SAF Tehnika
Interim Report
for 9 months of financial year 2010/11
(July 1, 2010 – March 31, 2011)

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KEY DATA

SAF Tehnika is a telecommunications Equipment Company engaged in the development, production and distribution of digital microwave radio equipment. SAF Tehnika products provide wireless backhaul solutions for digital voice and data transmission. The Company offers three product lines: CFM family - low to medium capacity radio links (PDH; up to 34 Mbps), CFQ family - high capacity radio links (SDH; up to 155 Mbps), and the new CFIP product line (super PDH; 366Mbps Lumina FODU (Optical Gigabit Ethernet), 108Mbps FODU (Fast Ethernet) and 366Mbps PhoeniX Hybrid Split Mount System). The complete product range offers solutions to mobile network operators, data service providers, and government and private companies. Since its establishment in 1999, SAF Tehnika competes with such multinational corporations as Nokia Siemens Networks, Ericsson, Alcatel and NEC.

SAF Tehnika Jsc. is a public joint stock company incorporated under the laws of the Republic of Latvia. The shares of AS SAF Tehnika are quoted on NASDAQ OMX Riga.

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Beginning of financial year:	01.07.2010
End of financial year:	30.06.2011
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Share and Shareholdings

SAF Tehnika shareholders (over 5%) as of 12.10.2010

Name	Ownership interest (%)
Didzis Liepkalns	17.05%
Maleks S, SIA	10.77%
Andrejs Grišans	10.03%
Skandinavia Enskilda Banken	9.98%
Normunds Bergs	9.74%
Juris Ziema	8.71%
Vents Lācars	6.08%
Swedbank AS Clients account	5.01%

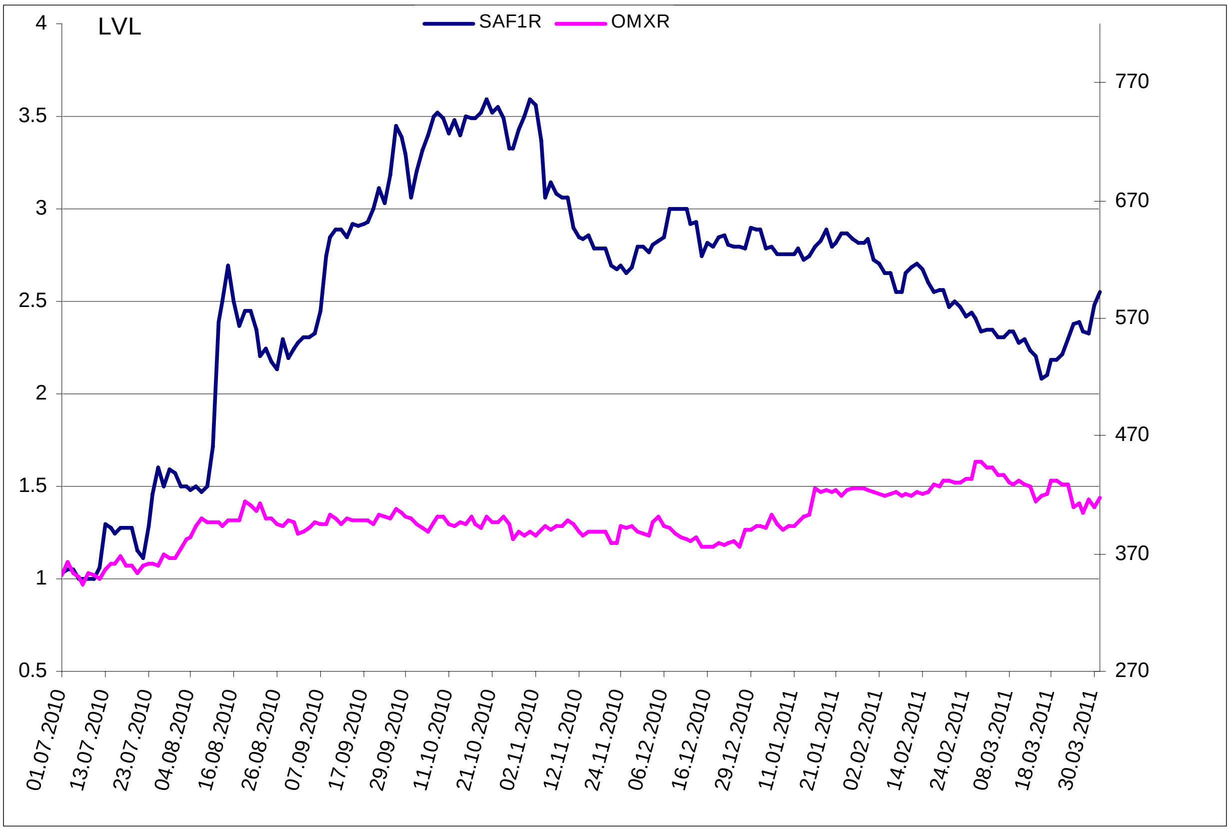
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (**SAF1R**)

