SAF Tehnika A/S
Consolidated Interim Report
for 9 month of financial year 2007/08

(July 1, 2007 – March 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: 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
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VAT Registry Nr.:	LV40003474109
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Aira Loite

Member of the Management Board

May 7, 2008

Share and Shareholdings

SAF Tehnika shareholders (over 5%) as of 04.04.2008

Name	Ownership interest (%)
Hansapank AS Clients Account	22.93%
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%

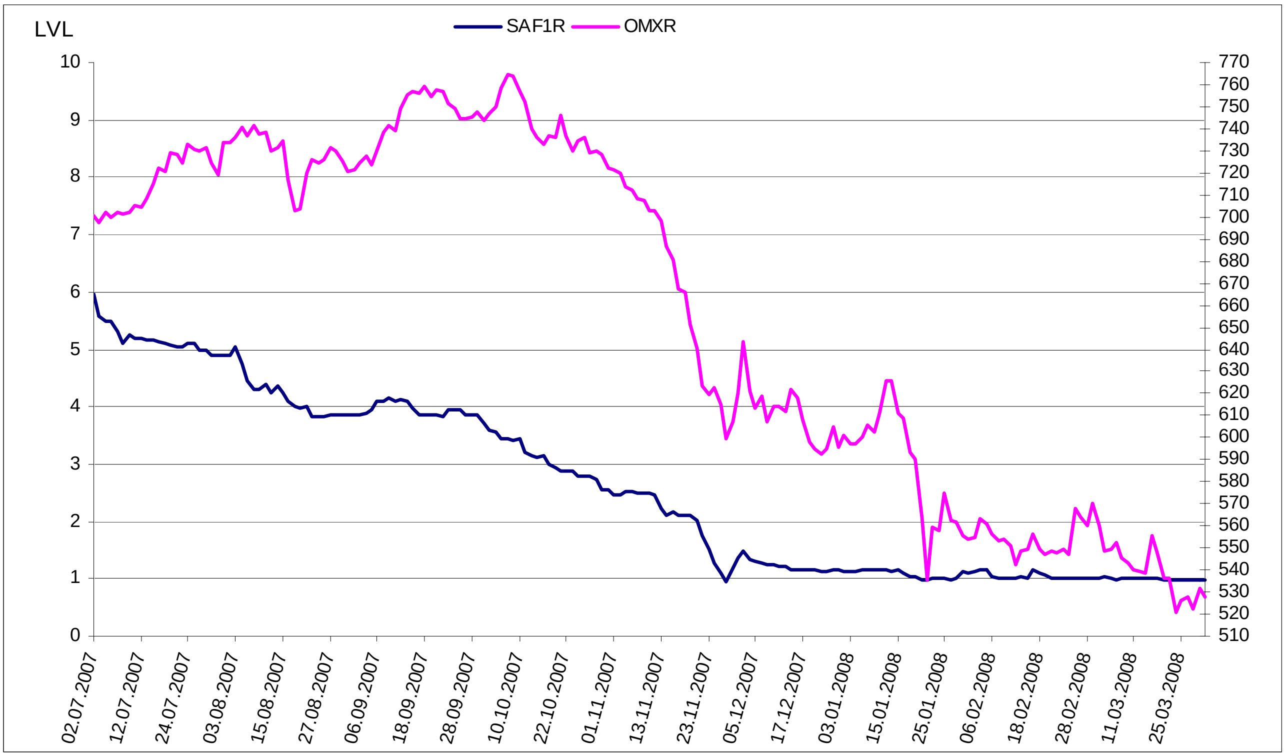
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (**SAF1R**)

Period: **2007-07-01 - 2008-03-31**

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	
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	

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 March 2008 and the results of its operations and cash flows for the 9 month period ended 31 March 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, 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

