

**SAF Tehnika A/S**  
**Consolidated Interim Report**  
**for 9 month of financial year 2005/6**

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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) and high capacity radio links (SDH). 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 Ericsson, Nokia, Siemens 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.

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Aleksis Orlovs  
Member of the Management Board

April 27, 2006

## Share and Shareholdings

### SAF Tehnika shareholders (over 5%) as of 25.11.2005

Name	Ownership interest (%)
Hansapank AS Clients Account	20.13%
Didzis Liepkalns	17.05%
Andrejs Grišāns	10.03%
Normunds Bergs	9.74%
Juris Ziema	8.71%
Skandinaviska Enskilda Banken AB Clients Account	8.59%
Nordea Bank Finland PLC Clients Account	6.31%
Vents Lācars	6.08%

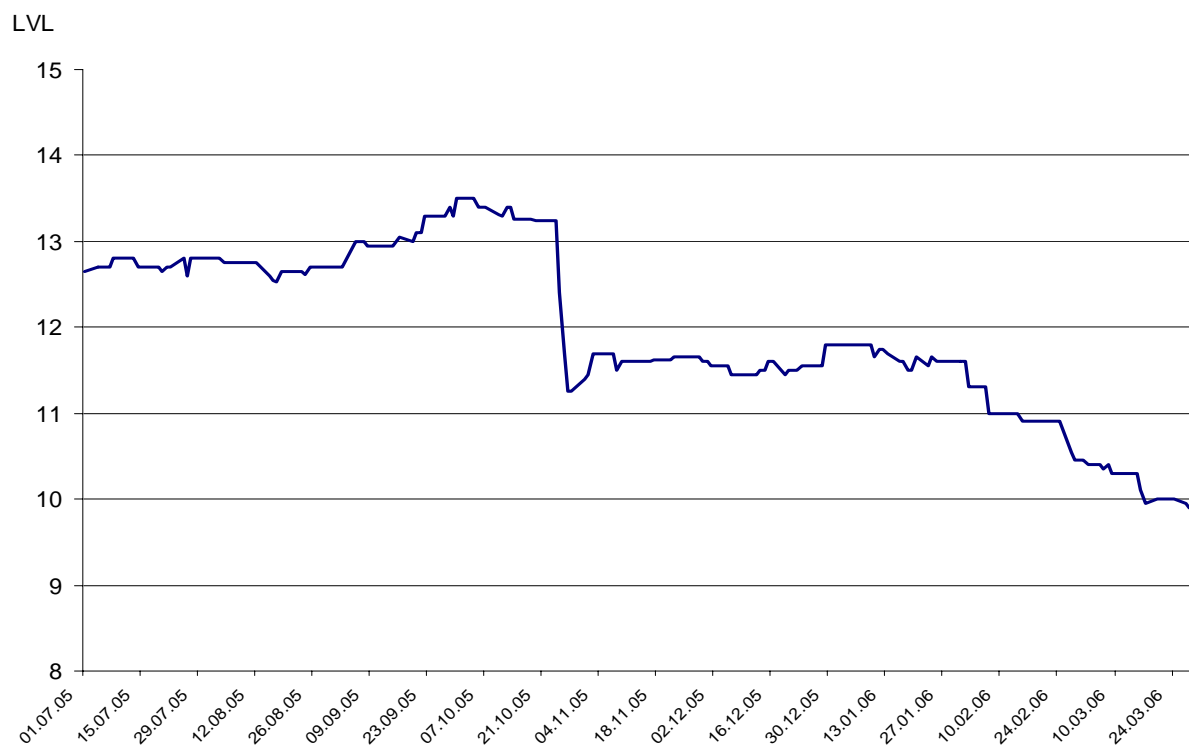
### SAF Tehnika share price development for the reporting period

SAF Tehnika (SAF1R)

Period: 2005-07-01 - 2006-03-31

Currency: LVL

Marketplace: RSE



## Information on management and supervisory board members

### SAF Tehnika Management Board:

<b>Name</b>	<b>Position</b>	<b>Ownership interest (%)</b>
Normunds Bergs	Chairman	owns 9.74% of shares
Didzis Liepkalns	Vice Chairman	owns 17.05% of shares
Aleksis Orlovs	Board Member	

