SAF Tehnika A/S
Consolidated Interim Report
for 6 month of financial year 2008/09
(July 1, 2008 – December 31, 2008)

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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, 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 Riga Stock Exchange.

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Beginning of financial year:	01.07.2008
End of financial year:	30.06.2009
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Aira Loite

Member of the Management Board

February 4, 2009

Share and Shareholdings

SAF Tehnika shareholders (over 5%) as of 25.09.2008

Name	Ownership interest (%)
Hansapank AS Clients Account	24.15%
Didzis Liepkalns	17.05%
Andrejs Grišāns	10.03%
Skandinaviska Enskilda Banken AB Clients Account	9.84%
Normunds Bergs	9.74%
Juris Ziema	8.71%
Vents Lācars	6.08%

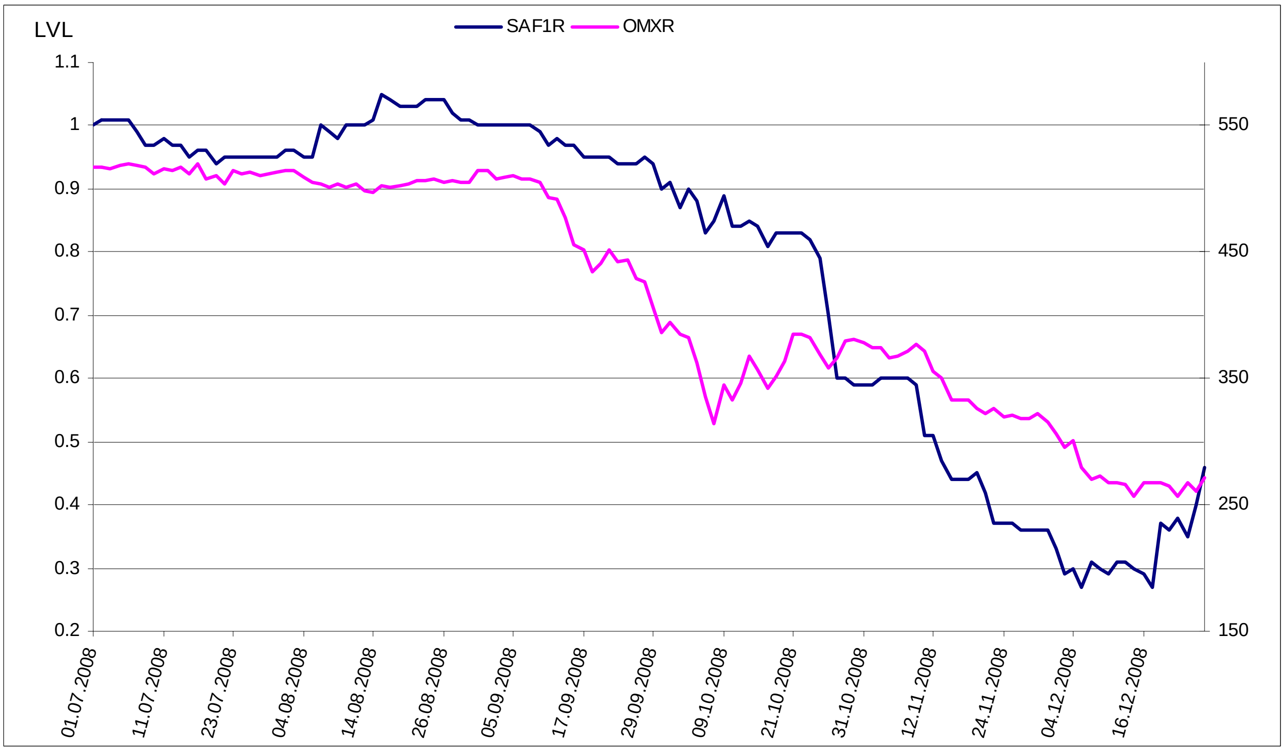
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (**SAF1R**)

Period: July 1, 2008 - December 31, 2008

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 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 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 has 20 years of experience in electronics and 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

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 it's 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 December 31, 2008 and the results of its operations and cash flows for the 6 month period ended December 31, 2008.

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 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 operates.

