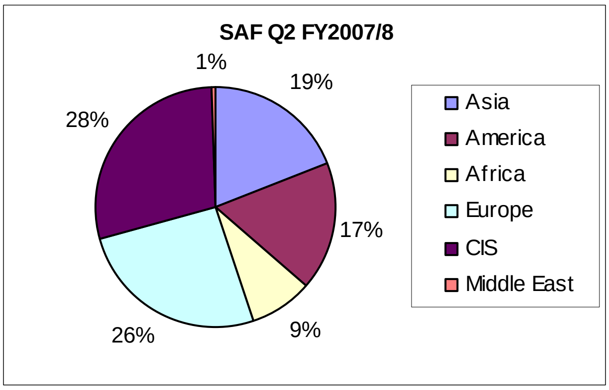
CFO, Member of the Management Board

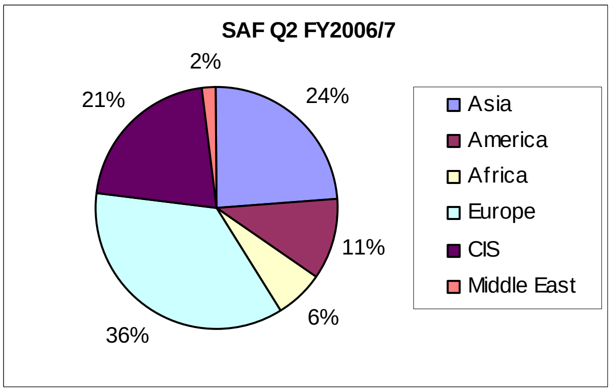
Management Report

The Group's consolidated non-audited net sales for the second quarter of financial year 2007/08 were 2 481 219 LVL (3 530 457 EUR) representing 64% of revenues during the same quarter of the previous financial year. This largely reflects lower sales activity in Asia, the Middle East and Europe. All other regions retained levels seen during the previous year. Lower than expected sales results came from China and selected EU countries, as additional orders were not forthcoming. The largest growth was achieved in Nigeria and Argentina.
The number of tenders SAF Tehnika is competing in has increased on a year on year basis. This is a meaningful development, for it is a result of the Group being invited to compete in a larger number of tenders.

No marked change in volatility nor visibility of order flows has been noted during the reporting period.

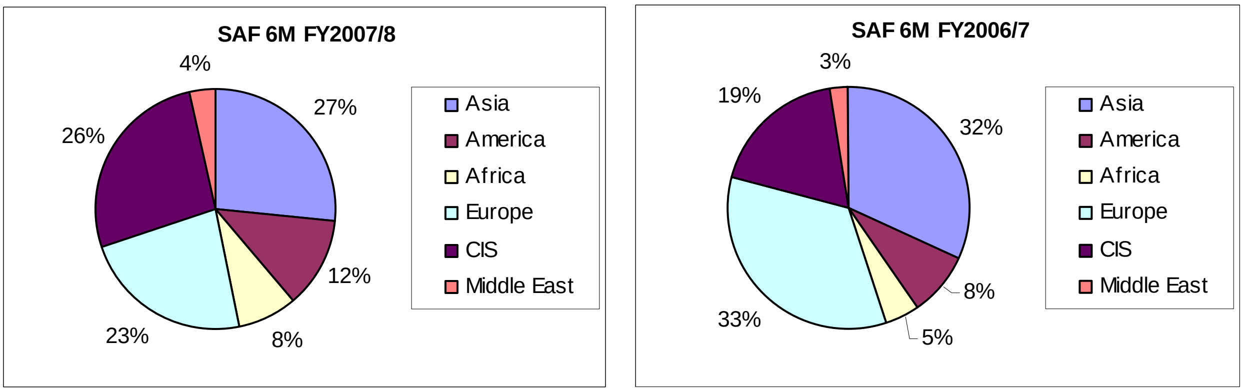
Chart 1. Quarter 2 revenue breakdown comparative charts:





The Group's consolidated non-audited net sales for the first half year of the current financial year 2007/08 were 5 638 086 LVL (8 022 274 EUR), representing 72% of revenues during the same period of the previous financial year. This predominantly reflects lower activity in the largest regions: Asia and Europe. All other regions showed minor year on year growth. The largest sales were within Asian and CIS countries (as well as Russia).