Period: July 1, 2010 – March 31, 2011

Currency: **LVL**

Marketplace: **NASDAQ OMX Riga**



Information on management and supervisory board members

SAF Tehnika Management Board:

Name	Position	Ownership interest (%)
Normunds Bergs	Chairman	owns 9.74% of shares
Didzis Liepkalns	Vice Chairman	owns 17.05% of shares
Jānis Ennitis	Member	owns 0.66% of shares
Aira Loite	Member	owns 0.2% of shares

SAF Tehnika Supervisory Board:

Name	Position	Ownership interest (%)
Vents Lacars	Chairman	owns 6.08% of shares
Juris Ziema	Vice-Chairman	owns 8.71% of shares
Andrejs Grisans	Member	owns 10.03% of shares
Ivars Senbergs	Member	owns 0.09 % of shares
Juris Imaks	Member	-

Statement of Board's Responsibilities

The Board of SAF Tehnika Jsc (hereinafter – the Company) is responsible for preparing the interim financial statements of the Company and its subsidiary. Interim financial statements of the Company have not been audited or otherwise checked by auditors.

The interim financial statements are prepared in accordance with the source documents and present fairly the financial position of the Company as at March 31, 2011 and the results of its operations and cash flows for the 9 month period ended March 31, 2011.

The interim financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. The interim financial statements have been prepared based on the same accounting principles applied in the Financial Statements for the year ended on June 30, 2010. Prudent and reasonable judgments and estimates have been made by the management in the preparation of the interim financial statements.

The Board of SAF Tehnika is responsible for the maintenance of proper accounting records, the safeguarding of the Company's assets and the prevention and detection of fraud and other irregularities in the Company. The Board is also responsible for the compliance with the laws of the countries in which the Company operates.

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

Currency Exchange rate for LVL/EUR is 0.702804

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Aira Loite

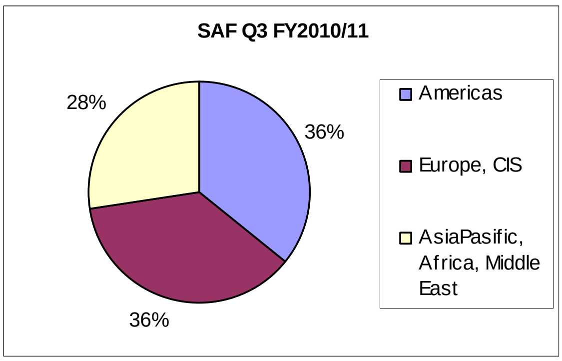
CFO, Member of the Management Board

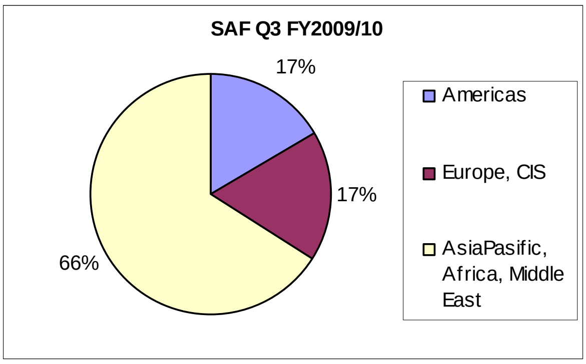
Management Report

The Company's non-audited net sales for the third quarter of financial year 2010/11 were 2 771 775 LVL (3 943 881 EUR) reaching the same sales result compared with the third quarter of the previous financial year.

Sales volumes in the two regions – the Americas and Europe, CIS were similar. Each of those regions represented 36% of the 3rd quarter's turnover. Sales rose by 114% or 531 thousand LVL (757 thousand EUR) in the Americas due to sales increases both in North America and Latin America compared with the same quarter of the previous corresponding period. All currently available SAF's product lines were on demand in the Americas region. Equal sales increase - by 111% or the same 531 thousand LVL (757 thousand EUR) was recorded in Europe, CIS region. Sales in Asia Pacific, Africa and Middle East represented 28% of quarterly sales and were by 58% less than in the 3rd quarter of the previous financial year. The decrease in demand from Asian customers and decline in number of projects for SAF Tehnika products in Africa were main reasons for the comparative decrease in this region. So as to strengthen SAF's brand, to promote SAF's products and solutions and meet current and potential customers the Company participated in several events such as Animal Farm 2011, held in Salt Lake City, USA; ExpoComm in Rome, Italia and CeBIT 2011 in Hannover, Germany. It should be noted that two new CFIP product line products were launched in the reporting quarter - the first long-haul point-to-point microwave system for industrial applications - CFIP Marathon and CFIP PhoeniX M - a cost effective split mount, powerful and interference free microwave solution for telecoms. The Company's products were sold in 50 countries during the reporting quarter.