Aira Loite

CFO, Member of the Management Board

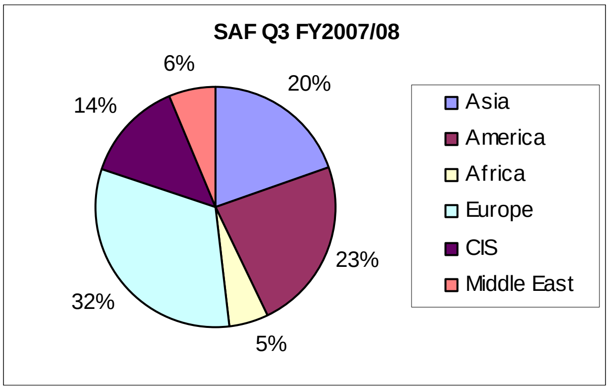
Management Report

The Group's consolidated non-audited net sales for the third quarter of financial year 2007/08 were 2 104 280 LVL (2 994 121 EUR), representing 67% of the same quarter of the previous financial year. Continued sales growth comparing with the previous quarter was achieved in Europe, Latin America and Middle East. Comparable sales to the previous year's quarter have not been achieved in Africa and CIS. In Asia, positive growth in Q3 is coming from India, Pakistan and SriLanka but it is not sufficient to compensate decrease in China. Sales decreases in Russia and China had the greatest negative revenue impact to quarterly results. The Group sold products to 39 countries in the quarter, compared with 36 in the prior year's corresponding quarter.

The Group's consolidated non-audited net sales for the first 9 months of financial year 2007/08 were 7 742 366 LVL (11 016 394 EUR), representing 70% of revenues for the same period of the previous financial year.

Latin America and Middle East demonstrated a positive trend, while Europe, Asia, Africa and the CIS sales volumes have not reached levels of the previous 9 month period. There were small deliveries to India last financial year, however currently it is the second largest market by sales volumes.

Chart 2. Quarter 3 revenue breakdown comparative charts:



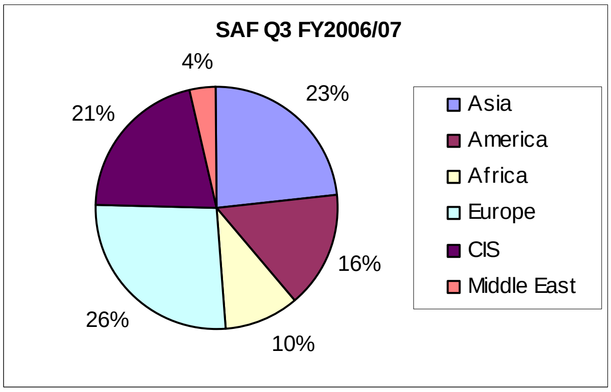
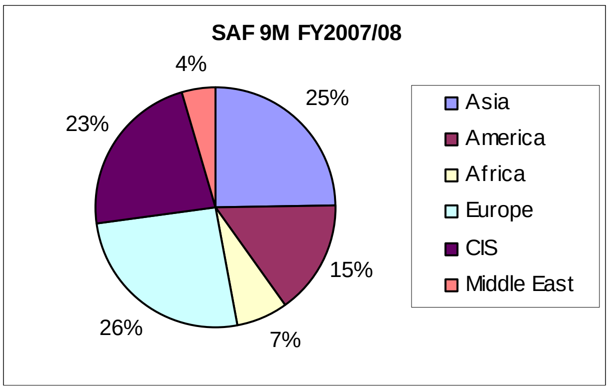
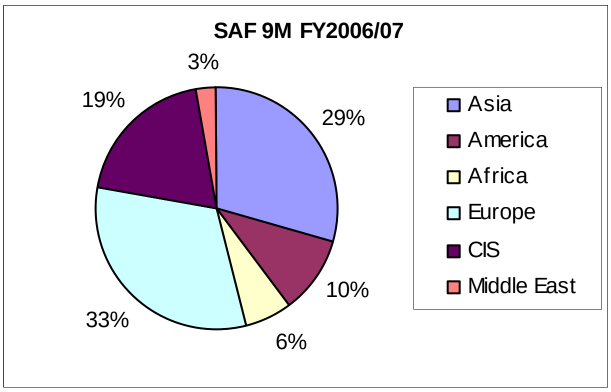