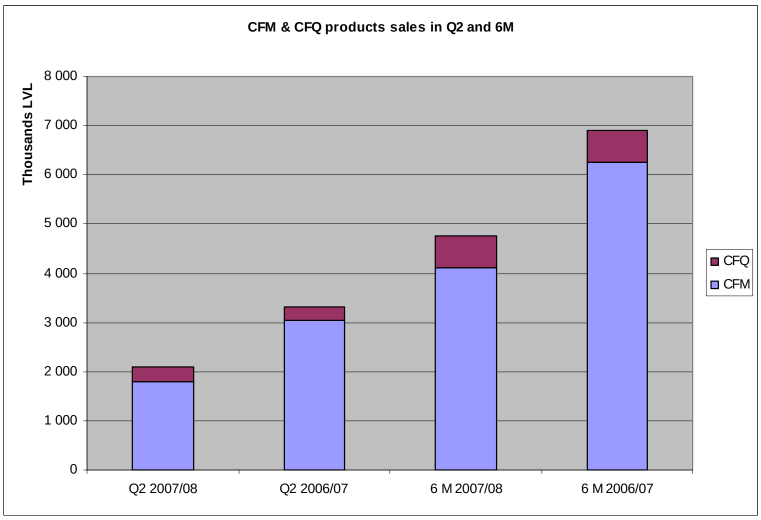
Chart 2. 6 months revenue breakdown comparative charts:



The CFQ product line (SDH) sales for the second quarter were 7% of the Group's total sales with the main destination being Europe. The quantity of CFQ products sold has grown by 14%, while CFM sales have decreased by 41% compared with the prior corresponding period.

SAF Tehnika's CFQ product range has been widened with a new product in the CFQ (SDH) family in order to improve the competitiveness of this product line.

Chart 3. Quarter 2 and 6M product sales breakdown.



The Group's consolidated financial results for the second quarter of financial year 2007/8 were a net loss amounting to 309 984 LVL (441 067 EUR), compared with a net profit of 267 455 LVL (380 554 EUR) during the previous corresponding period. This is the result of comparatively low sales levels during the second quarter and some gross margin erosion.

Market overview

Volume growth continues to be seen in higher capacity products. Profitability challenges are being faced by non-US producers and those from non-dollar linked countries due to the weakness in the US dollar. Henceforth manufacturers from other than the US, South American countries and China are particularly implicated when selling into the above markets.

Guidance:

The results of the first 6 months of the financial year and current sales forecasts for the second half of the year somewhat decrease the probability to reach the Company's aim to exceed last year's revenue forecast by 10%, as previously flagged. In consideration of factors such as economies of scale and new product launches, the Group has therefore placed its main management focus on such activities (including cost-cutting) in the second half of the year.

On December 31, 2007 the Group employed 169 people (on December 31, 2006 - 187) . The main decrease in comparison with year before is in production workforce.

Consolidated balance sheet

ASSETS	Note	31.12.2007	31.12.2006	31.12.2007	31.12.2006
CURRENT ASSETS		**LVL**	**LVL**	**EUR**	**EUR**
Cash and bank		**671 442**	**246 207**	**955 376**	**350 321**
Customer receivables	**1**				
Accounts receivable		3 127 480	2 168 188	4 450 003	3 085 054
Allowance for uncollectible receivables		-220 995	-136 254	-314 448	-193 872
Total		**2 906 485**	**2 031 934**	**4 135 556**	**2 891 182**
Other receivables					
Other current receivables		996	15 581	1 417	22 170
Short-term loans given		885	1 076	1 259	1 531
Total		**1 881**	**16 657**	**2 676**	**23 701**
Prepaid expenses	**2**				
Prepaid taxes		140 672	566 314	200 158	805 792
Other prepaid expenses		97 801	294 060	139 158	418 410
Total		**238 473**	**860 374**	**339 317**	**1 224 202**
Inventories	**3**				
Raw materials		1 214 176	2 262 554	1 727 617	3 219 324
Work-in-progress		2 386 499	3 095 199	3 395 682	4 404 071
Finished goods		516 825	715 504	735 376	1 018 070
Prepayments to suppliers		2 910	44 248	4 141	62 959
Total		**4 120 410**	**6 117 505**	**5 862 815**	**8 704 425**
TOTAL CURRENT ASSETS		**7 938 691**	**9 272 677**	**11 295 739**	**13 193 832**
NON-CURRENT ASSETS					
Long-term financial assets					
Deffered income tax		136 743	167 246	194 568	237 970
Other long-term receivable		590	62 099	839	88 359
Total		**137 333**	**229 345**	**195 407**	**326 329**
NON-CURRENT physical assets	**4**				
Plant and equipment		2 024 531	2 015 336	2 880 648	2 867 565
Other equipment and fixtures		1 184 337	942 968	1 685 160	1 341 723
Accumulated depreciation		-1 989 695	-1 637 858	-2 831 081	-2 330 462
Prepayments for noncurrent physical assets		0	136 635	0	194 414
Total		**1 219 173**	**1 457 081**	**1 734 727**	**2 073 239**
Intagible assets					
Purchased licenses, trademarks etc.		129 757	114 435	184 628	162 826
Goodwill		423 274	497 293	602 265	707 584
Prepayments for intangible assets		45 588	47 138	64 866	67 071
Total		**598 619**	**658 866**	**851 758**	**937 482**
TOTAL NON-CURRENT ASSETS		**1 955 125**	**2 345 292**	**2 781 892**	**3 337 050**
TOTAL ASSETS		**9 893 816**	**11 617 969**	**14 077 632**	**16 530 881**

