

SAF Tehnika A/S
Consolidated Interim Report
for 9 month of financial year 2004/5

TABLE OF CONTENTS

KEY DATA	3
Management Report	4
Consolidated Balance Sheet	6
Consolidated Income Statement 9 month of the financial year 2004/5	8
Consolidated Income Statement for Q3 of the financial year 2004/5	9
Consolidated Cash Flow Statement	10
Statement of Changes in Equity	11
Notes for Consolidated Interim Report	13
Note 1 Cash and Bank	14
Note 2 Customer Receivables	14
Note 3 Other Receivables	14
Note 4 Inventories	15
Note 5 Non-current physical assets	15
Note 6 Intangible Assets	16
Note 7 Derivative financial instruments	16
Note 8 Supplier payables	16
Note 9 Tax liabilities	17
Note 10 Accrued expenses	17
Note 11 Provisions	17
Note 12 Share capital	17

KEY DATA

AS SAF Tehnika is a designer, producer and distributor of digital microwave point-to-point radio data transmission equipment which offers an alternative to cable channels. AS SAF Tehnika markets its portfolio of approximately 130 products to cellular network operators, data service providers (such as internet service providers and telecommunication companies), governments and private companies.

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

Legal address:	Ganibu Dambis 24a Riga, LV – 1005 Latvia
Commercial Registry Nr.:	40003474109
VAT Registry Nr.:	LV40003474109
Beginning of financial year:	01.07.2004
End of financial year:	30.06.2005
Phone:	+371 7046840
Fax:	+ 371 7020009
E-mail:	info@saftehnika.com

Aleksis Orlovs
Member of the Management Board

April 27, 2005

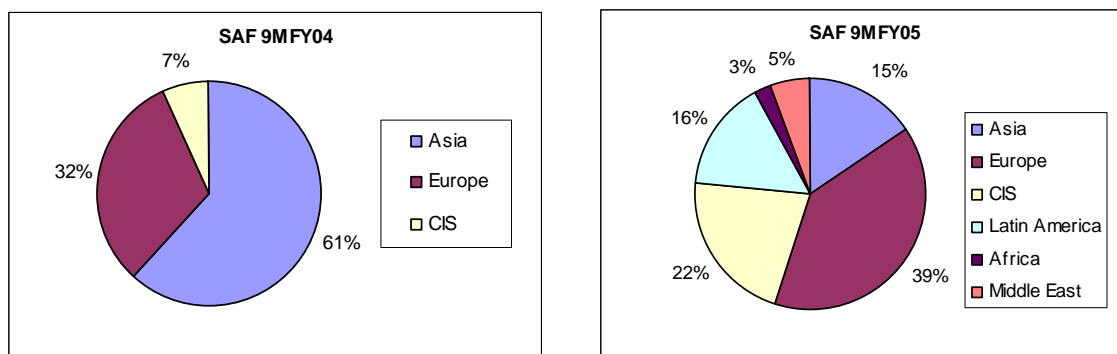
Management Report

The Group's consolidated non-audited net sales for Quarter 3 of financial year 2004/5 were 2 471 570 LVL (3 516 727 EUR), representing a year on year increase of 46%.

As suggested in the previous quarterly results release, the significant negative effect on sales of the Chinese New Year celebrations has been appreciably mitigated due to the considerably reduced exposure to China. This also reflects the Group's successful expansion and diversification policy with regular sales having commenced to France, Argentina, Bangladesh, The Philippines and Estonia.

The Group's consolidated non-audited net sales for the first 9 months of financial year 2004/5 were 8 319 704 LVL (11 837 873 EUR). The net sales of the comparable period last financial year were 9 510 083 LVL (13 531 629 EUR).

9 month revenue breakdown comparative charts:



The consolidated net profit of the Group for Quarter 3 of financial year 2004/5 was 299 588 LVL (426 275EUR), amounting to a 2% year on year increase. Without incorporating SAF Tehnika Sweden (effectively a R&D operation, acquired in mid-2004), the Group consolidated net profit would reach 395 758 LVL (563 112 EUR), which is 35% more than the net profit of the comparable period last financial year.

The consolidated net profit of the Group for the first 9 months of financial year 2004/5 was 1 342 767 LVL (1 910 586 EUR), amounting to 43 % of the net profit for the same period last financial year. Excluding SAF Tehnika Sweden, the net profit would reach 93% of last year's figure.