### SAF Tehnika Supervisory Board:

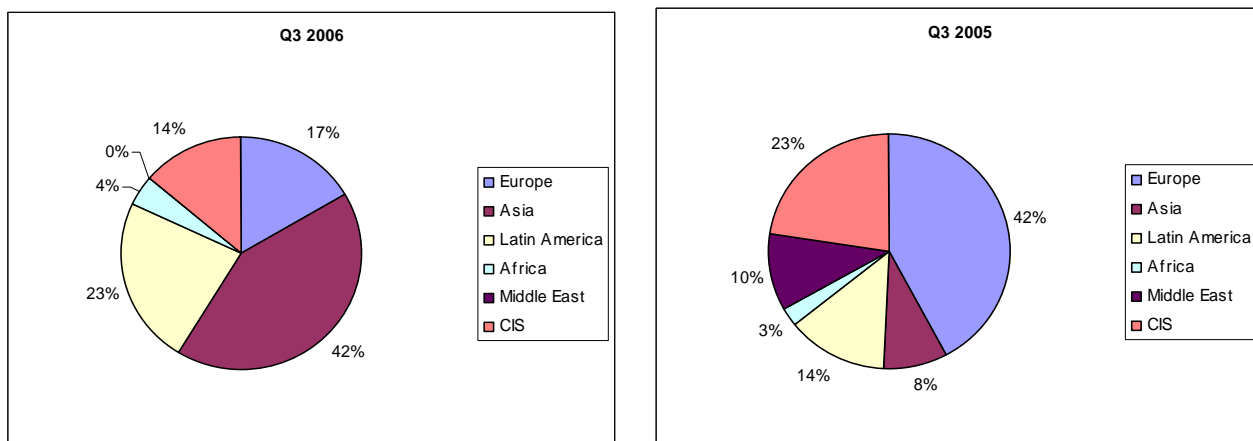
<b>Name</b>	<b>Position</b>	<b>Ownership interest (%)</b>
Vents Lācars	Chairman	owns 6.08% of shares
Juris Ziema	Vice-Chairman	owns 8.71% of shares
Andrejs Grišāns	Supervisory Board Member	owns 10.03% of shares
Ivars Šenbergs	Supervisory Board Member	

## Management Report

The Group's consolidated non-audited net sales for the third quarter of financial year 2005/6 were 3 884 131 LVL (5 526 621 EUR), representing a year-on-year increase of 57%. This is the strongest third quarter in the Group's history and is a direct result of the Group's diversification policy. This was achieved by steady performance in Europe, Africa and CIS countries. Latin America showed another consecutive quarterly sales gain during the reporting period. The major positive development came from Asia. The China market has picked up after approval of TD-SCDMA a new Chinese national 3G standard, however decision on operators' licenses is still pending. The Group supplied half of a significant project for BSNL in India.

The Group launched its new SDH product line at the World 3GSM Congress on February 13. The CFQ (SDH) product line offers high capacity data transmission capabilities suitable for operators to provide various leading edge 3G data services as well as wireless solutions for emerging WiMax networks. The first CFQ products have been shipped and successfully installed on-site to the first customers in Europe in Quarter 3.

Quarter 3 sales breakdown comparative charts:



The Group's consolidated non-audited net sales for the 9 months of financial year 2005/6 were 9 513 299 LVL (13 529 205 EUR), representing a year-on-year increase of 14%.

The consolidated net profit of the Group for Quarter 3 of financial year 2005/6 was 308 802 LVL (439 386EUR), largely on par with the previous year. The consolidated net profit of the Group for the first 9 months of financial year 2005/6 was 956 346 LVL (1 360 758 EUR), amounting to 71 % of the net profit for the same period last financial year. This largely reflects the differences in

regional sales destinations of the Group's products (in this case Asia and Latin America). That said, overall product pricing levels in the Group's sales destinations have not changed markedly during the past 12 months, except slight decrease in India and China.

#### Market overview

The Point to Point (P2P) wireless radio market in which SAF Tehnika operates is in good shape and experiencing ongoing growth. There are no signs of slowdown as deployments are ongoing in large markets such as India and Latin America. The new Chinese 3G standard (TD-SCDMA) has been approved and high level 3G Network deployment decisions appear imminent. New segments are about to be established in the P2P microwave radio market. For example, the Group is in a position to participate in the development of WiMAX networks. As mentioned in the previous quarterly release, WiMAX wireless access service providers could utilize P2P microwave radios in the backbone of their WiMAX network infrastructure.