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

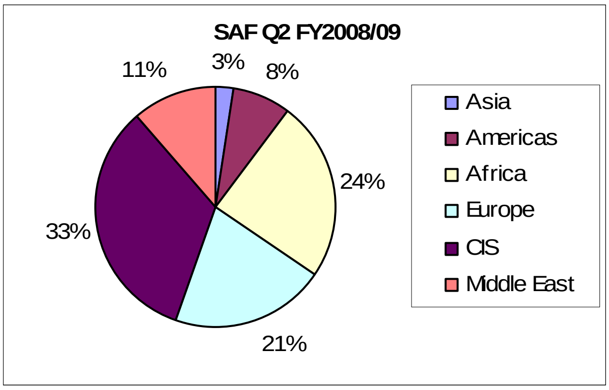
Two substantial structural changes occured during the Q2 of the financial year 2008/09 in the Group. Firstly, SAF Tehnika (Parent company) sold its Swedish subsidary “SAF Tehnika Sweden” in November 2008 to its management. Secondly, it has established a joint company in the Russian Federation under the name of "SAF Tehnika RUS” Ltd (САФ Техника РУС ООО) with a Russian company named "Мобильные технологии" (Mobile Technology) OOO as its co-founder. JSC "SAF Tehnika" owns 51% of the shares of "SAF Tehnika RUS” Ltd. (for additional information please refer to our news releases dated November 14th and 26th, 2008 on the Riga Stock Exchange).

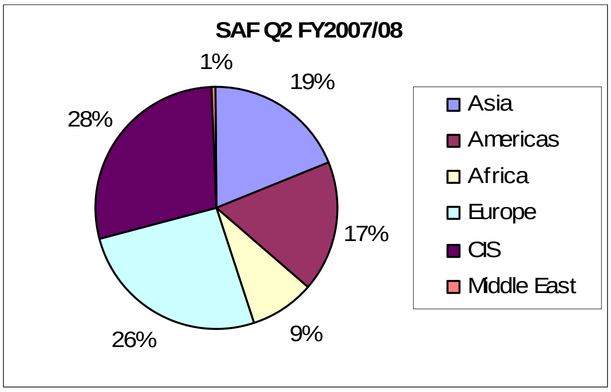
SAF Tehnika will continue cooperation in R&D of microwave data transmission equipment with its former Swedish subsidiary (which has been renamed Trebax AB). The aim of "SAF Tehnika RUS” is to increase the sales of JSC "SAF Tehnika" products within the Russian Federation, as well as the improvement of services which JSC "SAF Tehnika" provides for its clients. This company will commence operations when a production license has been issued and this is expected in the first half of this calendar year.

The Group’s consolidated non-audited net sales for the second quarter of financial year 2008/09 were 2 299 881 LVL (3 272 436 EUR), representing 93% of the second quarter of the previous financial year.

Good sales results were achieved in the first two months of the quarter. Substantially weaker results were experienced in December as projects forecasted in Europe and Asia were postponed or delayed as a result of the general economic slowdown. Modifications in our sales strategy yielded exceptional sales results in Africa (increase of 160% comparing with Q2 FY 2007/08). Notable projects were finished in the Middle East and growth was preserved in the CIS. Sales decreases were observed in the Latin American region as a direct influence from events in the US. Results from Europe remained stable. Asia registered a large decrease, mainly due to a lack of projects in China and India. In order to maintain a presence and recruit new partners and customers, the Group participated in regional exhibitions “Broadband Business Forum 2008”, Rome, Italy in December and Broadband World Forum 2008”, Brussels, Belgium in October.

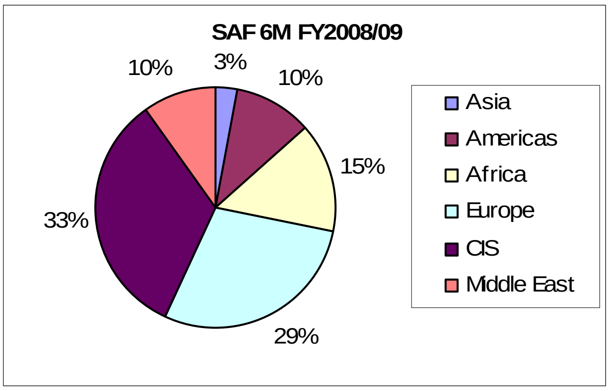
Chart 1. Quarter 2 revenue breakdown comparative charts:

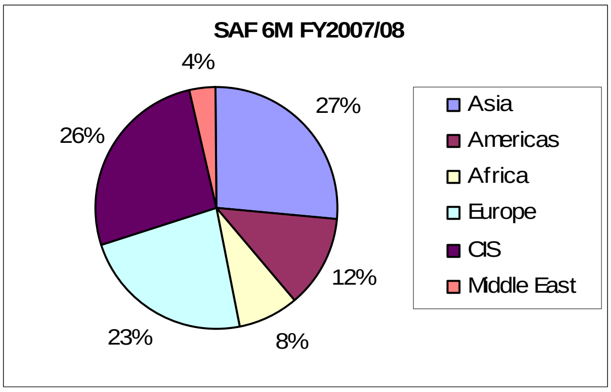




The Group's consolidated non-audited net sales for the 6 months of the financial year 2008/09 were 4 676 062 LVL (6 653 437 EUR) representing a year-on-year decrease of 17%. The main reasons for the decrease were: weakness in Asia where sales of the first 6 months of this financial year were 1.36 million LVL (1.94 EUR) or 91% lower than in the first half of FY 2007/08, and slowing sales in Latin America – a decrease of almost a third, while Africa showed 60% growth over the year due to more intensive sales endeavours.

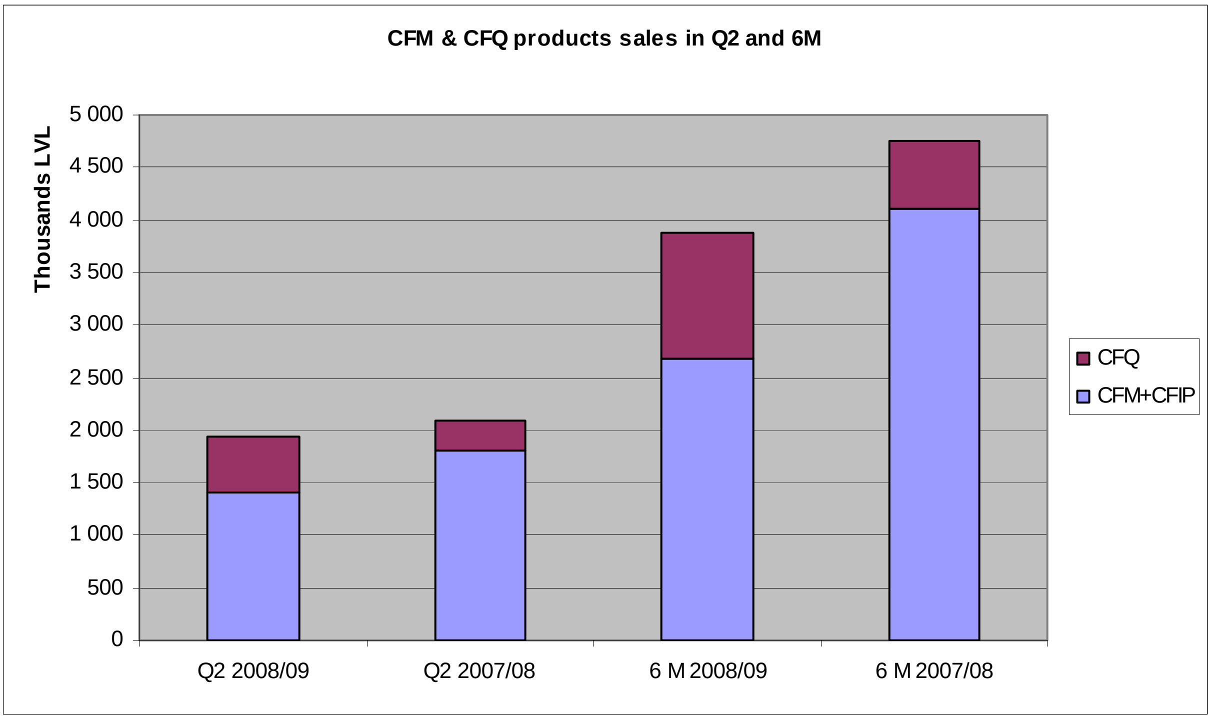
Chart 2. 6 months revenue breakdown comparative charts:





Ongoing demand was seen for CFQ (SDH) products (28% of total revenue in 6 months), while CFM demand decreased steadily. Although the new product line CFIP occupied a very small percentage of the Group's 6 months revenue it is expected that during this calendar year CFM will be successfully replaced by CFIP.