Chart 1. Quarter 3 revenue breakdown comparative charts:

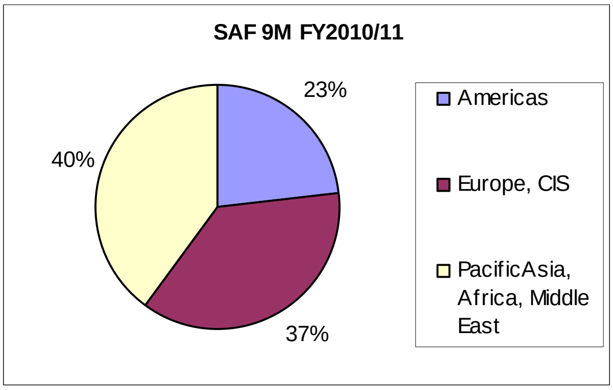


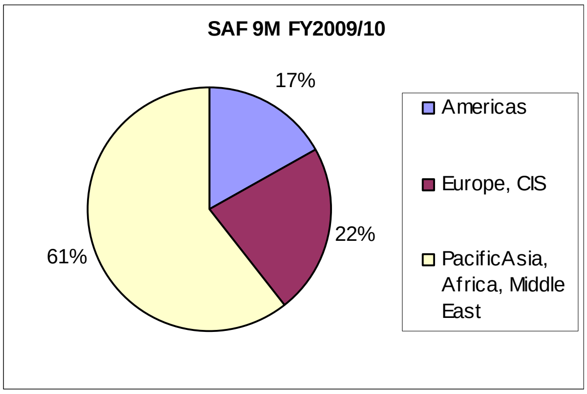


The Company's non-audited net sales for 9 months of the financial year 2010/11 were 8 900 904 LVL (12 664 845 EUR) representing a year-on-year increase of 37%. Sales in the Asia Pacific, Middle East and Africa represented the largest part - 40% of 9 months revenues although it was by 354 thousand LVL (504 thousand EUR) or 9% less than in 9 months of previous financial year. The sales decrease in the Asia Pacific, Middle East and Africa was compensated by results in other regions - sales increased by 125% or 1.8 million LVL (2.6

million EUR) in CIS and Europe region and a 86% increase was recorded in the Americas amounting an increase by 945 thousand LVL (1.35 million EUR).

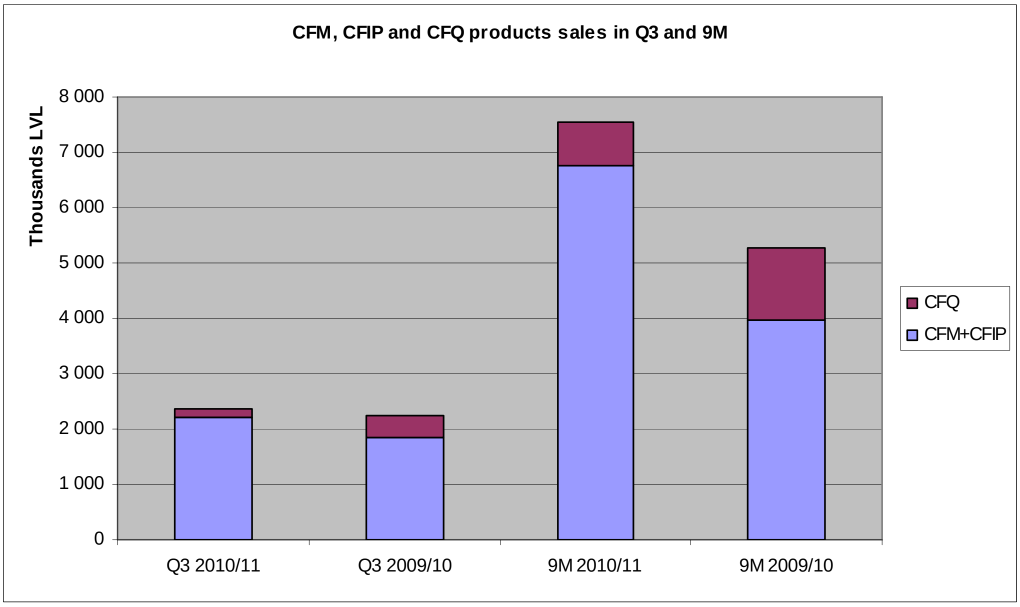
Chart 2. 9 months revenue breakdown comparative charts:





CFIP and CFM product sales represented 75% out of all sales in 9 months of financial year amounting to 6.7 million LVL (9.5 million EUR) showing increase by 2.7 million LVL (3.9 million EUR). At the same time CFQ products were sold by 0.6 million LVL (0. 86 million EUR) less and thus pointing CFIP products dominance in customers' orders. It is expected that both - licensed CFIP products (Lumina, PhoeniX, Marathon, CFIP 108) and newly developed cost effective un-licensed CFIP FreeMile will be main sources of income for this and next year.

Chart 3. Quarter 3 and 9 months product sales breakdown.



Highly apprizing contribution of the Company's employees in the financial result the Company is paying bonuses for its employees on quarterly bases.

It should be noted that the customer who delayed payments substantially due to its liquidity problems (see information in the Company's Interim report for 6 months FY 2010/11) started to repay its debt in Q3 that allowed decreasing an allowance for doubtful debtors.

The net profit of SAF Tehnika for the third quarter of financial year 2010/11 was 317 654 LVL (451 982 EUR) being by 48% less compared with the third quarter of the previous financial year, but by 8% more than the previous reporting quarter of this financial year.