#### Guidance:

While not specifying absolute amounts, management is confident of better results in financial year 2005/06 than in financial year 2004/5 from a revenue perspective. The Group has continued expanding its footprint in all territories and sees good perspectives for coming reporting periods. Invoicing of a remaining order (EUR1mln) for the BSNL (India) project is expected in the fourth quarter of financial year 2005/06. The new CFQ high capacity radio equipment with data transmission speed up to 155 Mbps will complement the existing Group's product range and is expected to bring additional sales in the long term.

On March 31, 2006 the Group employed 148 (127 people in FY 2004/05) people.

## Consolidated balance sheet

<b>ASSETS</b>	<b>Note</b>	<b>31.03.2006</b>	<b>31.03.2005</b>	<b>31.03.2006</b>	<b>31.03.2005</b>
<b>CURRENT ASSETS</b>		<b>LVL</b>	<b>LVL</b>	<b>EUR</b>	<b>EUR</b>
<b>Cash and bank</b>		<b>1 386 026</b>	<b>208 101</b>	<b>1 972 137</b>	<b>296 101</b>
<b>Customer receivables</b>	<b>1</b>				
Accounts receivable		2 931 334	1 433 887	4 170 913	2 040 237
Allowance for uncollectible receivables		-228 128	-123 251	-324 597	-175 370
<b>Total</b>		<b>2 703 206</b>	<b>1 310 636</b>	<b>3 846 316</b>	<b>1 864 867</b>
<b>Other receivables</b>					
Other current receivables		4 015	520	5 713	740
Short-term loans given		2 110		3 002	0
<b>Total</b>		<b>6 125</b>	<b>520</b>	<b>8 715</b>	<b>740</b>
<b>Prepaid expenses</b>	<b>2</b>				
Prepaid taxes		552 621	187 636	786 309	266 982
Other prepaid expenses		98 945	61 213	140 786	87 098
<b>Total</b>		<b>651 566</b>	<b>248 849</b>	<b>927 095</b>	<b>354 080</b>
<b>Inventories</b>	<b>3</b>				
Raw materials		1 511 717	2 191 578	2 150 980	3 118 335
Work-in-progress		1 585 891	2 046 100	2 256 520	2 911 338
Finished goods		440 067	598 459	626 159	851 530
Merchandise purchased for resale			2 570	0	3 657
Prepayments to suppliers		15 245	71 833	21 691	102 209
<b>Total</b>		<b>3 552 920</b>	<b>4 910 540</b>	<b>5 055 350</b>	<b>6 987 069</b>
<b>TOTAL CURRENT ASSETS</b>		<b>8 299 843</b>	<b>6 678 646</b>	<b>11 809 613</b>	<b>9 502 857</b>
<b>NON-CURRENT ASSETS</b>					
<b>Long-term financial assets</b>					
Shares in subsidiaries			31 654	0	45 040
Other long-term receivables		15 579		22 167	0
<b>Total</b>		<b>15 579</b>	<b>31 654</b>	<b>22 167</b>	<b>45 040</b>
<b>NON-CURRENT physical assets</b>					
Plant and equipment		1 512 128	1 256 253	2 151 564	1 787 487
Other equipment and fixtures		647 252	601 715	920 957	856 163
Accumulated depreciation		-1 365 321	-803 768	-1 942 677	-1 143 659
Prepayments for noncurrent physical assets		15 176	847	21 594	1 206
<b>Total</b>		<b>809 235</b>	<b>1 055 047</b>	<b>1 151 438</b>	<b>1 501 197</b>
<b>Intangible assets</b>					
Purchased licenses, trademarks etc.		141 786	152 243	201 743	216 622
Goodwill		525 149	542 772	747 220	772 295
Prepayments for intangible assets		19 897	6 937	28 310	9 870
<b>Total</b>		<b>686 832</b>	<b>701 952</b>	<b>977 273</b>	<b>998 787</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1 511 646</b>	<b>1 788 653</b>	<b>2 150 878</b>	<b>2 545 024</b>
<b>TOTAL ASSETS</b>		<b>9 811 489</b>	<b>8 467 299</b>	<b>13 960 491</b>	<b>12 047 881</b>