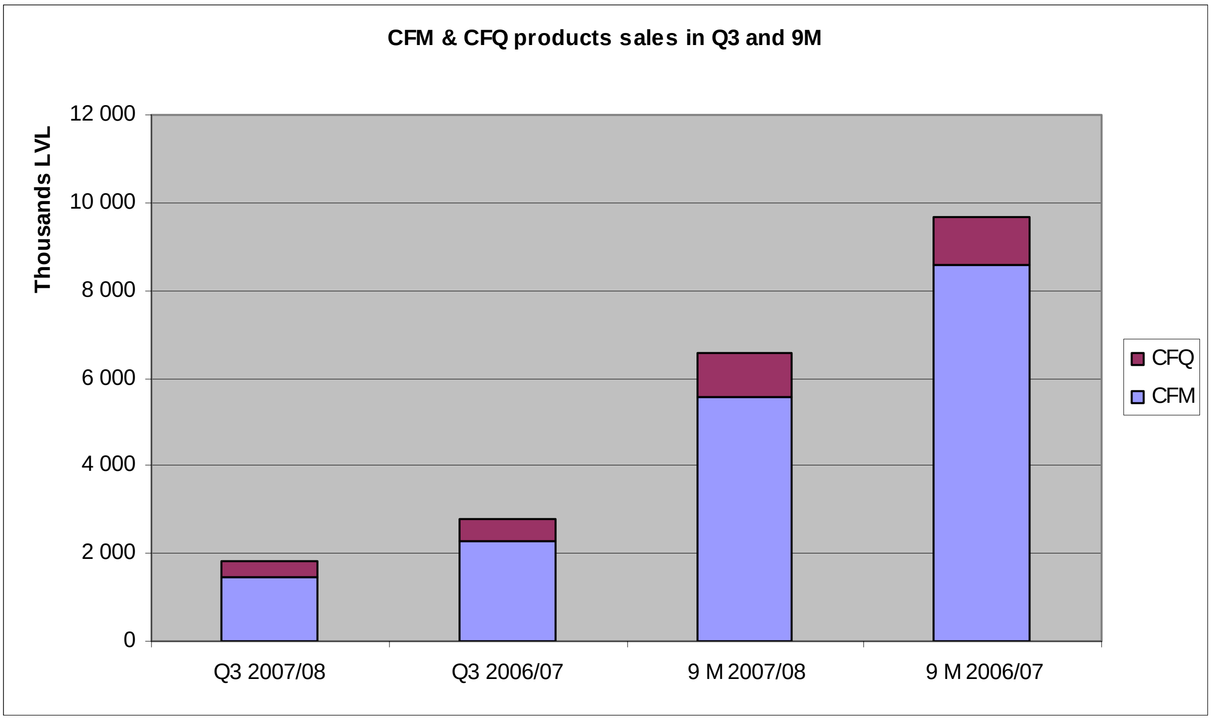
Chart 1. 9 month revenue breakdown comparative charts:





The SDH (CFQ, or, high capacity product) radio sales for the third quarter reached 13% of the Group total sales, a similar proportion as in other quarters of the current financial year. Europe consumes the largest proportion of SDH products due to more developed data network and operator structures. The PDH (CFM, or, low-medium capacity) product line reflects general sales trends.
The Group's client mix is gradually changing, with less dependence on key accounts. This should limit some of the seasonal and quarterly revenue volatility going forward.

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



The consolidated net loss of the Group for the third quarter of financial year 2006/07 was -325 063 LVL (-462 523 EUR), The consolidated financial result of Q3 of FY2006/07 was a net profit of 18 643 LVL (26 527 EUR). Net loss mainly reflects lower sales and falling margins due to market consolidation and increasing competition. Operational expenses are influenced by increased rates of inflation in Latvia, particularly for utilities and premises-related services.

The consolidated net loss of the Group for the 9 months of financial year 2007/08 was -523 008 LVL (-744 173 EUR), compared with a consolidated net profit for the 9 months of FY 2006/07 of 809 962 LVL (1 152 472 EUR).

Market overview

The Point-to-Point wireless radio market in which SAF Tehnika operates would appear to have reached its maximum for the present. This is because GSM operators have, by and large, completed network development. However, some regions, for example in Africa, continue to see growth. This is one of the target markets for SAF Tehnika.

The market appears to be entering a new phase of upgrading, where the main requirements are higher capacity and data transmission speeds. Several competing solutions are being offered at present and it is not currently clear what the outcome will be. WiMax technology, which would require brand new networks to be built, may even be replaced by 3GPP LTE (Long Term Evolution), which upgrades existing ones.

In telecom transmission networks, besides TDM (time division multiplexing), IP (internet protocol) is becoming more popular. Complicating the matter is a wide variety of existing network setups.

Guidance:

In order to satisfy customer demand, it is necessary to develop new technologies. This provides good opportunities for new products. The Group intends to focus on its new IP products in the coming financial year. For those not entirely familiar with the technology, this is different to both the PDH and SDH technologies, which are TDM-based. The first IP product was introduced at CeBIT 2008 in March.

The Group's net cash flow for the 9 month financial period is a positive 1 382 566 LVL (1 967 215 EUR). This is significantly influenced by a meaningful decrease in receivables. The Group currently has no outstanding debt and carries a cash balance of 1 682 154 LVL (2 393 490 EUR) as of March 31, 2008. The final fiscal quarter this year should by and large reflect the activity in the previous three fiscal quarters. The 9 month results and current sales forecasts for Q4 therefore suggest that annual sales will be lower than a year earlier.