Consolidated balance sheet

	Note	31.12.2007	31.12.2006	31.12.2007	31.12.2006
LIABILITIES AND OWNERS' EQUITY		**LVL**	**LVL**	**EUR**	**EUR**
CURRENT LIABILITIES					
Debt obligations					
Short-term loans from financial institutons	**5**	147 532	497 324	209 919	707 628
Derivative financial instruments		14 870	924	21 158	1 315
Total		**162 402**	**498 248**	**231 077**	**708 943**
Customer prepayments for goods and services		**19 576**	**1 731**	**27 854**	**2 463**
Accounts payable	**6**	**554 129**	**1 202 468**	**788 455**	**1 710 958**
Tax liabilities		**101 208**	**123 700**	**144 006**	**176 009**
Salary-related accrued expenses		**302 330**	**462 822**	**430 177**	**658 536**
Provisions					
Other provisions	**7**	547 856	303 367	779 529	431 652
Total		**547 856**	**303 367**	**779 529**	**431 652**
Prepaid revenue	**8**	39 171	0	55 735	0
TOTAL CURRENT LIABILITIES		**1 726 672**	**2 592 336**	**2 456 833**	**3 688 562**
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**
Restricted personnel incentive shares				**0**	**0**
Retained earnings		**3 390 686**	**3 231 104**	**4 824 512**	**4 597 447**
Net profit for the financial year		**-197 945**	**791 319**	**-281 650**	**1 125 945**
Currency translation reserve		**19**	**28 826**	**27**	**41 016**
TOTAL OWNERS' EQUITY		**8 167 144**	**9 025 633**	**11 620 800**	**12 842 319**
TOTAL LIABILITIES AND OWNERS' EQUITY		**9 893 816**	**11 617 969**	**14 077 632**	**16 530 881**

Consolidated Income Statement for 6 months of the financial year 2007/08

	Note	31.12.2007	31.12.2006	31.12.2007	31.12.2006
		LVL	LVL	EUR	EUR
Net sales	9	5 638 086	7 866 928	8 022 274	11 193 630
Other operating income	10	139 957	16 381	199 141	23 308
Total income		**5 778 043**	**7 883 309**	**8 221 415**	**11 216 938**
Direct cost of goods sold or services rendered		-3 609 546	-4 238 909	-5 135 921	-6 031 424
Marketing, advertising and public relations expenses	11	-181 997	-379 347	-258 958	-539 762
Bad receivables		-29 557	83 463	-42 056	118 757
Operating expenses		-520 164	-594 897	-740 127	-846 462
Salaries, bonuses and social expenses		-1 230 504	-1 407 132	-1 750 849	-2 002 168
Depreciation expense		-298 483	-281 802	-424 703	-400 968
Amortization of product Prototypes		-23 280	-16 364	-33 124	-23 284
Other expenses		-12 586	-12 211	-17 908	-17 375
Operating expenses		**-5 906 117**	**-6 847 199**	**-8 403 647**	**-9 742 686**
EBIT		**-128 074**	**1 036 110**	**-182 233**	**1 474 252**
Financial income (except ForEx rate difference)		7 046	4 951	10 026	7 045
Financial costs (except ForEx rate difference)		-23 708	-38 617	-33 733	-54 947
Foreign exchange +gain/(loss)		-53 209	-75 875	-75 712	-107 960
Financial items		**-69 871**	**-109 541**	**-99 418**	**-155 863**
EBT		**-197 945**	**926 569**	**-281 650**	**1 318 389**
Provision for taxes		0	-135 250	0	-192 444
Net profit		**-197 945**	**791 319**	**-281 650**	**1 125 945**