Guidance:

As noted in the interim results, Chinese mobile operators have delayed infrastructure investments while they await 3G license auction outcomes. The market is still awaiting developments on this front. SAF Tehnika notes that contrary to some press reports, its sales to China have not ceased but are running at a significantly reduced level.

Management also indicated that it felt comfortable about achieving last year's full year results from a revenue perspective. Due to the fluctuating projected-related nature of orders the final figure may vary within a +/- 15% band.

Marketing activities:

SAF Tehnika took part in the key trade show of the season, Cebit, in Germany. It was considered a success both in terms of productive meetings with existing customers/channel partners and newly-acquired contacts. At the same time the Group commenced preparations for participation in a significant exhibition in Asia, CommunicAsia2005, which will take place in Singapore on June 14-17.

On March 31, 2005 the group employed 127 people.

Consolidated balance sheet

ASSETS	Note	2005.03.31	2004.03.31	2005.03.31	2004.03.31
CURRENT ASSETS		LVL	LVL	EUR	EUR
Cash and bank	1	208 101	71 899	296 101	102 303
Short-term investments	1		809 275	0	1 151 495
Customer receivables	2				
Accounts receivable		1 433 888	1 373 973	2 040 238	1 954 987
Accounts receivable from Group companies		0	53 956	0	76 772
Allowance for uncollectible receivables		-123 251	-49 697	-175 370	-70 712
Total		1 310 636	1 378 232	1 864 867	1 961 047
Other receivables					
Other current receivables		520	4 665	740	6 638
Total		520	4 665	740	6 638
Prepaid expenses	3				
Prepaid taxes		187 636	169 525	266 982	241 212
Other prepaid expenses		61 213	13 224	87 098	18 816
Total		248 849	182 749	354 080	260 028
Inventories	4				
Raw materials		2 191 578	1 201 336	3 118 335	1 709 347
Work-in-progress		2 046 100	1 453 911	2 911 338	2 068 729
Finished goods		598 459	196 901	851 530	280 165
Merchandise purchased for resale		2 570	0	3 657	0
Prepayments to suppliers		71 833	65 070	102 209	92 586
Total		4 910 540	2 917 218	6 987 069	4 150 827
TOTAL CURRENT ASSETS		6 678 646	5 364 038	9 502 858	7 632 338
NON-CURRENT ASSETS	5				
Long-term financial assets					
Shares in subsidiaries		31 654	31 654	45 040	45 040
Total		31 654	31 654	45 040	45 040
NON-CURRENT physical assets					
Plant and equipment		1 256 253	695 167	1 787 487	989 134
Other equipment and fixtures		601 715	437 504	856 163	622 512
Accumulated depreciation		-803 768	-392 922	-1 143 659	-559 078
Prepayments for noncurrent physical assets		847	2 600	1 205	3 699
Total		1 055 047	742 349	1 501 197	1 056 267
Intangible assets	6				
Purchased licenses, trademarks etc.		152 243	124 288	216 622	176 846
Goodwill		542 772	0	772 295	0
Prepayments for intangible assets		6 937	24 466	9 870	34 812
Total		701 952	148 754	998 787	211 658
TOTAL NON-CURRENT ASSETS		1 788 653	922 757	2 545 024	1 312 965
TOTAL ASSETS		8 467 299	6 286 795	12 047 881	8 945 303