On March 31, 2008 the Group employed 164 people. (195 people on March 31, 2007)

Consolidated balance sheet

ASSETS	Note	31.03.2008	31.03.2007	31.03.2008	31.03.2007
CURRENT ASSETS		**LVL**	**LVL**	**EUR**	**EUR**
Cash and bank		**1 682 154**	**380 464**	**2 393 490**	**541 352**
Customer receivables	**1**				
Accounts receivable		2 163 898	2 379 865	3 078 949	3 386 243
Allowance for uncollectible receivables		-138 454	-122 002	-197 002	-173 593
Total		**2 025 444**	**2 257 863**	**2 881 947**	**3 212 650**
Other receivables					
Other current receivables	**2**	1 230	20 914	1 750	29 758
Short-term loans given		885	590	1 259	839
Total		**2 115**	**21 504**	**3 009**	**30 597**
Prepaid expenses					
Prepaid taxes	**3**	163 600	447 346	232 782	636 516
Other prepaid expenses		98 517	149 502	140 177	212 722
Total		**262 117**	**596 848**	**372 959**	**849 238**
Inventories	**4**				
Raw materials		1 036 576	2 172 659	1 474 915	3 091 415
Work-in-progress		2 179 572	3 474 055	3 101 252	4 943 135
Finished goods		516 111	605 316	734 360	861 287
Prepayments to suppliers		13 723	1 722	19 526	2 449
Total		**3 745 982**	**6 253 752**	**5 330 052**	**8 898 287**
TOTAL CURRENT ASSETS		**7 717 812**	**9 510 431**	**10 981 457**	**13 532 124**
NON-CURRENT ASSETS					
Long-term financial assets					
Deffered income tax		137 227	162 541	195 256	231 275
Other long-term receivable	**5**	590	60 626	839	86 263
Total		**137 817**	**223 167**	**196 096**	**317 538**
NON-CURRENT physical assets	**6**				
Plant and equipment		2 034 872	1 938 982	2 895 362	2 758 923
Other equipment and fixtures		1 168 426	1 062 997	1 662 520	1 512 508
Accumulated depreciation		-2 110 107	-1 512 295	-3 002 412	-2 151 802
Prepayments for noncurrent physical assets		0	92 393	0	131 463
Total		**1 093 191**	**1 582 077**	**1 555 471**	**2 251 093**
Intagible assets					
Purchased licenses, trademarks etc.		128 008	102 820	182 139	146 300
Goodwill		414 058	472 439	589 151	672 220
Prepayments for intangible assets		14 325	49 541	20 383	70 489
Total		**556 391**	**624 800**	**791 673**	**889 009**
TOTAL NON-CURRENT ASSETS		**1 787 399**	**2 430 044**	**2 543 240**	**3 457 641**
TOTAL ASSETS		**9 505 211**	**11 940 475**	**13 524 697**	**16 989 765**

Consolidated balance sheet

	Note	31.03.2008	31.03.2007	31.03.2008	31.03.2007
LIABILITIES AND OWNERS' EQUITY		**LVL**	**LVL**	**EUR**	**EUR**
CURRENT LIABILITIES					
Debt obligations	**7**				
Short-term loans from financial institutons		4 584	1 535 844	6 522	2 185 309
Derivative financial instruments		1 379	0	1 962	0
Total		**5 963**	**1 535 844**	**8 485**	**2 185 309**
Customer prepayments for goods and services		**141 646**	**11 637**	**201 544**	**16 558**
Accounts payable	**8**	**583 891**	**545 423**	**830 802**	**776 067**
Tax liabilities		**120 745**	**126 096**	**171 805**	**179 418**
Salary-related accrued expenses		**315 112**	**352 486**	**448 364**	**501 542**
Provisions					
Other provisions	**9**	452 304	305 641	643 571	434 887
Total		**452 304**	**305 641**	**643 571**	**434 887**
Prepaid revenue		**39 171**	**39 170**	**55 736**	**55 734**
TOTAL CURRENT LIABILITIES		**1 658 832**	**2 916 297**	**2 360 305**	**4 149 517**
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		**3 390 686**	**3 231 104**	**4 824 514**	**4 597 447**
Net profit for the financial year		**-523 008**	**809 962**	**-744 173**	**1 152 472**
Currency translation reserve		**4 317**	**8 728**	**6 143**	**12 419**
TOTAL OWNERS' EQUITY		**7 846 379**	**9 024 178**	**11 164 393**	**12 840 248**
TOTAL LIABILITIES AND OWNERS' EQUITY		**9 505 211**	**11 940 475**	**13 524 697**	**16 989 765**