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



The consolidated net loss of the Group for the second quarter of financial year 2008/09 was 410 063 LVL (583 467 EUR), which is 100 079 LVL (142 400 EUR) more when compared with the same quarter in the previous financial year.

The consolidated net loss of the Group for the 6 months of financial year 2008/09 was 386 381 LVL (549 771 EUR). The net loss mainly reflects lower sales and falling margins due to market consolidation and increasing competition. The loss was notably impacted by an extraordinary item relating to the divestment of SAF Tehnika Sweden amounting to 249 354 LVL (354 799 EUR).

Market overview

The Point to Point (P2P) wireless radio market in which SAF Tehnika operates has so far seen moderate impact from general global economic weakness. In Q2 only the Latin American market was heavily affected. Notable sales decreases are expected in CIS countries in coming quarters due to currency devaluation and the subsequent decrease of general purchasing power that implies. At the same time the crisis is offering many new opportunities which SAF is capable to benefit from. For example, increased cost cutting among competitors leads to a lower level of customer services. Furthermore, major competitors are focusing more on divisional profit results which leads to more fair competition based on real product quality and cost, whereas previously the wireless radio market could be treated more like a loss-leader. There is also the possibility of some competitors leaving the telecom market following Nortel's announcement. This will create turbulence in the market as some customers will require a new supplier.

Guidance

In 2008/09 there are no changes in the Company's main focus on developing the CFIP product line, so as to keep up with the latest market trends. Sales strategy changes are partially implemented to focus more on new and mid-size customers in all regions. The Company has established local presence in Latin America, Asia and Africa. Local presence and fast product deliveries are the key to this approach.

The Group's net cash flow for the 6 month period of the financial year was a positive 671 538 LVL (955 512 EUR). The Group carries a net cash balance (excluding interest bearing liabilities) of 2 339 703 LVL (3 329 098 EUR) as of December 31, 2008.

On December 31, 2008 the Group employed 144 people. (169 people on December 31, 2007)

Consolidated balance sheet
As of December 31, 2008

ASSETS	Note	31.12.2008	31.12.2007	31.12.2008	31.12.2007
CURRENT ASSETS		**LVL**	**LVL**	**EUR**	**EUR**
Cash and bank		**2 342 716**	**671 442**	**3 333 385**	**955 376**
Customer receivables	**1**				
Accounts receivable		2 015 461	3 127 480	2 867 743	4 450 003
Allowance for uncollectible receivables		-247 871	-220 995	-352 689	-314 448
Total		**1 767 590**	**2 906 485**	**2 515 054**	**4 135 556**
Other receivables					
Other current receivables		5 892	996	8 384	1 417
Short-term loans given		885	885	1 259	1 259
Total		**6 777**	**1 881**	**9 643**	**2 676**
Prepaid expenses					
Prepaid taxes	**2**	66 037	140 672	93 962	200 158
Other prepaid expenses		61 565	97 801	87 599	139 158
Total		**127 602**	**238 473**	**181 561**	**339 317**
Inventories	**3**				
Raw materials		519 150	666 320	738 684	948 088
Work-in-progress		1 606 781	2 386 499	2 286 243	3 395 682
Finished goods		745 849	516 825	1 061 248	735 376
Prepayments to suppliers		13 764	2 910	19 584	4 141
Total		**2 885 544**	**3 572 554**	**4 105 759**	**5 083 286**
TOTAL CURRENT ASSETS		**7 130 229**	**7 390 835**	**10 145 402**	**10 516 210**
NON-CURRENT ASSETS					
Long-term financial assets					
Deffered income tax		48 160	136 743	68 526	194 568
Other long-term receivable		590	590	839	839
Total		**48 750**	**137 333**	**69 365**	**195 407**
NON-CURRENT physical assets	**4**				
Plant and equipment		1 949 609	2 024 531	2 774 044	2 880 648
Other equipment and fixtures		1 168 920	1 184 337	1 663 223	1 685 160
Accumulated depreciation		-2 280 272	-1 989 695	-3 244 535	-2 831 081
Total		**838 257**	**1 219 173**	**1 192 732**	**1 734 727**
Intagible assets					
Purchased licenses, trademarks etc.		85 299	129 757	121 370	184 628
Goodwill	**5**	0	423 274	0	602 265
Prepayments for intangible assets		10 182	45 588	14 488	64 866
Total		**95 481**	**598 619**	**135 858**	**851 758**
TOTAL NON-CURRENT ASSETS		**982 488**	**1 955 125**	**1 397 955**	**2 781 892**
TOTAL ASSETS		**8 112 717**	**9 345 960**	**11 543 357**	**13 298 103**