Consolidated balance sheet

LIABILITIES AND OWNERS' EQUITY	Note	2005.03.31	2004.03.31	2005.03.31	2004.03.31
CURRENT LIABILITIES		LVL	LVL	EUR	EUR
Debt obligations					
Short-term loans from financial institutons		1 798	4 097	2 559	5 830
Derivative financial instruments	7	4 821	0	6 859	0
Short-term capital lease obligation		0	84 497	0	120 228
Total		6 619	88 594	9 417	126 058
Customer prepayments for goods and services		14 778	0	21 027	0
Supplier payables	8				
Accounts payable		660 696	443 672	940 086	631 288
Payable to Group companies		0	3 526	-1	5 017
Total		660 696	447 198	940 085	636 305
Tax liabilities	9	59 465	26 165	84 611	37 229
Accrued expenses	10				
Salary-related accrued expenses		273 039	122 925	388 500	174 907
Total		273 039	122 925	388 500	174 907
Provisions	11				
Deferred income tax liability		29 422	603 048	41 864	858 060
Other provisions		164 931	11 006	234 676	15 660
Total		194 353	614 054	276 539	873 720
TOTAL CURRENT LIABILITIES		1 208 950	1 298 936	1 720 180	1 848 219
NON-CURRENT LIABILITIES					
Long-term liabilities					
Long-term capital lease obligation		0	99 378	0	141 402
Total		0	99 378	0	141 402
TOTAL NON-CURRENT LIABILITIES		0	99 378	0	141 402
TOTAL LIABILITIES		1 208 950	1 398 314	1 720 180	1 989 622
OWNERS' EQUITY					
Share capital	12	2 970 180	200 354	4 226 186	285 078
Paid in capital over par		2 004 204	863 328	2 851 726	1 228 405
Reserves					
Other reserves		1 023 402	732 430	1 456 170	1 042 154
Total		1 023 402	732 430	1 456 170	1 042 154
Retained earnings		-62 702		-89 217	0
Net profit for the financial year		1 342 767	3 092 369	1 910 585	4 400 045
Currency translation reserve		-19 502		-27 749	0
TOTAL OWNERS' EQUITY		7 258 349	4 888 481	10 327 700	6 955 682
TOTAL LIABILITIES AND OWNERS' EQUITY		8 467 299	6 286 795	12 047 881	8 945 303

Consolidated income statement for 9 months of the financial year 2004/05

	2005.03.31	2004.03.31	2005.03.31	2004.03.31
	LVL	LVL	EUR	EUR
Net sales	8 319 421	9 509 897	11 837 469	13 531 364
Other operating income	284	186	403	265
Total income	8 319 704	9 510 083	11 837 873	13 531 629
Direct cost of goods sold or services rendered	-3 998 129	-3 782 664	-5 688 826	-5 382 246
Marketing, advertising and public relations expenses	-267 318	-510 913	-380 359	-726 964
Bad receivables	-103 758	-9 947	-147 634	-14 153
Operating expenses	-518 577	-285 100	-737 868	-405 660
Salaries, bonuses and social expenses	-1 319 422	-625 317	-1 877 368	-889 746
Depreciation expense	-404 256	-235 657	-575 204	-335 310
Other expenses	-4 022	-1 057	-5 722	-1 504
Operating expenses	-6 615 481	-5 450 655	-9 412 982	-7 755 583
EBIT	1 704 223	4 059 428	2 424 891	5 776 046
Financial income (except ForEx rate difference)	2 835	6 186	4 034	8 802
Financial costs (except ForEx rate difference)	-36 421	-111 391	-51 823	-158 495
Foreign exchange +gain/(loss)	1 014	-124 763	1 443	-177 522
Financial items	-32 572	-229 968	-46 345	-327 215
EBT	1 671 651	3 829 460	2 378 546	5 448 831
Provision for taxes	-328 884	-737 091	-467 960	-1 048 786
Net profit	1 342 767	3 092 369	1 910 586	4 400 045

*Earnings per share

EPS as on 31.03.05 = 0.718 LVL

EPS as on 31.03.04 = 1.654 LVL

Consolidated income statement for Q3 of the financial year 2004/05

	2005.03.31	2004.03.31	2005.03.31	2004.03.31
	LVL	LVL	EUR	EUR
Net sales	2 471 571	1 695 915	3 516 729	2 413 070
Other operating income	-1	185	-1	263
Total income	2 471 570	1 696 100	3 516 727	2 413 333
Direct cost of goods sold or services rendered	-1 228 772	-746 761	-1 748 385	-1 062 545
Marketing, advertising and public relations expenses	-95 953	-76 931	-136 529	-109 463
Bad receivables	-21 891	-23 336	-31 148	-33 204
Operating expenses	-189 285	-107 828	-269 329	-153 425
Salaries, bonuses and social expenses	-466 768	-218 627	-664 151	-311 078
Depreciation expense	-140 322	-87 028	-199 660	-123 830
Other expenses		-241	0	-343
Operating expenses	-2 142 992	-1 260 752	-3 049 202	-1 793 888
EBIT	328 579	435 348	467 525	619 445
Financial income (except ForEx rate difference)	522	6 181	742	8 795
Financial costs (except ForEx rate difference)	-3 524	-24 741	-5 014	-35 203
Foreign exchange +gain/(loss)	42 549	-29 728	60 542	-42 299
Financial items	39 547	-48 288	56 270	-68 708
EBT	368 125	387 060	523 795	550 737
Provision for taxes	-68 537	-94 148	-97 519	-133 961
Net profit	299 588	292 912	426 275	416 777