Consolidated Income Statement for 9 month of the financial year 2007/08

	Note	31.03.2008	31.03.2007	31.03.2008	31.03.2007
		LVL	LVL	EUR	EUR
Net sales	10	7 742 366	11 011 924	11 016 394	15 668 556
Other operating income		146 418	110 055	208 334	156 594
Total income		**7 888 784**	**11 121 979**	**11 224 728**	**15 825 150**
Direct cost of goods sold or services rendered		-4 864 393	-6 050 231	-6 921 408	-8 608 703
Marketing, advertising and public relations expenses	11	-323 836	-508 498	-460 777	-723 527
Bad receivables		52 984	97 715	75 389	139 036
Operating expenses	12	-759 612	-926 757	-1 080 831	-1 318 656
Salaries, bonuses and social expenses	13	-1 894 064	-2 150 401	-2 695 010	-3 059 745
Depreciation expense		-470 608	-440 270	-669 615	-626 448
Amortization of product Prototypes		-34 767	-24 751	-49 469	-35 218
Other expenses		-14 855	-83 179	-21 137	-118 353
Operating expenses		**-8 309 151**	**-10 086 372**	**-11 822 857**	**-14 351 615**
EBIT		**-420 367**	**1 035 607**	**-598 128**	**1 473 535**
Financial income (except ForEx rate difference)		10 639	5 890	15 138	8 381
Financial costs (except ForEx rate difference)		-24 054	-64 788	-34 226	-92 185
Foreign exchange +gain/(loss)		-89 226	-75 438	-126 957	-107 339
Financial items		**-102 641**	**-134 336**	**-146 045**	**-191 142**
EBT		**-523 008**	**901 271**	**-744 173**	**1 282 393**
Corporate income tax		**0**	**-91 309**	**0**	**-129 921**
Net profit		**-523 008**	**809 962**	**-744 173**	**1 152 472**

*Earnings per share
EPS 31.03.2008. = -0.18 LVL (-0.25 EUR)
EPS 31.03.2007. = 0.27 LVL (0.38 EUR)

Consolidated Income Statement for Q3 of the financial year 2007/08

	31.03.2008	31.03.2007	31.03.2008	31.03.2007
	LVL	LVL	EUR	EUR
Net sales	2 104 280	3 144 996	2 994 121	4 474 926
Other operating income	6 461	93 674	9 193	133 287
Total income	**2 110 741**	**3 238 670**	**3 003 314**	**4 608 212**
Direct cost of goods sold or services rendered	-1 254 847	-1 811 322	-1 785 486	-2 577 279
Marketing, advertising and public relations expenses	-141 839	-129 151	-201 819	-183 765
Bad receivables	82 541	14 252	117 445	20 279
Operating expenses	-239 448	-331 860	-340 704	-472 194
Salaries, bonuses and social expenses	-663 560	-743 269	-944 161	-1 057 577
Depreciation expense	-172 125	-158 468	-244 912	-225 480
Amortization of product Prototypes	-11 487	-8 387	-16 345	-11 934
Other expenses	-2 269	-70 968	-3 228	-100 978
Operating expenses	**-2 403 034**	**-3 239 173**	**-3 419 209**	**-4 608 928**
EBIT	**-292 293**	**-503**	**-415 895**	**-716**
Financial income (except ForEx rate difference)	3 593	939	5 112	1 336
Financial costs (except ForEx rate difference)	-346	-26 171	-492	-37 238
Foreign exchange +gain/(loss)	-36 017	437	-51 247	622
Financial items	**-32 770**	**-24 795**	**-46 627**	**-35 280**
EBT	**-325 063**	**-25 298**	**-462 523**	**-35 995**
Corporate income tax	**0**	**43 941**	**0**	**62 522**
Net profit	**-325 063**	**18 643**	**-462 523**	**26 527**

*Earnings per share
EPS 31.03.2008. = -0.11 LVL (-0.16 EUR)
EPS 31.03.2007. = 0.01 LVL (0.01 EUR)