Consolidated balance sheet
As of December 31, 2008

	Note	31.12.2008	31.12.2007	31.12.2008	31.12.2007
LIABILITIES AND OWNERS' EQUITY		**LVL**	**LVL**	**EUR**	**EUR**
CURRENT LIABILITIES					
Short-term loans from financial institutons	**6**	3 013	147 532	4 287	209 919
Derivative financial instruments		0	14 870	0	21 158
Total		**3 013**	**162 402**	**4 287**	**231 077**
Customer prepayments for goods and services		43 723	19 576	62 212	27 854
Accounts payable	**7**	534 809	554 129	760 966	788 455
Tax liabilities		33 178	101 208	47 208	144 006
Salary-related accrued expenses	**8**	101 211	302 330	144 011	430 177
Provisions		15 331	0	21 814	0
Prepaid revenue		0	39 171	0	55 735
TOTAL CURRENT LIABILITIES		**731 265**	**1 178 816**	**1 040 498**	**1 677 304**
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		-386 381	-197 945	-549 771	-281 650
Currency translation reserve			19	0	27
TOTAL OWNERS' EQUITY		**7 381 452**	**8 167 144**	**10 502 859**	**11 620 799**
TOTAL LIABILITIES AND OWNERS' EQUITY		**8 112 717**	**9 345 960**	**11 543 357**	**13 298 103**

Consolidated Income Statement for 6 month of the financial year 2008/09

	Note	31.12.2008	31.12.2007	31.12.2008	31.12.2007
		LVL	LVL	EUR	EUR
Net sales	9	4 676 062	5 638 086	6 653 437	8 022 274
Other operating income		196	139 957	279	199 141
Total income		**4 676 258**	**5 778 043**	**6 653 716**	**8 221 415**
Direct cost of goods sold or services rendered		-3 134 839	-3 609 546	-4 460 475	-5 135 921
Marketing, advertising and public relations expenses		-194 527	-181 997	-276 787	-258 958
Bad receivables		-102 290	-29 557	-145 546	-42 056
Operating expenses	10	-346 544	-520 164	-493 088	-740 127
Salaries, bonuses and social expenses	11	-874 883	-1 230 504	-1 244 847	-1 750 849
Depreciation expense		-218 721	-298 483	-311 212	-424 703
Amortization of product Prototypes		0	-23 280	0	-33 124
Other expenses		-9 760	-12 586	-13 887	-17 908
Operating expenses		**-4 881 564**	**-5 906 117**	**-6 945 842**	**-8 403 647**
EBIT		**-205 306**	**-128 074**	**-292 126**	**-182 233**
Financial income (except ForEx rate difference)		41 424	7 046	58 943	10 026
Financial costs (except ForEx rate difference)		-3 732	-23 708	-5 310	-33 733
Foreign exchange +gain/(loss)		30 587	-53 209	43 521	-75 712
Financial items		**68 279**	**-69 871**	**97 154**	**-99 418**
Extraordinary expenses	12	-249 354	0	-354 799	0
Net profit		**-386 381**	**-197 945**	**-549 771**	**-281 650**

*Earnings per share
EPS 31.12.2008. = -0.13 LVL (-0.19 EUR)
EPS 31.12.2007. = -0.07 LVL (-0.09 EUR)