*Earnings per share
EPS 31.12.2007. = -0.07 LVL (-0.09 EUR)
EPS 31.12.2006. = 0.27 LVL (0.38 EUR)

Consolidated Income Statement for Q2 of the financial year 2007/08

	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	LVL	LVL	EUR	EUR
Net sales	2 481 219	3 855 250	3 530 457	5 485 527
Other operating income	131 629	10 723	187 291	15 257
Total income	**2 612 848**	**3 865 973**	**3 717 748**	**5 500 784**
Direct cost of goods sold or services rendered	-1 597 165	-2 056 819	-2 272 561	-2 926 590
Marketing, advertising and public relations expenses	-73 781	-176 771	-104 981	-251 522
Bad receivables	-76 343	38 609	-108 626	54 936
Operating expenses	-309 905	-328 535	-440 955	-467 463
Salaries, bonuses and social expenses	-676 245	-816 774	-962 210	-1 162 165
Depreciation expense	-155 485	-135 499	-221 235	-192 798
Amortization of product Prototypes	-11 626	-8 423	-16 542	-11 985
Other expenses	-4 193	-5 414	-5 966	-7 703
Operating expenses	**-2 904 743**	**-3 489 626**	**-4 133 077**	**-4 965 291**
EBIT	**-291 895**	**376 347**	**-415 329**	**535 494**
Financial income (except ForEx rate difference)	5 137	2 271	7 309	3 231
Financial costs (except ForEx rate difference)	-4 463	-31 056	-6 350	-44 189
Foreign exchange +gain/(loss)	-41 399	-46 905	-58 905	-66 741
Financial items	**-40 725**	**-75 690**	**-57 947**	**-107 697**
EBT	**-332 620**	**300 657**	**-473 276**	**427 795**
Provision for taxes	22 636	-33 202	32 208	-47 242
Net profit	**-309 984**	**267 455**	**-441 067**	**380 554**

*Earnings per share
EPS 31.12.2007. = -0.10 LVL (-0.15 EUR)
EPS 31.12.2006. = 0.09 LVL (0.13 EUR)

Consolidated cash flow statement for 6 months of the financial year 2007/08

	31.12.2007	31.12.2006	30.06.2006.	30.06.2005.
	LVL	LVL	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	**1 560 538**	**521 328**	**2 220 445**	**741 783**
Cash received from customers	5 024 311	8 869 916	7 148 950	12 620 753
Cash paid to suppliers and employees	-3 749 924	-8 348 588	-5 335 661	-11 878 971
Paid income tax	286 151	0	407 156	0
NET CASH USED IN INVESTING ACTIVITIES (of which)	**-166 698**	**-897 756**	**-237 189**	**-1 277 391**
Cash paid for purchasing non-current physical assets	-182 540	-877 820	-259 731	-1 249 025
Cash received from the sale of non-current physical assets	12 617	16 378	17 952	23 304
Loans given	0	-44 458	0	-63 258
Interest received	3 225	8 144	4 589	11 588
NET CASH USED IN FINANCING ACTIVITIES (of which)	**-1 010 386**	**-631 289**	**-1 437 650**	**-898 243**
Repayment of short-term loans	-1 319 884	0	-1 878 026	0
Paid interest	-23 649	-37 253	-33 649	-53 006
Dividends paid	0	-594 036	0	-845 237
Cash received from ERAF subsidies	333 147	0	474 025	0
Effects of exchange rate changes	**-11 600**	**9 291**	**-16 505**	**13 219**
TOTAL CASH FLOW:	**371 854**	**-998 426**	**529 101**	**-1 420 632**
Cash and cash equivalents as at the beginning of period	299 588	1 244 633	426 275	1 770 953
Cash and cash equivalents as at the end of period	671 442	246 207	955 376	350 321
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	**371 854**	**-998 426**	**529 101**	**-1 420 632**