Consolidated cash flow statement for 9 months of the financial year 2004/05

	2005.03.31	2004.03.31	2005.03.31	2004.03.31
	LVL	LVL	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	892 104	2 076 662	1 269 350	2 954 824
Cash received from customers	9 673 018	7 848 976	13 763 465	11 168 087
Cash received from customers MLGroup	0	715 540	0	1 018 122
Cash paid to suppliers and employees	-7 916 747	-6 454 017	-11 264 516	-9 183 239
Cash paid to suppliers and employees MLGroup	0	-33 837	0	-48 146
Paid income tax	-864 167	0	-1 229 599	0
NET CASH USED IN INVESTING ACTIVITIES (of which)	-568 808	-1 222 841	-809 341	-1 739 946
Cash paid for purchasing shares in subsidiary MLGroup	0	-31 255	0	-44 472
Business acquisition	-140 138	0	-199 398	0
Cash paid for purchasing non-current physical assets	-432 282	-309 250	-615 082	-440 023
Cash paid for purchasing non-current physical assets MLGroup	0	-79 239	0	-112 747
Cash received from the sale of non-current physical assets	229	0	326	0
Loans given	-72 520	-4 373 064	-103 187	-6 222 309
Cash received from repayment of loans given	71 547	3 567 848	101 802	5 076 590
Interest received	4 356	2 119	6 199	3 015
NET CASH USED IN FINANCING ACTIVITIES (of which)	-967 452	-783 462	-1 376 560	-1 114 766
Cash received from issuance of share capital (new shares) MLGroup		341 700	0	486 195
Short-term loans received	567	305 997	807	435 395
Repayment of short-term loans	0	-1 078 094	0	-1 533 990
Cash paid as capital lease payments	0	-88 709	0	-126 222
Paid interest	-23 216	-81 526	-33 033	-116 001
Paid interest MLGroup	0	-32 830	0	-46 713
Dividends paid	-944 803	-150 000	-1 344 334	-213 431
TOTAL CASH FLOW:	-644 156	70 359	-916 551	100 112
Cash and cash equivalents as at the beginning of period	852 257	1 540	1 212 652	2 191
Cash and cash equivalents as at the end of period	208 101	71 899	296 101	102 303
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	-644 156	70 359	-916 551	100 112

Statement of changes in consolidated equity for the 9 months period ended March 31 2005

	Share capital	Share premium	Other rezerves	Currency translation rezerves	Accumulated profit	Current period's profit	Total
	Ls	Ls	Ls	Ls	Ls	Ls	Ls
As at 30 June 2003	200 303	521 679	70 645	-	811 786	-	1 604 413
Issue of share capital	67 637	1 531 649	-	-	-	-	1 599 286
Costs of issue of share capital	-	-48 129	-	-	-	-	-48 129
Dividend relating to 2002/2003	-	-	-	-	-150 000	-	-150 000
Allocation of profit	-	-	661 786	-	-661 786	-	-
Issue of share capital	722 120	-	-722 120	-	-	-	-
Currency translation difference	-	-	-	-2 272	-	-	-2 272
Profit for the year	-	-	-	-	-	3 920 569	3 920 569
As at 30 June 2004	990 060	2 005 199	10 311	-2 272	-	3 920 569	6 923 867
Not distributed profit relating to 2003/2004	-	-	-	-	3 920 569	-3 920 569	-
Issue of share capital	1 980 120	-	-	-	-1 980 120	-	-
Costs of issue of share capital	-	-995	-	-	-	-	-995
Dividend relating to 2003/2004	-	-	-	-	-990 060	-	-990 060
Allocation of profit	-	-	1 013 091	-	-1 013 091	-	-
Currency translation difference	-	-	-	-17 230	-	-	-17 230
Profit for the year	-	-	-	-	-	1 342 767	1 342 767
As at 31 March 2005	2 970 180	2 004 204	1 023 402	-19 502	-62 702	1 342 767	7 258 349