Consolidated Income Statement for Q2 of the financial year 2008/09

	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	LVL	LVL	EUR	EUR
Net sales	2 299 881	2 481 219	3 272 436	3 530 457
Other operating income	30	131 629	43	187 291
Total income	**2 299 911**	**2 612 848**	**3 272 479**	**3 717 748**
Direct cost of goods sold or services rendered	-1 714 500	-1 597 165	-2 439 515	-2 272 561
Marketing, advertising and public relations expenses	-105 202	-73 781	-149 689	-104 981
Bad receivables	-61 467	-76 343	-87 460	-108 626
Operating expenses	-149 000	-309 905	-212 008	-440 955
Salaries, bonuses and social expenses	-330 046	-676 245	-469 613	-962 210
Depreciation expense	-101 542	-155 485	-144 481	-221 235
Amortization of product Prototypes	13 077	-11 626	18 607	-16 542
Other expenses	-2 444	-4 193	-3 477	-5 966
Operating expenses	**-2 451 124**	**-2 904 743**	**-3 487 636**	**-4 133 077**
EBIT	**-151 213**	**-291 895**	**-215 157**	**-415 329**
Financial income (except ForEx rate difference)	23 711	5 137	33 737	7 309
Financial costs (except ForEx rate difference)	-1 866	-4 463	-2 655	-6 350
Foreign exchange +gain/(loss)	-31 341	-41 399	-44 594	-58 905
Financial items	**-9 496**	**-40 725**	**-13 512**	**-57 947**
Extraordinary expenses	-249 354	0	-354 799	0
EBT	**-410 063**	**-332 620**	**-583 467**	**-473 276**
Provision for taxes	0	22 636	0	32 208
Net profit	**-410 063**	**-309 984**	**-583 467**	**-441 067**

*Earnings per share
EPS 31.12.2008. = -0.14 LVL (-0.20 EUR)
EPS 31.12.2007. = -0.10 LVL (-0.15 EUR)

Consolidated cash flow statement for 6 months of the financial year 2008/09

	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	LVL	LVL	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	**597 204**	**1 560 538**	**849 744**	**2 220 445**
Cash received from customers	5 397 558	5 024 311	7 680 033	7 148 950
Cash paid to suppliers and employees	-4 963 766	-3 749 924	-7 062 803	-5 335 661
Paid income tax	163 412	286 151	232 514	407 156
NET CASH USED IN INVESTING ACTIVITIES (of which)	**80 312**	**-166 698**	**114 274**	**-237 189**
Cash paid for purchasing non-current physical assets	-33 974	-182 540	-48 341	-259 731
Cash received from the sale of non-current physical assets	0	12 617	0	17 952
Interest received	39 805	3 225	56 637	4 589
Cash received from other long-term investments	74 481	0	105 977	0
NET CASH USED IN FINANCING ACTIVITIES (of which)	**-5 978**	**-1 010 386**	**-8 506**	**-1 437 650**
Repayment of short-term loans	-2 246	-1 319 884	-3 196	-1 878 026
Paid interest	-3 732	-23 649	-5 310	-33 649
Cash received from ERAF subsidies	0	333 147	0	474 025
Effects of exchange rate changes	**0**	**-11 600**	**0**	**-16 505**
TOTAL CASH FLOW:	**671 538**	**371 854**	**955 512**	**529 101**
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	2 342 716	671 442	3 333 385	955 376
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	**671 538**	**371 854**	**955 512**	**529 101**

Statement of changes in consolidated equity for the 6 months period ended December 31 2008

	Share capital LVL	Share premium LVL	Currency translation rezerves LVL	Retained earnings LVL	Total 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	-	-	-	-386 381	**-386 381**
As at 31 December 2008	**2 970 180**	**2 004 204**	**0**	**2 407 068**	**7 381 452**

Statement of changes in consolidated equity for the 6 months period ended December 31 2008

	Share capital EUR	Share premium EUR	Currency translation rezerves EUR	Retained earnings EUR	Total 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	-	-	-	-177 497	-177 497
Currency translation difference	-	-	-7 265	-	**-7 265**
Profit for the year	-	-	-	-549 771	**-549 771**
As at 31 December 2008	**4 226 185**	**2 851 725**	**-0**	**3 424 948**	**10 502 859**

Notes for consolidated interim report

Note 1 Customer receivables

	31.12.2008 LVL	31.12.2007 LVL	31.12.2008 EUR	31.12.2007 EUR
Accounts receivables	2 015 461	3 127 480	2 867 743	4 450 003
Provisions for bad and doubtful accounts receivable	(247 871)	(220 995)	(352 689)	(314 448)
	1 767 590	**2 906 485**	**2 515 054**	**4 135 556**

At the end of the reporting period accounts receivable were 36% lower than on December 31, 2007. This reflects weaker sales results.

Note 2 Prepaid taxes

	31.12.2008 LVL	31.12.2007 LVL	31.12.2008 EUR	31.12.2007 EUR
Prepaid taxes	66 037	140 672	93 962	200 158
	66 037	**140 672**	**93 962**	**200 158**

Prepaid taxes have decreased by LVL 75 thousand (EUR 106 thousand). This is mainly due to less paid advance Corporate Income tax and less VAT.