Statement of changes in consolidated equity for the 6 months period ended December 31 2007

	Share capital	Share premium	Currency translation rezerves	Retained earnings	Total
	Ls	Ls	Ls	Ls	Ls
As at 30 June 2006	**2 970 180**	**2 004 204**	**-5 544**	**3 825 140**	**8 793 980**
Issue of share capital	-	-	-	-	**-**
Costs of issue of share capital	-	-	-	-	**-**
Dividend relating to 2005/2006	-	-	-	-594 036	**-594 036**
Allocation of profit	-	-	-	-	**-**
Currency translation difference	-	-	21 512	-	**21 512**
Profit for the year	-	-	-	159 582	**159 582**
As at 30 June 2007	**2 970 180**	**2 004 204**	**15 968**	**3 390 686**	**8 381 038**
Cancelation of personnel incentive shares	-	-	-	-	**-**
Costs of issue of share capital	-	-	-	-	**-**
Dividend relating to 2006/2007	-	-	-	-	**0**
Allocation of profit	-	-	-	-	**-**
Currency translation difference	-	-	-15 949	-	**-15 949**
Profit for the year	-	-	-	-197 945	**-197 945**
As at 31 December 2007	**2 970 180**	**2 004 204**	**19**	**3 192 741**	**8 167 144**

Statement of changes in consolidated equity for the 6 months period ended December 31 2007

	Share capital	Share premium	Currency translation rezerves	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
As at 30 June 2006	**4 226 185**	**2 851 725**	**-7 888**	**5 442 684**	**12 512 706**
Issue of share capital	-	-	-	-	-
Costs of issue of share capital	-	-	-	-	**0**
Dividend relating to 2005/2006	-	-	-	-845 237	**-845 237**
Allocation of profit	-	-	-	-	-
Currency translation difference	-	-	30 609	-	**30 609**
Profit for the year	-	-	-	227 065	**227 065**
As at 30 June 2007	**4 226 185**	**2 851 725**	**22 720**	**4 824 512**	**11 925 143**
Cancelation of personnel incentive shares	-	-	-	-	-
Costs of issue of share capital	-	-	-	-	-
Dividend relating to 2006/2007	-	-	-	-	-
Allocation of profit	-	-	-	-	-
Currency translation difference	-	-	-22 693	-	**-22 693**
Profit for the year	-	-	-	-281 650	**-281 650**
As at 31 December 2007	**4 226 185**	**2 851 725**	**27**	**4 542 862**	**11 620 799**

Note 1 Customer receivables

	31.12.2007 Ls	31.12.2006. Ls	31.12.2007 EUR	31.12.2006. EUR
Accounts receivables	3 127 480	2 168 188	4 450 003	3 085 054
Provisions for bad and doubtful accounts receivable	-220 995	-136 254	-314 448	-193 872
	2 906 485	**2 031 934**	**4 135 556**	**2 891 182**

Accounts receivable increased in comparison with the year before as the Group ceased discounting Letters of Credit as overdraft rates are more favourable. Working capital is deemed sufficient. Provisions for bad and doubtful accounts receivable increased as particular customers have not paid their overdue debts. Competition in the telecommunication market continues to see customers pressuring for longer payment terms.

Note 2 Prepaid expenses

	31.12.2007 Ls	31.12.2006. Ls	31.12.2007 EUR	31.12.2006. EUR
Prepaid taxes	140 672	566 314	200 158	805 792
Other prepaid expenses	97 801	294 060	139 158	418 410
	238 473	**860 374**	**339 317**	**1 224 202**

Prepaid expenses have decreased in comparison with the 6 month period of the previous financial year 2006/07 mainly due to redeemed (pre-paid) corporate income tax of LVL 286 151 (EUR 407 156).