## Consolidated balance sheet

	Note	31.03.2006	31.03.2005	31.03.2006	31.03.2005
LIABILITIES AND OWNERS' EQUITY		LVL	LVL	EUR	EUR
<b>CURRENT LIABILITIES</b>					
<b>Debt obligations</b>					
Short-term loans from financial institutons		13 969	1 798	19 876	2 558
Derivative financial instruments		20 647	4 821	29 378	6 860
<b>Total</b>		<b>34 616</b>	<b>6 619</b>	<b>49 254</b>	<b>9 418</b>
<b>Customer prepayments for goods and services</b>		<b>28 478</b>	<b>14 778</b>	<b>40 521</b>	<b>21 027</b>
<b>Accounts payable</b>	4	<b>932 854</b>	<b>660 696</b>	<b>1 327 332</b>	<b>940 086</b>
<b>Tax liabilities</b>		<b>104 610</b>	<b>59 465</b>	<b>148 847</b>	<b>84 611</b>
<b>Salary-related accrued expenses</b>		<b>291 118</b>	<b>273 039</b>	<b>414 224</b>	<b>388 499</b>
<b>Provisions</b>	5				
Deferred income tax liability		15 082	29 422	21 460	41 864
Other provisions		265 819	164 931	378 225	234 676
<b>Total</b>		<b>280 901</b>	<b>194 353</b>	<b>399 685</b>	<b>276 540</b>
<b>Prepaid revenue</b>				0	0
<b>TOTAL CURRENT LIABILITIES</b>		<b>1 672 577</b>	<b>1 208 950</b>	<b>2 379 863</b>	<b>1 720 181</b>
<b>OWNERS' EQUITY</b>					
<b>Share capital</b>	6	<b>2 970 180</b>	<b>2 970 180</b>	<b>4 226 185</b>	<b>4 226 185</b>
<b>Paid in capital over par</b>		<b>2 004 204</b>	<b>2 004 204</b>	<b>2 851 725</b>	<b>2 851 725</b>
<b>Restricted personnel incentive shares</b>	6	<b>60 000</b>		<b>85 372</b>	
<b>Reserves</b>			<b>1 023 402</b>	<b>0</b>	<b>1 456 170</b>
<b>Retained earnings</b>		<b>2 163 009</b>	<b>-62 702</b>	<b>3 077 685</b>	<b>-89 217</b>
<b>Net profit for the financial year</b>		<b>956 346</b>	<b>1 342 767</b>	<b>1 360 758</b>	<b>1 910 585</b>
<b>Currency translation reserve</b>		<b>-14 827</b>	<b>-19 502</b>	<b>-21 097</b>	<b>-27 748</b>
<b>TOTAL OWNERS' EQUITY</b>		<b>8 138 912</b>	<b>7 258 349</b>	<b>11 580 628</b>	<b>10 327 700</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>9 811 489</b>	<b>8 467 299</b>	<b>13 960 491</b>	<b>12 047 881</b>