The net profit of SAF Tehnika for the 9 months of financial year 2010/11 was 888 081 LVL (1 263 625 EUR) which is by 366% or 645 576 LVL (918 572 EUR) better than the result for the 9 months of financial year 2009/10.

The Company's net cash flow for the 9 month period of the financial year was a negative -272 273 LVL (-387 410 EUR). It has to be taken in to account that the company has deposited 1 416 035 LVL (2 014 836 EUR) (deposit period more than 90 days), recorded as a short-term investment in the balance sheet on March 31, 2011. Besides, the Company paid dividends of LVL 0.23 (twenty three santims) per share or, 683 141 LVL (972 022 EUR) in November 2010. The Company carried a net cash balance (excluding interest bearing liabilities) of 2 130 253 LVL (3 031 076 EUR) as at March 31, 2011.

Market overview

This year has begun with two remarkable deals, reflecting changes in the industry and leaving a strong mark on the telecom business.

The first one is that Ceragon acquired Nera Networks. The transaction has lifted Ceragon close to top players in the microwave radio market and could accelerate Ceragon's strategic plans fully capitalise on global opportunities.

The second is the acquisition of Motorola Solutions by Nokia Siemens Networks (NSN) . This deal reinforces NSN`s position as one of the world's largest wireless infrastructure and services provider.

In our opinion, the main driver of these changes is a long term competition from rapidly growing telecommunication giants based in China - Huawei and ZTE which are challenging others to obtain the leadership in the telecom market.

From a technological point of view, the main discussion in the industry is on LTE implementation. Some estimates show that globally there will be 16 million LTE subscribers by the end of this year. Besides LTE base station strategies, an idea of short distance IP solutions have emerged. It could give a priority to the e-Band radio – a new ultra high capacity short distance point-to-point microwave solution.

Guidance

The beginning of 2011 showed that the majority of microwave vendors are shifting towards a full outdoor solution to meet the growing demand for total network cost reduction. In this situation, the Company benefits as the one of the pioneers, due to the accumulated know-how and vast experience with full outdoor radio technology.

General economic recovery as well as consolidation of telecommunication equipment vendors are providing new opportunities for SAF Tehnika as independent and stable market player, shown by increasing growth of sales this year.

To allocate the required resources to maintaining successful development, SAF will move from the regional approach towards country based operations. Joint venture foundation in Saudi Arabia is supposed to be followed by another foundation in other countries in the next quarters.

SAF has also an opportunity to enter new customer segments with our latest products such as CFIP Marathon and SAF FreeMile, thus enhancing SAF brand awareness as well as increasing the Company's competitiveness.

On March 31, 2011 the Company employed 168 people. (137 people on March 31, 2010).

Balance sheet
As of March 31, 2011

	Note	31.03.2011	31.03.2010	31.03.2011	31.03.2010
CURRENT ASSETS		**LVL**	**LVL**	**EUR**	**EUR**
Cash and bank		**2,141,414**	**2,863,255**	**3,046,958**	**4,074,045**
Short-term investments	**1**	**1,416,035**	**0**	**2,014,836**	**0**
Customer receivables	**2**				
Accounts receivable		2,439,296	2,206,957	3,470,806	3,140,217
Allowance for uncollectible receivables		-355,682	-236,344	-506,090	-336,287
Total		**2,083,614**	**1,970,613**	**2,964,716**	**2,803,930**
Other receivables					
Other current receivables		110	0	157	0
Short-term loans given		0	738	0	1,050
Short-term loans	**3**	22,772	0	32,402	0
Total		**22,882**	**738**	**32,558**	**1,050**
Prepaid expenses					
Prepaid taxes		33,353	35,000	47,457	49,801
Other prepaid expenses		57,777	82,870	82,209	117,913
Total		**91,130**	**117,870**	**129,666**	**167,714**
Inventories	**4**				
Raw materials		891,195	404,830	1,268,056	576,021
Work-in-progress		1,281,557	1,059,964	1,823,491	1,508,193
Finished goods		832,830	746,757	1,185,010	1,062,539
Prepayments to suppliers		46,037	28,886	65,505	41,101
Total		**3,051,619**	**2,240,437**	**4,342,063**	**3,187,854**
TOTAL CURRENT ASSETS		**8,806,694**	**7,192,913**	**12,530,797**	**10,234,593**
NON-CURRENT ASSETS					
Long-term financial assets					
Shares in companies	**5**	500	0	711	0
Long-term receivables	**2**	186,970	0	266,034	0
Deffered income tax		57,179	51,025	81,358	72,602
Long-term loans	**3**	30,363	0	43,203	0
Total		**275,012**	**51,025**	**391,307**	**72,602**
NON-CURRENT physical assets	**6**				
Plant and equipment		2,106,367	1,977,979	2,997,090	2,814,411
Other equipment and fixtures		1,140,824	1,148,256	1,623,246	1,633,821
Accumulated depreciation		-2,738,172	-2,590,717	-3,896,068	-3,686,258
Prepayments for noncurrent physical assets		3,845	697	5,471	992
Total		**512,864**	**536,215**	**729,740**	**762,965**
Intagible assets					
Purchased licenses, trademarks etc.		53,086	54,911	75,535	78,131
Prepayments for intangible assets		0	1,235	0	1,757
Total		**53,086**	**56,146**	**75,535**	**79,888**
TOTAL NON-CURRENT ASSETS		**840,962**	**643,386**	**1,196,581**	**915,456**
TOTAL ASSETS		**9,647,656**	**7,836,299**	**13,727,378**	**11,150,049**