Consolidated cash flow statement for 9 months of the financial year 2007/08

	31.03.2008	31.03.2007	31.03.2008	31.03.2007
	LVL	LVL	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	**2 429 120**	**-587 542**	**3 456 326**	**-835 997**
Cash received from customers	8 109 371	11 848 163	11 538 595	16 858 417
Cash paid to suppliers and employees	-5 966 402	-12 435 705	-8 489 425	-17 694 414
Received income tax	286 151		407 156	0
NET CASH USED IN INVESTING ACTIVITIES (of which)	**-172 080**	**-1 171 093**	**-244 848**	**-1 666 315**
Cash paid for purchasing non-current physical assets	-195 499	-1 223 418	-278 170	-1 740 767
Cash received from the sale of non-current physical assets	16 889	87 814	24 031	124 948
Loans given	0	-604 014	0	-859 434
Cash received from repayment of loans given	0	559 556	0	796 176
Interest received	6 530	8 969	9 291	12 762
NET CASH USED IN FINANCING ACTIVITIES (of which)	**-865 883**	**910 273**	**-1 232 041**	**1 295 202**
Short-term loans received	0	1 528 552	0	2 174 934
Repayment of long-term loans	-1 176 936		-1 674 629	0
Paid interest	-24 001	-63 413	-34 150	-90 229
Cash received from state	335 054	39 170	476 739	55 734
Dividends paid	0	-594 036	0	-845 237
Effects of exchange rate changes	**-8 591**	**-15 807**	**-12 224**	**-22 492**
TOTAL CASH FLOW:	**1 382 566**	**-864 169**	**1 967 215**	**-1 229 602**
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	1 682 154	380 464	2 393 490	541 352
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	**1 382 566**	**-864 169**	**1 967 215**	**-1 229 602**

Statement of changes in consolidated equity for the 9 months period ended March 31 2008

	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	-	-	-11 651	-	**-11 651**
Profit for the year	-	-	-	-523 008	**-523 008**
As at 31 March 2008	**2 970 180**	**2 004 204**	**4 317**	**2 867 678**	**7 846 379**

Statement of changes in consolidated equity for the 9 months period ended March 31 2008

	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	-	-	-16 577	-	**-16 577**
Profit for the year	-	-	-	-744 173	**-744 173**
As at 31 March 2008	**4 226 185**	**2 851 725**	**6 143**	**4 080 339**	**11 164 393**

Notes for consolidated interim report

Note 1 Customer receivables

	31.03.2008 Ls	31.03.2007 Ls	31.03.2008 EUR	31.03.2007 EUR
Accounts receivables	2 163 898	2 379 865	3 078 949	3 386 243
Provisions for bad and doubtful accounts receivable	(138 454)	(122 002)	(197 002)	(173 593)
	2 025 444	**2 257 863**	**2 881 947**	**3 212 650**

Accounts receivable is slightly less then 12 months before and by 30% or LVL 0.96 million less than on December 31, 2007 as payments from customers for due invoices were paid according to agreed terms. The Group ceased discounting Letter of Credit as overdraft rates are more favourable. Working capital is deemed sufficient. Provisions for bad and doubtful accounts receivable, in comparison with the 9 month period of the previous financial year 2006/07 is a little larger, but substantially lower (by 37% less) comparing with the end of previous quarter as the major part of lasting overdue debts were covered.

Note 2 Other current receivables

	31.03.2008 Ls	31.03.2007 Ls	31.03.2008 EUR	31.03.2007 EUR
Other current receivables	1 230	20 914	1 750	29 758
	1 230	**20 914**	**1 750**	**29 758**

Note 3 Prepaid taxes

	31.03.2008 Ls	31.03.2007 Ls	31.03.2008 EUR	31.03.2007 EUR
Prepaid taxes	163 600	447 346	232 782	636 516
	163 600	**447 346**	**232 782**	**636 516**

Prepaid taxes have decreased by LVL 0.28 million. This is mainly due to less paid advance Corporate Income tax and less VAT.

Note 4 Inventories

	31.03.2008 Ls	31.03.2007 Ls	31.03.2008 EUR	31.03.2007 EUR
Raw materials	1 036 576	2 172 659	1 474 915	3 091 415
Work-in- progress	2 179 572	3 474 055	3 101 252	4 943 135
Finished goods	516 111	605 316	734 360	861 287
Prepayments to suppliers	13 723	1 722	19 526	2 450
	3 745 982	**6 253 752**	**5 330 052**	**8 898 287**

Inventories in comparison with the 9 month period of the previous financial year 2006/07 decreased by 40%. This was when the Group created additional reserves for a wider product assortment and greater manufacturing capacity. As forecasted production volumes were considerably higher than actual volumes in 2007 purchased items were consumed over a much longer period. The current level of inventories is 9% lower than in the previous quarter (December 31, 2007), reflecting stock levels appropriate to actual production volumes.