Note 3 Inventories

	31.12.2007 Ls	31.12.2006. Ls	31.12.2007 EUR	31.12.2006. EUR
Raw materials	1 214 176	2 262 554	1 727 617	3 219 324
Work-in- progress	2 386 499	3 095 199	3 395 682	4 404 071
Finished goods	516 825	715 504	735 376	1 018 070
Prepayments to suppliers	2 910	44 248	4 141	62 959
	4 120 410	**6 117 505**	**5 862 815**	**8 704 425**

Inventory decreased by 33% in comparison with the 6 month period of the previous financial year 2006/07, reflecting lower production volumes, consumption of earlier purchased components in the production process and optimised purchase procedures.

Note 4 Non-current physical assets

	31.12.2007 Ls	31.12.2006. Ls	31.12.2007 EUR	31.12.2006. EUR
Plant and equipment	2 024 531	2 015 336	2 880 648	2 867 565
Other equipment and fixtures	1 184 337	942 968	1 685 160	1 341 723
Accumulated depreciation	-1 989 695	-1 637 858	-2 831 081	-2 330 462
Prepayments for non-current physical assets	0	136 635	0	194 414
	1 219 173	**1 457 081**	**1 734 727**	**2 073 239**

Note 5 Short-term loans from financial institutions

	31.12.2007 Ls	31.12.2006. Ls	31.12.2007 EUR	31.12.2006. EUR
Short-term loans from financial institutions	**147 532**	**497 324**	**209 919**	**707 628**

On February 21, 2007, the Group signed an amendment to the multi-currency credit line agreement with Nordea bank Finland Plc Latvian branch for a total amount of 5M EUR. The interest rate is equivalent to the respective overnight interbank rate plus a margin of 85 basis points.

Note 6 Accounts payable

	31.12.2007 Ls	31.12.2006. Ls	31.12.2007 EUR	31.12.2006. EUR
Accounts payable	**554 129**	**1 202 468**	**788 455**	**1 710 958**

Accounts payable, in comparison with the 6 month period of the previous financial year 2006/07, decreased due to optimised purchase procedures and lower turnover.

Note 7 Provisions

	31.12.2007 Ls	31.12.2006. Ls	31.12.2007 EUR	31.12.2006. EUR
Slow moving items	**547 856**	**303 367**	**779 529**	**431 652**

Provisions, in comparison with the 6 month period of the previous financial year 2006/7, increased due to slow moving items as a result of a production decrease and slower utilisation of previously purchased items, sales portfolio diversification and new market entry.

Note 8 Prepaid revenue

	31.12.2007 Ls	31.12.2006. Ls	31.12.2007 EUR	31.12.2006. EUR
Prepaid revenue	39 171	-	55 735	-

Prepaid revenue of LVL 39 171 (EUR 55 735) was received in connection with an EU/Government grant.

Note 9 Segment information

a) The Group's operations may be divided into two major structural units by product type –CFM (PDH) and CFQ (SDH) product lines. These 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 and 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.

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 from 7 to 38 GHz frequency bands. The product is basically exported to developed European countries where the demand for high capacity data transmission possibilities is dominating.

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 2007/08 and financial year 2006/07.

	CFQ		CFM		Other		Total	
	2007/8 Ls	2006/7 Ls	2007/8 Ls	2006/7 Ls	2007/8 Ls	2006/7 Ls	2007/8 Ls	2006/7 Ls
Segment assets	**1 457 810**	**1 576 961**	**6 287 420**	**8 011 121**	**794 804**	**585 230**	**8 540 034**	**10 173 312**
Undivided assets							**1 353 782**	**1 444 657**
Total assets							**9 893 816**	**11 617 969**
Segment liabilities	**187 084**	**265 085**	**554 950**	**1 129 986**	**108 294**	**176 864**	**850 328**	**1 571 935**
Undivided liabilities							**876 344**	**1 020 401**
Total liabilities							**1 726 672**	**2 592 336**
Net sales	680 417	651 925	4 122 541	6 367 392	835 128	847 611	5 638 086	7 866 928
Segment results	**-165 465**	**-209 018**	**797 079**	**2 298 588**	**127 168**	**188 789**	**758 782**	**2 278 359**
Undivided expenses							-1 026 813	-1 258 630
Profit from operations							**-268 031**	**1 019 729**
Other income							139 957	16 381
Financial expenses, net							-69 871	-109 541
Profit before taxes							**-197 945**	**926 569**
Corporate income tax							0	-135 250
Net profit							**-197 945**	**791 319**
Other information								
Additions of property plant and	964	35 306	71 341	569 613	0	2 133	72 305	607 052
Undivided additions							25 557	
Total additions of property plant and equipment and intangible asets							**97 862**	**607 052**
Depreciation and amortization	50 082	87 645	166 290	107 855	4 150	1 675	220 522	197 175
Undivided depreciation							101 241	100 991
Total depreciation and amortization							**321 763**	**298 166**