## Consolidated Income Statement for 9 month of the financial year 2005/6

	Note	31.03.2006	31.03.2005	31.03.2006	31.03.2005
		LVL	LVL	EUR	EUR
Net sales		9 508 467	8 319 421	13 529 330	11 837 470
Other operating income		4 832	284	6 875	404
<b>Total income</b>		<b>9 513 299</b>	<b>8 319 705</b>	<b>13 536 205</b>	<b>11 837 874</b>
Direct cost of goods sold or services rendered		-5 195 909	-3 998 129	-7 393 112	-5 688 825
Marketing, advertising and public relations expenses	7	-497 418	-267 318	-707 762	-380 359
Bad receivables		57 729	-103 758	82 141	-147 634
Operating expenses	8	-717 149	-518 577	-1 020 411	-737 869
Salaries, bonuses and social expenses		-1 369 717	-1 319 422	-1 948 932	-1 877 368
Depreciation expense		-526 182	-404 256	-748 690	-575 204
Other expenses		-2 988	-4 022	-4 252	-5 724
<b>Operating expenses</b>		<b>-8 251 634</b>	<b>-6 615 482</b>	<b>-11 741 018</b>	<b>-9 412 983</b>
<b>EBIT</b>		<b>1 261 665</b>	<b>1 704 223</b>	<b>1 795 187</b>	<b>2 424 891</b>
Financial income (except ForEx rate difference)		10 250	2 835	14 584	4 034
Financial costs (except ForEx rate difference)		-2 470	-36 421	-3 514	-51 822
Foreign exchange +gain/(loss)		-148 954	1 014	-211 942	1 442
<b>Financial items</b>		<b>-141 174</b>	<b>-32 572</b>	<b>-200 872</b>	<b>-46 346</b>
<b>EBT</b>		<b>1 120 491</b>	<b>1 671 651</b>	<b>1 594 315</b>	<b>2 378 545</b>
Provision for taxes		-164 145	-328 884	-233 557	-467 960
<b>Net profit</b>		<b>956 346</b>	<b>1 342 767</b>	<b>1 360 758</b>	<b>1 910 585</b>

\*Earnings per share

EPS 31.03.2006. = 0.32 LVL (0.45 EUR)

EPS 31.03.2005. = 0.44 LVL (0.63 EUR) (adjusted for restricted personnel incentive shares issue, October 26, 2005)

## Consolidated Income Statement for Q3 of the financial year 2005/6

	31.03.2006	31.03.2005	31.03.2006	31.03.2005
	LVL	LVL	EUR	EUR
Net sales	3 880 562	2 471 571	5 521 542	3 516 728
Other operating income	3 569	-1	5 079	-1
<b>Total income</b>	<b>3 884 131</b>	<b>2 471 570</b>	<b>5 526 621</b>	<b>3 516 727</b>
Direct cost of goods sold or services rendered	-2 255 148	-1 228 772	-3 208 787	-1 748 385
Marketing, advertising and public relations expenses	-249 961	-95 953	-355 662	-136 529
Bad receivables	49 131	-21 891	69 907	-31 148
Operating expenses	-270 439	-189 285	-384 800	-269 328
Salaries, bonuses and social expenses	-553 478	-466 769	-787 528	-664 152
Depreciation expense	-186 389	-140 322	-265 208	-199 661
Other expenses	-272	0	-387	0
<b>Operating expenses</b>	<b>-3 466 556</b>	<b>-2 142 992</b>	<b>-4 932 465</b>	<b>-3 049 203</b>
<b>EBIT</b>	<b>417 575</b>	<b>328 578</b>	<b>594 156</b>	<b>467 524</b>
Financial income (except ForEx rate difference)	7 567	522	10 767	743
Financial costs (except ForEx rate difference)	-134	-3 524	-191	-5 014
Foreign exchange +gain/(loss)	-62 157	42 549	-88 441	60 541
<b>Financial items</b>	<b>-54 724</b>	<b>39 547</b>	<b>-77 865</b>	<b>56 270</b>
<b>EBT</b>	<b>362 851</b>	<b>368 125</b>	<b>516 291</b>	<b>523 794</b>
Provision for taxes	-54 049	-68 537	-76 905	-97 519
<b>Net profit</b>	<b>308 802</b>	<b>299 588</b>	<b>439 386</b>	<b>426 275</b>

\*Earnings per share

EPS 31.03.2006. = 0.10 LVL (0.15 EUR)

EPS 31.03.2005. = 0.10 LVL (0.14 EUR) (adjusted for restricted personnel incentive shares issue, October 26, 2005)