Note 5 Non-current physical assets

	31.03.2008 Ls	31.03.2007 Ls	31.03.2008 EUR	31.03.2007 EUR
Plant and equipment	2 034 872	1 938 982	2 895 362	2 758 923
Other equipment and fixtures	1 168 426	1 062 997	1 662 520	1 512 508
Accumulated depreciation	(2 110 107)	(1 512 295)	(3 002 412)	(2 151 802)
Prepayments for non-current physical assets	0	92 393	0	131 464
	1 093 191	**1 582 077**	**1 555 471**	**2 251 093**

Decrease of the balance value of non current physical assets, in comparison with the 9 month period of the previous financial year 2006/07, is mainly due to accumulated depreciation.

Note 6 Debt obligations

	31.03.2008 Ls	31.03.2007 Ls	31.03.2008 EUR	31.03.2007 EUR
Short-term loans from financial institutions	4 584	1 535 844	6 522	2 185 309
Derivative financial instruments	1 379	0	1 962	0
	5 963	**1 535 844**	**8 485**	**2 185 309**

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

Note 7 Accounts payable

	31.03.2008 Ls	31.03.2007 Ls	31.03.2008 EUR	31.03.2007 EUR
Accounts payable	583 891	545 423	830 802	776 067
	583 891	**545 423**	**830 802**	**776 067**

Accounts payable, in comparison with the 9 month period of the previous financial year 2006/07 is at the similar level and there are slight increase comparing with previous quarter although fixed cost increase due to macroeconomic situation is observed.

Note 8 Other provisions

	31.03.2008 Ls	31.03.2007 Ls	31.03.2008 EUR	31.03.2007 EUR
Other provisions	452 304	305 641	643 571	434 887
	452 304	**305 641**	**643 571**	**434 887**

Provisions, in comparison with the 9 month period of the previous financial year 2006/07, increased due to slow moving items as a result of production decrease and slow utilization of previously purchased items, sale portfolio diversification and new market entry. Current provisions are LVL 0.1 million less compared with the end of the second quarter as earlier purchased components were consumed.

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 9 month of the financial year 2007/08 and financial year 2006/07.

	CFQ		CFM		Other		Total	
	2007/8	**2006/7**	**2007/8**	**2006/7**	**2007/8**	**2006/7**	**2007/8**	**2006/7**
	Ls	**Ls**	**Ls**	**Ls**	**Ls**	**Ls**	**Ls**	**Ls**
Segment assets	**1 301 902**	**1 718 926**	**5 267 890**	**8 500 611**	**611 928**	**630 572**	**7 181 720**	**10 850 109**
Undivided assets							**2 323 491**	**1 090 366**
Total assets							**9 505 211**	**11 940 475**
Segment liabilities	**213 652**	**184 305**	**694 314**	**608 631**	**131 903**	**83 826**	**1 039 869**	**876 762**
Undivided liabilities							**618 963**	**2 039 535**
Total liabilities							**1 658 832**	**2 916 297**
Net sales	964 208	1 113 287	5 573 106	8 688 733	1 205 052	1 209 904	7 742 366	11 011 924
Segment results	**-254 107**	**-265 447**	**916 758**	**2 854 773**	**279 648**	**243 883**	**942 299**	**2 833 209**
Undivided expenses							-1 509 084	-1 907 657
Profit from operations							**-566 785**	**925 552**
Other income							146 418	110 055
Financial expenses, net							-102 641	-134 336
Profit before taxes							**-523 008**	**901 271**
Corporate income tax							0	-91 309
Net profit							**-523 008**	**809 962**
Other information								
equipment and intangible asets	1 303	182 862	93 914	666 492	1 855	2 299	97 072	851 653
Undivided additions							115 628	298 948
Total additions of property plant and equipment and intangible asets							**212 700**	**1 150 601**
Depreciation and amortization	76 448	122 237	275 701	191 440	6 097	2 565	358 246	316 242
Undivided depreciation							147 129	148 779
Total depreciation and amortization							**505 375**	**465 021**