	CFQ		CFM		Other		Total	
	2007/8 EUR	2006/7 EUR	2007/8 EUR	2006/7 EUR	2007/8 EUR	2006/7 EUR	2007/8 EUR	2006/7 EUR
Segment assets	2 074 277	2 243 813	8 946 193	11 398 798	1 130 903	832 707	12 151 374	14 475 319
Undivided assets							1 926 258	2 055 562
Total assets							**14 077 632**	**16 530 881**
Segment liabilities	266 197	377 182	789 623	1 607 825	154 088	251 655	1 209 908	2 236 662
Undivided liabilities							1 246 925	1 451 900
Total liabilities							**2 456 833**	**3 688 562**
Net sales	968 146	927 606	5 865 847	9 059 983	1 188 280	1 206 042	8 022 274	11 193 630
Segment results	**-235 435**	**-297 406**	**1 134 141**	**3 270 596**	**180 944**	**268 624**	**1 079 650**	**3 241 813**
Undivided expenses							-1 461 023	-1 790 869
Profit from operations							**-381 374**	**1 450 944**
Other income							199 141	23 308
Financial expenses, net							-99 417	-155 863
Profit before taxes							**-281 650**	**1 318 389**
Corporate income tax							0	-192 443
Net profit							**-281 650**	**1 125 945**
Other information								
Additions of property plant and equipment and intangible asets	1 372	50 236	101 509	810 486	0	3 035	102 881	863 757
Undivided additions							36 364	0
Total additions of property plant and equipment and intangible asets							**139 245**	**863 757**
Depreciation and amortization	71 260	124 708	236 609	153 464	5 905	2 383	313 775	280 555
Undivided depreciation							144 052	143 697
Total depreciation and amortization							**457 827**	**424 252**

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 2007/08 and financial year 2006/07.

	Net sales		Assets		Net sales		Assets	
	2007/8 Ls	**2006/7 Ls**	**31.12.2007 Ls**	**31.12.2006 Ls**	**2007/8 EUR**	**2006/7 EUR**	**31.12.2007 EUR**	**31.12.2006 EUR**
Asia	1 502 228	2 514 213	1 340 170	311 799	2 137 478	3 577 403	1 906 890	443 650
America	693 766	645 939	368 011	321 272	987 140	919 088	523 632	457 129
Africa	437 255	382 174	140 119	87 894	622 157	543 785	199 372	125 062
Europe	1 318 058	2 666 145	448 489	855 450	1 875 427	3 793 583	638 142	1 217 196
CIS	1 483 681	1 456 253	424 225	393 464	2 111 088	2 072 061	603 618	559 849
Middle East	203 099	202 204	185 471	62 055	288 983	287 710	263 901	88 297
	5 638 086	**7 866 928**	**2 906 485**	**2 031 934**	**8 022 274**	**11 193 630**	**4 135 555**	**2 891 182**
Unallocatted assets	-	-	6 987 331	9 586 035	-	-	13 639 699	13 639 698
	5 638 086	**7 866 928**	**9 893 816**	**11 617 969**	**8 022 274**	**11 193 630**	**17 775 254**	**16 530 880**

Note 10 Other operating income

	31.12.2007 Ls	31.12.2006. Ls	31.12.2007 EUR	31.12.2006. EUR
Other operating income	**139 957**	**16 381**	**199 141**	**23 308**

Other operating income increased in comparison with the 6 months period of 2006/07 mainly due to funding received from State budget and European Union funds amounting to LVL 125 782 (EUR 178 972).

Note 11 **Marketing, advertising and public relations expenses**

	31.12.2007 Ls	31.12.2006. Ls	31.12.2007 EUR	31.12.2006. EUR
Marketing, advertising and public relations expenses	**181 997**	**379 347**	**258 958**	**539 762**

Marketing, advertising and public relations expenses, in comparison with the 6 month period of the previous financial year 2006/07 decreased due to lower sales commissions and less trade fair–related activities.