LIABILITIES AND OWNERS' EQUITY	Note	31.03.2011	31.03.2010	31.03.2011	31.03.2010
CURRENT LIABILITIES		**LVL**	**LVL**	**EUR**	**EUR**
Debt obligations					
Short-term loans from financial institutons		11,161	5,108	15,882	7,268
Customer prepayments for goods and services		174,718	202,917	248,601	288,725
Accounts payable	**7**	1,105,315	1,136,465	1,572,722	1,617,044
Tax liabilities	**8**	270,466	59,800	384,838	85,088
Salary-related accrued expenses	**9**	394,023	198,622	560,644	282,614
Provisions for guarantees		27,994	23,191	39,832	32,998
Prepaid revenue		3,874	0	5,513	0
TOTAL CURRENT LIABILITIES		**1,987,551**	**1,626,103**	**2,828,033**	**2,313,737**
OWNERS' EQUITY					
Share capital		2,970,180	2,970,180	4,226,185	4,226,185
Paid in capital over par		2,004,204	2,004,204	2,851,725	2,851,725
Retained earnings		1,797,640	993,307	2,557,811	1,413,349
Net profit for the financial year		888,081	242,505	1,263,625	345,054
TOTAL OWNERS' EQUITY		**7,660,105**	**6,210,196**	**10,899,346**	**8,836,312**
TOTAL LIABILITIES AND OWNERS' EQUITY		**9,647,656**	**7,836,299**	**13,727,378**	**11,150,049**

Income Statement for 9 month of the financial year 2010/11

	Note	31.03.2011	31.03.2010	31.03.2011	31.03.2010
		LVL	LVL	EUR	EUR
Net sales	10	8,900,904	6,487,706	12,664,845	9,231,174
Other operating income		53,761	146,046	76,495	207,805
Total income		**8,954,665**	**6,633,752**	**12,741,340**	**9,438,979**
Direct cost of goods sold or services rendered		-4,584,741	-4,486,224	-6,523,499	-6,383,322
Marketing, advertising and public relations expenses		-259,221	-46,037	-368,838	-65,505
Bad receivables	11	-152,349	165,774	-216,773	235,875
Operating expenses		-549,657	-482,647	-782,091	-686,745
Salaries and social expenses	12	-1,422,269	-1,112,168	-2,023,706	-1,582,472
Bonuses and social expenses	12	-491,230	-86,735	-698,957	-123,413
Depreciation expense		-148,801	-228,474	-211,725	-325,089
Other expenses		-127,933	-266,131	-182,032	-378,670
Operating expenses		**-7,736,201**	**-6,542,642**	**-11,007,622**	**-9,309,341**
EBIT		**1,218,464**	**91,110**	**1,733,718**	**129,639**
Financial income (except ForEx rate difference)		67,777	91,960	96,438	130,847
Financial costs (except ForEx rate difference)		0	-1,927	0	-2,742
Foreign exchange +gain/(loss)		-200,024	61,362	-284,609	87,310
Financial items		**-132,247**	**151,395**	**-188,171**	**215,415**
EBT		**1,086,217**	**242,505**	**1,545,548**	**345,054**
Corporate income tax		**-198,136**	**0**	**-281,922**	**0**
Net profit		**888,081**	**242,505**	**1,263,625**	**345,054**

*Earnings per share
EPS 31.03.2011. = 0.30 LVL (0.43 EUR)
EPS 31.03.2010. = 0.08 LVL (0.12 EUR)

Income Statement for Q3 of the financial year 2010/11

	31.03.2011	31.03.2010	31.03.2011	31.03.2010
	LVL	LVL	EUR	EUR
Net sales	2,771,775	2,770,740	3,943,881	3,942,408
Other operating income	44,862	76,992	63,833	109,550
Total income	**2,816,637**	**2,847,732**	**4,007,713**	**4,051,958**
Direct cost of goods sold or services rendered	-1,375,682	-1,675,522	-1,957,419	-2,384,053
Marketing, advertising and public relations expenses	-101,850	-16,635	-144,919	-23,669
Bad receivables	68,453	9,942	97,400	14,146
Operating expenses	-186,411	-187,901	-265,239	-267,359
Salaries and social expenses	-520,124	-366,158	-740,070	-520,996
Bonuses and social expenses	-163,085	-39,570	-232,049	-56,303
Depreciation expense	-48,440	-53,410	-68,924	-75,996
Other expenses	-13,610	-4,304	-19,365	-6,124
Operating expenses	**-2,340,749**	**-2,333,558**	**-3,330,586**	**-3,320,354**
EBIT	**475,888**	**514,174**	**677,128**	**731,604**
Financial income (except ForEx rate difference)	16,337	31,673	23,245	45,067
Financial costs (except ForEx rate difference)	0	-614	0	-874
Foreign exchange +gain/(loss)	-110,371	62,294	-157,044	88,636
Financial items	**-94,034**	**93,353**	**-133,797**	**132,830**
EBT	**381,854**	**607,527**	**543,330**	**864,434**
Corporate income tax	**-64,200**	**0**	**-91,348**	**0**
Net profit	**317,654**	**607,527**	**451,982**	**864,434**