	CFQ		CFM		Other		Total	
	2007/8	**2006/7**	**2007/8**	**2006/7**	**2007/8**	**2006/7**	**2007/8**	**2006/7**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Segment assets	1 852 440	2 445 811	7 495 532	12 095 280	870 694	897 223	10 218 667	15 438 314
Undivided assets							3 306 030	1 551 451
Total assets							**13 524 697**	**16 989 765**
Segment liabilities	303 999	262 242	987 920	866 004	187 681	119 274	1 479 600	1 247 520
Undivided liabilities							880 705	2 901 997
Total liabilities							**2 360 305**	**4 149 517**
Net sales	1 371 944	1 584 065	7 929 815	12 362 953	1 714 635	1 721 538	11 016 394	15 668 556
Segment results	**-361 562**	**-377 697**	**1 304 429**	**4 061 976**	**397 903**	**347 015**	**1 340 771**	**4 031 293**
Undivided expenses							-2 147 233	-2 714 351
Profit from operations							**-806 462**	**1 316 942**
Other income							208 334	156 594
Financial expenses, net							-146 045	-191 143
Profit before taxes							**-744 173**	**1 282 393**
Corporate income tax							0	-129 921
Net profit							**-744 173**	**1 152 472**
Other information								
Additions of property plant and equipment and intangible asets	1 854	260 189	133 628	948 333	2 639	3 271	138 121	1 211 793
Undivided additions							164 524	425 365
Total additions of property plant and equipment and intangible asets							**302 645**	**1 637 158**
Depreciation and amortization	108 776	173 928	392 287	272 395	8 675	3 650	509 738	449 972
Undivided depreciation							209 345	211 693
Total depreciation and amortization							**719 083**	**661 665**

b) This note provides information about division of the Group's turnover and assets by geographical regions (customer location) for 9 month of the financial year 2007/08 and financial year 2006/07.

	Net sales		Assets		Net sales		Assets	
	2007/8	2006/7	31.03.2008	31.03.2007	2007/8	2006/7	31.03.2008	31.03.2007
	Ls	Ls	Ls	Ls	EUR	EUR	EUR	EUR
Asia	1 918 638	3 248 429	639 948	608 980	2 729 976	4 622 098	910 564	866 500
America	1 178 315	1 135 097	449 404	477 867	1 676 591	1 615 098	639 444	679 943
Africa	546 106	691 814	57 469	98 600	777 039	984 363	81 772	140 295
Europe	1 990 446	3 498 482	412 910	571 123	2 832 149	4 977 891	587 518	812 635
CIS	1 771 477	2 121 920	223 981	432 464	2 520 585	3 019 220	318 697	615 341
Middle East	337 385	316 182	241 731	68 829	480 055	449 886	343 952	97 936
	7 742 366	**11 011 924**	**2 025 444**	**2 257 863**	**11 016 394**	**15 668 556**	**2 881 947**	**3 212 650**
Unallocatted assets	-	-	7 479 767	9 682 612	-	-	13 639 699	13 777 115
	7 742 366	**11 011 924**	**9 505 211**	**11 940 475**	**11 016 394**	**15 668 556**	**16 521 646**	**16 989 765**

Note 10 Marketing, advertising and public relations expenses

	31.03.2008	31.03.2007	31.03.2008	31.03.2007
	Ls	Ls	EUR	EUR
Marketing, advertising and public relations expenses	323 836	508 498	460 777	723 527
	323 836	**508 498**	**460 777**	**723 527**

The decrease in marketing expenses, in comparison with the 9 month period of the previous financial year 2006/07, reflects lower sales commissions due to the lower sales results and slightly less spending for exhibitions.

Note 11 Operating expenses

	31.03.2008	31.03.2007	31.03.2008	31.03.2007
	Ls	Ls	EUR	EUR
Operating expenses	759 612	926 757	1 080 831	1 318 656
	759 612	**926 757**	**1 080 831**	**1 318 656**

The main decrease in operating expenses, in comparison with the 9 month period of the previous financial year 2006/07, are due to two items – training and travelling. These items are always evaluated on an ongoing basis considering the likely return and necessary investment.

Note 12 Salaries, bonuses and social expenses

	31.03.2008	31.03.2007	31.03.2008	31.03.2007
	Ls	Ls	EUR	EUR
Salaries, bonuses and social expenses	1 894 064	2 150 401	2 695 010	3 059 745
	1 894 064	**2 150 401**	**2 695 010**	**3 059 745**

The decrease in average headcount from 172 for the 9 month period of the previous financial year to 165 for the same period of the current financial year explains the decrease in salaries, bonuses and social expenses. Expenses for bonuses decreased proportionally with the sales decrease.