Note 3 Inventories

	31.12.2008 LVL	31.12.2007 LVL	31.12.2008 EUR	31.12.2007 EUR
Raw materials	704 225	1 214 176	1 002 022	1 727 617
Allowance for slow-moving items	(185 075)	(547 856)	(263 338)	(779 529)
Work-in- progress	1 606 781	2 386 499	2 286 243	3 395 682
Finished goods	745 849	516 825	1 061 248	735 376
Prepayments to suppliers	13 764	2 910	19 584	4 141
	2 885 544	**3 572 554**	**4 105 759**	**5 083 286**

Inventories in comparison with the 6 month period of the previous financial year 2007/08 decreased by 20% , however, are at the same level as at the end of Q1 2008/09. Current stock levels are deemed appropriate to present production volumes.

Note 4 Non-current physical assets

	31.12.2008 LVL	31.12.2007 LVL	31.12.2008 EUR	31.12.2007 EUR
Plant and equipment	1 949 609	2 024 531	2 774 044	2 880 648
Other equipment and fixtures	1 168 920	1 184 337	1 663 223	1 685 160
Accumulated depreciation	(2 280 272)	(1 989 695)	(3 244 535)	(2 831 081)
	838 257	**1 219 173**	**1 192 732**	**1 734 727**

Decrease of the balance value of non current physical assets, in comparison with the 6 month period of the previous financial year 2007/08, is mainly due to accumulated depreciation.

Note 5 Goodwill

	31.12.2008 LVL	31.12.2007 LVL	31.12.2008 EUR	31.12.2007 EUR
Goodwill	-	423 274	-	602 265
	-	**423 274**	**-**	**602 265**

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

Note 6 Debt obligations

	31.12.2008 LVL	31.12.2007 LVL	31.12.2008 EUR	31.12.2007 EUR
Short-term loans from financial institutions	3 013	147 532	4 287	209 919
	3 013	**147 532**	**4 287**	**209 919**

SAF Tehnika has not used its EUR 3m credit line assigned by Nordea Bank Finland Plc Latvian branch due to sufficiency of liquid assets.

Note 7 Accounts payable

	31.12.2008 LVL	31.12.2007 LVL	31.12.2008 EUR	31.12.2007 EUR
Accounts payable	534 809	554 129	760 966	788 455
	534 809	**554 129**	**760 966**	**788 455**

Note 8 Salary-ralated accrued expenses

	31.12.2008 LVL	31.12.2007 LVL	31.12.2008 EUR	31.12.2007 EUR
Salary-related accrued expenses	101 211	302 330	144 011	430 177
	101 211	**302 330**	**144 011**	**430 177**

Salaries were paid out a few days earlier than usual (at the end of December) due to several public holidays at the beginning of January.

Note 9 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 bandwiths.

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 6 month of the financial year 2008/09 and financial year 2007/08.

	CFQ		CFM		Other		Total	
	2008/9	2007/8	2008/9	2007/8	2008/9	2007/8	2008/9	2007/8
	Ls	Ls	Ls	Ls	Ls	Ls	Ls	Ls
Segment assets	**1 575 238**	**1 457 810**	**3 393 271**	**6 287 420**	**539 642**	**794 804**	**5 508 151**	**8 540 034**
Undivided assets							**2 604 566**	**805 926**
Total assets							**8 112 717**	**9 345 960**
Segment liabilities	**195 595**	**187 084**	**369 247**	**554 950**	**94 058**	**108 294**	**658 900**	**850 328**
Undivided liabilities							**72 365**	**328 488**
Total liabilities							**731 265**	**1 178 816**
Net sales	1 312 689	680 417	2 702 847	4 122 541	660 526	835 128	4 676 062	5 638 086
Segment results	**191 092**	**-165 465**	**439 911**	**797 079**	**121 986**	**127 168**	**752 989**	**758 782**
Undivided expenses							-960 116	-1 026 813
Profit from operations							**-207 127**	**-268 031**
Other income							1 821	139 957
Financial expenses, net							68 279	-69 871
Extraordinary expenses							-249 354	-
Profit before taxes							**-386 381**	**-197 945**
Net profit							**-386 381**	**-197 945**
Other information								
equipment and intangible asets	23 955	964	20 111	71 341	0	0	44 066	72 305
Undivided additions							19 997	25 557
Total additions of property plant and equipment and intangible asets							**64 063**	**97 862**
Depreciation and amortization	10 549	50 082	118 482	166 290	1 069	4 150	130 100	220 522
Undivided depreciation							101 241	101 241
Total depreciation and amortization							**231 341**	**321 763**