*Earnings per share
EPS 31.03.2011. = 0.11 LVL (0.15 EUR)
EPS 31.03.2010. = 0.20 LVL (0.29 EUR)

Cash flow statement for 9 months of the financial year 2010/11

	31.03.2011	31.03.2010	31.03.2011	31.03.2010
	LVL	LVL	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	**124,563**	**1,066,004**	**177,237**	**1,516,787**
Cash received from customers	8,329,853	6,319,598	11,852,314	8,991,978
Cash paid to suppliers and employees	-8,207,243	-5,329,291	-11,677,855	-7,582,898
Received tax	1,953	75,697	2,779	107,707
NET CASH USED IN INVESTING ACTIVITIES (of which)	**228,830**	**41,265**	**325,596**	**58,715**
Cash paid for other long-term investments (e.g. purchase of <50% shares)	-500	0	-711	0
Cash paid/received for short-term investments	243,854	0	346,973	0
Cash paid for purchasing non-current physical assets	-108,504	-55,280	-154,387	-78,656
Interest received	93,980	96,545	133,721	137,371
NET CASH USED IN FINANCING ACTIVITIES (of which)	**-625,666**	**-590,832**	**-890,243**	**-840,678**
Repayment of short-term loans	4,981	0	7,087	0
Repayment of long-term loans	15,184	3,212	21,605	4,570
Cash paid of long-term loans	-68,317	0	-97,206	0
Paid interest	0	-1,954	0	-2,780
Cash received from EU fonds	105,627	91,051	150,294	129,554
Dividends paid	-683,141	-683,141	-972,022	-972,022
TOTAL CASH FLOW:	**-272,273**	**516,437**	**-387,410**	**734,824**
Cash and cash equivalents as at the beginning of period	2,413,687	2,346,818	3,434,367	3,339,221
Cash and cash equivalents as at the end of period	2,141,414	2,863,255	3,046,958	4,074,045
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	**-272,273**	**516,437**	**-387,410**	**734,824**

Statement of changes in consolidated equity for the 9 months period ended March 31 2011

	Share capital	Share premium	Currency translation reserve	Retained earnings	Total
	LVL	LVL	LVL	LVL	LVL
As at 30 June 2009	**2,970,180**	**2,004,204**	**-**	**1,676,448**	**6,650,832**
Dividend relating to 2008/2009	-	-	-	**-683,141**	**-683,141**
Profit for the year	-	-	-	1,487,474	**1,487,474**
As at 30 June 2010	**2,970,180**	**2,004,204**	**-**	**2,480,781**	**7,455,165**
Dividend relating to 2009/2010	-	-	-	**-683,141**	**-683,141**
Profit for the period	-	-	-	888,081	**888,081**
As at 31 March 2011	**2,970,180**	**2,004,204**	**-**	**2,685,721**	**7,660,105**

Statement of changes in consolidated equity for the 9 months period ended March 31 2011

	Share capital	Share premium	Currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
As at 30 June 2009	**4,226,185**	**2,851,725**	**-**	**2,385,371**	**9,463,281**
Dividend relating to 2008/2009	-	-	-	**-972,022**	**-972,022**
Profit for the year	-	-	-	2,116,484	**2,116,484**
As at 30 June 2010	**4,226,185**	**2,851,725**	**-**	**3,529,832**	**10,607,743**
Dividend relating to 2009/2010	-	-	-	**-972,022**	**-972,022**
Profit for the period	-	-	-	1,263,625	**1,263,625**
As at 31 March 2011	**4,226,185**	**2,851,725**	**-**	**3,821,435**	**10,899,346**

Notes for interim report

Note 1 Short-term investments

	31.03.2011 LVL	31.03.2010 LVL	31.03.2011 EUR	31.03.2010 EUR
Short-term investments	**1 416 035**	**-**	**2 014 836**	**-**

Short-term investments consist of deposits with a maturity period of more than 90 days commencing from 31/03/2011.

Note 2 Customer receivables

	31.03.2011 LVL	31.03.2010 LVL	31.03.2011 EUR	31.03.2010 EUR
Long-term receivables	**186 970**	**-**	**266 034**	**-**
Accounts receivable	2 439 296	2 206 957	3 470 806	3 140 217
Provisions for bad and doubtful accounts receivable	(355 682)	(236 344)	(506 090)	(336 287)
Total accounts receivable	**2 083 614**	**1 970 613**	**2 964 716**	**2 803 930**
Total receivables	**2 270 584**	**1 970 613**	**3 230 750**	**2 803 930**

Total receivables were by 15% larger compared with the previous year reflecting increasing sales. It should be noted that the customer who delayed payments substantially due to its liquidity problems (see information in the Company's Interim report for 6 months FY 2010/11) started to repay its debt in Q3 that allowed decreasing an allowance for doubtful debtors.
Long term receivables include those whose due date is more than 360 days from the balance date. Part of this particular debt is secured by a State export guarantee.