Statement of changes in consolidated equity for the 9 months period ended March 31 2005

	Share capital	Share premium	Other rezerves	Currency translation rezerves	Accumulated profit	Current period's profit	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As at 30 June 2003	285 005	742 282	100 519	-	1 155 068	-	2 282 874
Issue of share capital	96 239	2 179 340	-	-	-	-	2 275 579
Costs of issue of share capital	-	-68 481	-	-	-	-	-68 481
Dividend relating to 2002/2003	-	-	-	-	-213 431	-	-213 431
Allocation of profit	-	-	941 637	-	-941 637	-	-
Issue of share capital	1 027 484	-	-1 027 484	-	-	-	-
Currency translation difference	-	J	-	-3 233	-	-	-3 233
Profit for the year	-	-	-	-	-	5 578 467	5 578 467
As at 30 June 2004	1 408 728	2 853 141	14 672	-3 233	-	5 578 467	9 851 775
Not distributed profit relating to 2003/2004	-	-	-	-	5 578 467	-5 578 467	-
Issue of share capital	2 817 457	-	-	-	-2 817 457	-	-
Costs of issue of share capital	-	-1 416	-	-	-	-	-1 416
Dividend relating to 2003/2004	-	-	-	-	-1 408 728	-	-1 408 728
Allocation of profit	-	-	1 441 499	-	-1 441 499	-	-
Currency translation difference	-	-	-	-24 516	-	-	-24 516
Profit for the year	-	-	-	-	-	1 910 585	1 910 585
As at 31 March 2005	4 226 185	2 851 725	1 456 171	-27 749	-89 217	1 910 585	10 327 700

Notes for consolidated interim report

Accounting methods and principles used in preparing the consolidated interim report.

This consolidated Interim Report of SAF Tehnika Group has been prepared in accordance with the source documents and present fairly the financial position of the Group as of 31 March 2005 and the results of its operations and cash flows for the 9 month period ended 31 March 2005

This consolidated Interim Report has been prepared in accordance with International Financial Reporting Standards (IFRS) on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. The Interim Report has been prepared based on the same accounting principles applied in the Consolidated Financial Statements for the year ended on June 30, 2004.

This Interim Report has not been audited or otherwise checked by auditors.

The Interim Report has been prepared in Latvian Lats and Euro.

Currency Exchange rate for LVL/EUR 0.7028, as on 31.03.2005

Note 1 Cash and Bank

	31.03.2005.	31.03.2004
	Ls	Ls
Bank accounts	208 101	71 899
Deposits in money market fund	-	809 275
	<u>208 101</u>	<u>881 174</u>

Cash and Bank, in comparison with the 9 month period of the previous financial year 2003/4, decreased due to the considerable money outflow for Income tax and Dividend payments

Note 2 Customer receivables

	31.03.2005	31.03.2004
	Ls	Ls
Accounts receivables	1 433 887	1 373 973
Accounts receivable from Group companies *	0	53 956
Provisions for bad and doubtful accounts receivable	(123 251)	(49 697)
	<u>1 310 636</u>	<u>1 378 232</u>

* SAF Tehnika AS was included in Microlink Group until 25 May 2004

Note 3 Prepaid expenses

	31.03.2005	31.03.2004
	Ls	Ls
Prepaid taxes	187 636	169 525
Prepaid participation at exhibition	5 934	-
Prepaid insurance fees	12 819	7 427
Prepaid software maintenance year fees	18 065	5 054
Prepaid rent month fees	7 282	-
Other prepaid expenses	17 113	743
	<u>248 849</u>	<u>182 749</u>

Note 4 Inventories

	31.03.2005.	31.03.2004.
	Ls	Ls
Raw materials	2 191 578	1 201 336
Work-in- progress	2 046 100	1 453 911
Finished goods	598 459	196 901
Merchandise purchased for resale	2 570	-
Prepayments to suppliers	71 833	65 070
	4 910 540	2 917 218

Inventories, in comparison with the 9 month period of the previous financial year 2003-2004, increased as the group created additional reserves for a wider product assortment as a result of the ongoing revenue diversification process.