	CFQ		CFM		Other		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	2 241 362	2 074 277	4 828 190	8 946 193	767 840	1 130 904	7 837 393	12 151 374
Undivided assets							3 705 964	1 146 729
Total assets							**11 543 357**	**13 298 103**
Segment liabilities	278 307	266 197	525 391	789 623	133 832	154 088	937 530	1 209 908
Undivided liabilities							102 968	467 396
Total liabilities							**1 040 498**	**1 677 304**
Net sales	1 867 788	968 146	3 845 805	5 865 847	939 844	1 188 280	6 653 437	8 022 274
Segment results	**271 899**	**-235 435**	**625 937**	**1 134 141**	**173 570**	**180 945**	**1 071 407**	**1 079 650**
Undivided expenses							-1 366 122	-1 461 023
Profit from operations							**-294 715**	**-381 374**
Other income							2 591	199 141
Financial expenses, net							97 152	-99 417
Profit before taxes							**-549 771**	**-281 650**
Corporate income tax							0	0
Net profit							**-549 771**	**-281 650**
Other information								
Additions of property plant and equipment and intangible asets	34 085	1 372	28 615	101 509	0	0	62 700	102 881
Undivided additions							28 453	36 364
Total additions of property plant and equipment and intangible asets							**91 153**	**139 245**
Depreciation and amortization	15 010	71 260	168 585	236 609	1 521	5 905	185 116	313 775
Undivided depreciation							144 052	144 053
Total depreciation and amortization							**329 168**	**457 828**

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 2008/09 and financial year 2007/08.

	Net sales		Assets		Net sales		Assets	
	2008/9 LVL	2007/8 LVL	31.12.2008 LVL	31.12.2007 LVL	2008/9 EUR	2007/8 EUR	31.12.2008 EUR	31.12.2007 EUR
Asia	139 669	1 502 228	21 204	1 340 170	198 731	2 137 478	30 171	1 906 890
America	489 325	693 766	180 139	368 011	696 246	987 140	256 315	523 632
Africa	701 320	437 255	246 383	140 119	997 889	622 157	350 571	199 371
Europe	1 335 909	1 318 058	443 165	448 489	1 900 828	1 875 427	630 567	638 142
CIS	1 538 097	1 483 681	570 659	424 225	2 188 515	2 111 088	811 975	603 618
Middle East	471 742	203 099	306 041	185 471	671 228	288 984	435 457	263 901
	4 676 062	**5 638 087**	**1 767 590**	**2 906 485**	**6 653 437**	**8 022 274**	**2 515 054**	**4 135 556**
Unallocatted assets	-	-	6 345 127	6 439 475	-	-	9 028 303	9 162 547
	4 676 062	**5 638 087**	**8 112 717**	**9 345 960**	**6 653 437**	**8 022 274**	**11 543 357**	**13 298 103**

Note 10 Operating expenses

	31.12.2008 LVL	31.12.2007 LVL	31.12.2008 EUR	31.12.2007 EUR
Operating expenses	346 544	520 164	493 088	740 127
	346 544	**520 164**	**493 088**	**740 127**

The main decrease in operating expenses, in comparison with the 6 month period of the previous financial year 2007/08, is due to the sale of SAF Tehnika Sweden in November 2008 and decreased travel, IT, and office –related expenses.

Note 11 **Salaries, bonuses and social expenses**

	31.12.2008 LVL	31.12.2007 LVL	31.12.2008 EUR	31.12.2007 EUR
Salaries, bonuses and social expenses	874 883	1 230 504	1 244 847	1 750 849
	874 883	**1 230 504**	**1 244 847**	**1 750 849**

Salaries, bonuses and social expenses, in comparison with the 6 month period of the previous financial year 2007/08 have decreased by 29% mainly due to decreased employee headcount and decreased bonus amounts.

Note 12 **Extraordinary expenses**

	31.12.2008 LVL	31.12.2007 LVL	31.12.2008 EUR	31.12.2007 EUR
Extraordinary expenses	249 354	-	354 799	-
	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.