Note 3 Loans

	31.03.2011 LVL	31.03.2010 LVL	31.03.2011 EUR	31.03.2010 EUR
Short-term loans	**22 772**	**-**	**32 402**	**-**
Long-term loans	**30 363**	**-**	**43 203**	**-**
	53 135	**-**	**75 605**	**-**

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

Note 4 Inventories

	31.03.2011 LVL	31.03.2010 LVL	31.03.2011 EUR	31.03.2010 EUR
Raw materials	1 146 509	699 836	1 631 335	995 777
Allowance for slow-moving items	(255 314)	(295 006)	(363 279)	(419 756)
Work-in- progress	1 281 557	1 059 964	1 823 491	1 508 193
Finished goods	832 830	746 757	1 185 010	1 062 539
Prepayments to suppliers	46 037	28 886	65 505	41 101
	3 051 619	**2 240 437**	**4 342 063**	**3 187 854**

Inventories in comparison with March 31 of the previous financial year 2009/10 increased by 36%. More raw materials were purchased in order to ensure current production volumes and delivery terms.

Note 5 **Shares in Companies**

	31.03.2011 LVL	31.03.2010 LVL	31.03.2011 EUR	31.03.2010 EUR
Shares in companies	**500**	**-**	**711**	**-**

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

Note 6 **Non-current physical assets**

	31.03.2011 LVL	31.03.2010 LVL	31.03.2011 EUR	31.03.2010 EUR
Plant and equipment	2 106 367	1 977 979	2 997 090	2 814 411
Other equipment and fixtures	1 140 824	1 148 256	1 623 246	1 633 821
Accumulated depreciation	(2 738 172)	(2 590 717)	(3 896 068)	(3 686 258)
Prepayments for noncurrent physical assets	3 845	697	5 471	992
	512 864	**536 215**	**729 740**	**762 965**

Decrease of the net book value of non current physical assets, in comparison with the year before is mainly due to accumulated depreciation. During 9 months of financial year 2010/11 the company has invested 108 thousand LVL (154 thousand EUR) in product certification, development and production software, production equipment and IT.

Note 7 **Accounts payable**

	31.03.2011 LVL	31.03.2010 LVL	31.03.2011 EUR	31.03.2010 EUR
Accounts payable	**1 105 315**	**1 136 465**	**1 572 722**	**1 617 044**

Note 8 **Tax liabilities**

	31.03.2011 LVL	31.03.2010 LVL	31.03.2011 EUR	31.03.2010 EUR
Tax liabilities	**270 466**	**59 800**	**384 838**	**85 088**

As the Company works with a net profit, accruals for corporate Income Tax payment have been calculated and recorded.

***Note 9* Salary-related accrued expenses**

	31.03.2011 LVL	31.03.2010 LVL	31.03.2011 EUR	31.03.2010 EUR
Salary-related accrued expenses	**394 023**	**198 622**	**560 644**	**282 614**

Salary–related accrued expenses increased mainly because of bonuses accrued due to good financial results and increased headcount.

***Note 10* Segment information**

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

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

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

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

All CFIP radios are offered in most widely used frequency bands from 6 to 38 GHz, thus enabling the use of CFIP radios all across the globe,

PhoeniX radio represents the type of microwave radio which is taking the commanding role on the market at present,

Full Outdoor units of Lumina and 108 modifications are of growing and developing radio type 'all-in-one' which has biggest potential as part of future data/packet networks.

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

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

This note provides information about division of the Group's turnover and balance items by structural units by product type for 9 month of the financial year 2010/11 and financial year 2009/10.

	CFQ		CFM; CFIP		Other		Total	
	2010/11 LVL	2009/10 LVL	2010/11 LVL	2009/10 LVL	2010/11 LVL	2009/10 LVL	2010/11 LVL	2009/10 LVL
Segment assets	**1,523,869**	**1,339,418**	**3,820,416**	**3,035,098**	**629,419**	**576,296**	**5,973,704**	**4,950,812**
Undivided assets							**3,673,952**	**2,885,487**
Total assets							**9,647,656**	**7,836,299**
Segment liabilities	**221,326**	**347,350**	**1,042,880**	**894,920**	**220,450**	**236,770**	**1,484,656**	**1,479,040**
Undivided liabilities							**502,895**	**147,063**
Total liabilities							**1,987,551**	**1,626,103**
Net sales	892,142	1,493,073	6,705,946	3,974,361	1,302,816	1,020,272	8,900,904	6,487,706
Segment results	**148,759**	**442,603**	**2,847,759**	**933,162**	**572,955**	**311,129**	**3,569,473**	**1,686,894**
Undivided expenses							-2,404,806	-1,741,826
Profit from operations							**1,164,667**	**-54,932**
Other income							53,791	238,012
Financial expenses, net							-132,241	59,425
Profit before taxes							**1,086,217**	**242,505**
Corporate income tax							-198,136	0
Net profit							**888,081**	**242,505**
Other information								
intangible asets	1,257	361	34,182	18,933	83	0	35,522	19,294
Undivided additions							72,540	14,430
Total additions of property plant and equipment and intangible asets							**108,062**	**33,724**
Depreciation and amortization	7,999	10,836	76,541	134,729	57	10	84,597	145,575
Undivided depreciation							64,204	82,899
Total depreciation and amortization							**148,801**	**228,474**