Note 5 Non-current physical assets

	Leasehold improvements	Equipment and machinery	Other assets and inventory	fixed and for fixed assets	Total
	Ls	Ls	Ls	Ls	Ls
Cost					
31.03.2004.	198 881	695 167	238 622	2 600	1 135 270
Additions	114 090	335 166	50 122	847	500 225
Acquisition of business		225 606			225 606
Reclassifications	-	2 600		(2 600)	-
Disposals	-	(2 286)	-	-	(2 286)
31.03.2005.	312 971	1 256 253	288 744	847	1 858 815
Depreciation					
31.03.2004.	20 028	326 146	46 747	-	392 921
Charge for the period	39 386	306 728	66 416	-	412 530
For disposed	-	(1 683)	-	-	(1 683)
31.03.2005.	59 414	631 191	113 163	-	803 768
Net book value 31.03.2004.	178 853	369 021	191 875	2 600	742 349
Net book value 31.03.2005.	253 557	625 062	175 581	847	1 055 047

Non-current physical assets, in comparison with the 9 month period of the previous financial year 2003-2004, increased due to the SAF Tehnika Sweden asset transaction (Viking Microwave acquisition).

Note 6 Intangible Assets

	Goodwill	Trademarks & licenses	Other	Advances	Total
	Ls	Ls	Ls	Ls	Ls
Cost					
31.03.2004.	-	104 787	115 159	24 466	244 412
Additions	-	14 752	78 178	6 937	99 867
Acquisition of business	542 772	-	-	-	542 772
Reclassifications	-	5 587	18 879	(24 466)	-
31.03.2005	542 772	125 126	212 216	6 937	887 051
Amortisation					
31.03.2004.	-	35 095	60 563	-	95 658
Charge for the period	-	47 422	42 019	-	89 441
31.03.2005.	-	82 517	102 582	-	185 099
Net book value 31.03.2004	-	69 692	54 596	24 466	148 754
Net book value 31.03.2005	542 772	42 609	109 634	6 937	701 952

Goodwill arising in the acquisition of a business is allocated to the Group as a single cash-generating unit (CGU), as the acquired subsidiary will function as research and development unit for the whole Group. As the acquisition of the business took place in June 2004 the first impairment test of goodwill has not been performed before the balance sheet date. The management is not aware of any indications on potential impairment of goodwill.

Note 7 Derivative financial instruments

	31.03.2005		31.03.2004	
	Assets	Liabilities	Assets	Liabilities
	Ls	Ls	Ls	Ls
Forward foreign Exchange contracts – cash flow hedges	-	4 821	-	-

From the beginning of financial year 2004/5 SAF Tehnika implemented a currency hedging system and uses forward foreign exchange contracts to hedge cash flows.

Note 8 Supplier payables

	31.03.2005.	31.03.2004.
	Ls	Ls
Accounts payable	660 696	443 672
Payable to Group companies *	-	3 526
	660 696	447 198

* SAF Tehnika AS was included in Microlink Group until 25 May 2004

Accounts Payable in comparison with the 9 month period of the previous financial year 2003-2004, increased due to more favorable payment terms from suppliers. This has partially came about as a result of SAF Tehnika's successful debut as a publicly-listed company on the Riga Stock Exchange in May 2004 – enhanced credibility and trust from international suppliers.

Note 9 Tax liabilities

	31.03.2005.	31.03.2004.
	Ls	Ls
VAT	5 103	-
Personal income tax	12 449	10 376
Social tax	41 873	15 755
Insolvency risk duty	40	34
	59 465	26 165

Note 10 Accrued expenses

	31.03.2005.	31.03.2004.
	Ls	Ls
Salaries	40 733	31 695
Calculated bonuses	70 174	27 031
Accruals for annual leave	162 132	64 199
	273 039	122 925

Note 11 Provisions

	31.03.2005.	31.03.2004.
	Ls	Ls
Increase in deferred tax	29 422	19 298
Corporate income tax charge for the current period	-	583 750
Provisions for slow moving inventories	164 931	11 006
	194 353	614 054

Note 12 Share capital

The total number of authorized, issued and fully paid ordinary shares with voting rights is 2 970 180 shares (31.03.2004: 200 354 shares). The nominal value of a share is Ls 1.