	CFQ		CFM; CFIP		Other		Total	
	2010/11 EUR	2009/10 EUR	2010/11 EUR	2009/10 EUR	2010/11 EUR	2009/10 EUR	2010/11 EUR	2009/10 EUR
Segment assets	2,168,270	1,905,820	5,435,962	4,318,555	895,582	819,995	8,499,813	7,044,371
Undivided assets							5,227,565	4,105,678
Total assets							**13,727,378**	**11,150,049**
Segment liabilities	314,919	494,235	1,483,885	1,273,356	313,672	336,893	2,112,475	2,104,484
Undivided liabilities							715,558	209,253
Total liabilities							**2,828,033**	**2,313,737**
Net sales	1,269,404	2,124,451	9,541,702	5,655,006	1,853,740	1,451,716	12,664,845	9,231,174
Segment results	**211,665**	**629,767**	**4,051,996**	**1,327,770**	**815,242**	**442,698**	**5,078,903**	**2,400,234**
Undivided expenses							-3,421,730	-2,478,395
Profit from operations							**1,657,172**	**-78,161**
Other income							76,538	338,661
Financial expenses, net							-188,162	84,554
Profit before taxes							**1,545,548**	**345,054**
Corporate income tax							-281,922	0
Net profit							**1,263,625**	**345,054**
Other information								
Additions of property plant and equipment and intangible asets	1,789	514	48,637	26,939	118	0	50,543	27,453
Undivided additions							103,215	20,532
Total additions of property plant and equipment and intangible asets							**153,758**	**47,985**
Depreciation and amortization	11,382	15,418	108,908	191,702	81	14	120,371	207,135
Undivided depreciation							91,354	117,954
Total depreciation and amortization							**211,725**	**325,089**

b) This note provides information about division of the Company's turnover and assets by geographical regions (customer location) for 9 month of the financial year 2010/11 and financial year 2009/10.

	Net sales		Assets		Net sales		Assets	
	2010/11	2009/10	31.03.2011	31.03.2010	2010/11	2009/10	31.03.2011	31.03.2010
	LVL	LVL	LVL	LVL	EUR	EUR	EUR	EUR
America	2,051,345	1,105,460	599,406	361,927	2,918,800	1,572,928	852,878	514,976
Europe, CIS	3,279,454	1,457,935	394,115	481,805	4,666,242	2,074,454	560,775	685,547
Asia, Africa, Middle East	3,570,105	3,924,311	1,277,063	1,126,881	5,079,803	5,583,792	1,817,097	1,603,407
	8,900,904	**6,487,706**	**2,270,584**	**1,970,613**	**12,664,845**	**9,231,174**	**3,230,750**	**2,803,930**
Unallocatted assets	-	-	7,377,072	5,865,686	-	-	10,496,628	8,346,119
	8,900,904	**6,487,706**	**9,647,656**	**7,836,299**	**12,664,845**	**9,231,174**	**13,727,378**	**11,150,049**

Note 11 Bad receivables

	31.03.2011 LVL	31.03.2010 LVL	31.03.2011 EUR	31.03.2010 EUR
Bad receivables	**(152 349)**	**165 774**	**(216 773)**	**235 875**

The Company records accruals based on its accrual policy for bad and doubtful debtors. The customer who delayed payments substantially due to its liquidity problems (see information in the Company's Interim report for 6 months FY 2010/11) started to repay its debt in Q3 that allowed decreasing an allowance for doubtful debtors. Last year 245 thousand LVL (348 thousand EUR) were written off considering debt from one Russian client as being non-recoverable.

Note 12 Salaries, bonuses and social expenses

	31.03.2011 LVL	31.03.2010 LVL	31.03.2011 EUR	31.03.2010 EUR
Salaries and social expenses	(1 422 269)	(1 112 168)	(2 023 706)	(1 582 472)
Bonuses and social expenses	(491 230)	(86 735)	(698 957)	(123 413)
	(1 913 499)	**(1 198 903)**	**(2 722 664)**	**(1 705 885)**

Salaries and social expenses, in comparison with the 9 month period of the previous financial year increased by 28% due to increased headcount and changes in fixed salaries for Research and Development employees. It has to be taken into account evaluating increase that due to a sales decrease in Q2 and Q3 FY 2009/10 workload for production was reduced by 20% on average and salaries were decreased accordingly.

Bonuses and social expenses were accrued based on good financial performance.