## Consolidated cash flow statement for 9 months of the financial year 2005/06

	31.12.2005	31.12.2004	31.12.2005	31.12.2004
	LVL	LVL	EUR	EUR
<b>CASH GENERATED FROM OPERATIONS (of which)</b>	<b>1 907 462</b>	<b>892 104</b>	<b>2 714 074</b>	<b>1 269 350</b>
Cash received from customers	8 371 601	9 673 018	11 911 715	13 763 465
Cash paid to suppliers and employees	-6 196 859	-7 916 747	-8 817 336	-11 264 516
Paid income tax	-267 280	-864 167	-380 305	-1 229 599
<b>NET CASH USED IN INVESTING ACTIVITIES (of which)</b>	<b>-324 246</b>	<b>-568 808</b>	<b>-461 360</b>	<b>-809 341</b>
Business acquisition		-140 138	0	-199 398
Cash paid for purchasing non-current physical assets	-316 875	-432 282	-450 873	-615 082
Cash received from the sale of non-current physical assets	1 261	229	1 794	326
Loans given	-811 306	-72 520	-1 154 384	-103 187
Cash received from repayment of loans given	795 727	71 547	1 132 218	101 802
Interest received	6 947	4 356	9 885	6 198
<b>NET CASH USED IN FINANCING ACTIVITIES (of which)</b>	<b>-299 296</b>	<b>-967 452</b>	<b>-425 860</b>	<b>-1 376 560</b>
Short-term loans received		567	0	807
Paid interest	-2 278	-23 216	-3 241	-33 033
Dividends paid	-297 018	-944 803	-422 619	-1 344 334
<b>Effects of exchange rate changes</b>	<b>-3 084</b>		<b>-4 389</b>	
<b>TOTAL CASH FLOW:</b>	<b>1 280 836</b>	<b>-644 156</b>	<b>1 822 465</b>	<b>-916 551</b>
Cash and cash equivalents as at the beginning of period	105 190	852 257	149 672	1 212 652
Cash and cash equivalents as at the end of period	1 386 026	208 101	1 972 137	296 101
<b>NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1 280 836</b>	<b>-644 156</b>	<b>1 822 465</b>	<b>-916 551</b>

**Statement of changes in consolidated equity for the 9 months period ended March 31 2006**

	Share capital	Share premium	Personnel incentive shares	Other reserves	Currency translation reserves	Retained earnings	Total
	Ls	Ls	Ls	Ls	Ls	Ls	Ls
<b>As at 30 June 2004</b>	<b>990 060</b>	<b>2 005 199</b>	<b>0</b>	<b>10 311</b>	<b>-2 272</b>	<b>3 920 569</b>	<b>6 923 867</b>
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	-
Issue of share capital	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	1 182	-	1 182
Profit for the year	-	-	-	-	-	-	1 559 327
<b>As at 30 June 2005</b>	<b>2 970 180</b>	<b>2 004 204</b>	<b>0</b>	<b>1 023 402</b>	<b>-1 090</b>	<b>1 496 625</b>	<b>7 493 321</b>
Issue of share capital	-	-	-	-	-	-	-
Costs of issue of share capital	-	-	-	-	-	-	-
Dividend relating to 2004/2005	-	-	-	-	-	-297 018	-297 018
Allocation of profit	-	-	60 000	-1 023 402	-	963 402	0
Currency translation difference	-	-	-	-	-13 737	-	-13 737
Profit for the year	-	-	-	-	-	956 346	956 346
<b>As at 31 March 2006</b>	<b>2 970 180</b>	<b>2 004 204</b>	<b>60 000</b>	<b>0</b>	<b>-14 827</b>	<b>3 119 355</b>	<b>8 138 912</b>

Statement of changes in consolidated equity for the 9 months period ended March 31 2006

	Share capital	Share premium	Personnel incentive shares	Other reserves	Currency translation reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>As at 30 June 2004</b>	<b>1 408 728</b>	<b>2 853 141</b>		<b>14 671</b>	<b>-3 233</b>	<b>5 578 467</b>	<b>9 851 775</b>
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	-
Issue of share capital	-	-	-	-	-	-	-
Currency translation difference	-	-	-	-	1 682	-	1 682
Profit for the year	-	-	-	-	-	2 218 722	2 218 722
<b>As at 30 June 2005</b>	<b>4 226 185</b>	<b>2 851 725</b>	<b>0</b>	<b>1 456 170</b>	<b>-1 551</b>	<b>2 129 506</b>	<b>10 662 035</b>
Issue of share capital	-	-	-	-	-	-	-
Costs of issue of share capital	-	-	-	-	-	-	-
Dividend relating to 2004/2005	-	-	-	-	-	-422 619	-422 619
Allocation of profit	-	-	85 372	-1 456 170	-	1 370 798	-
Currency translation difference	-	-	-	-	-19 546	-	-19 546
Profit for the year	-	-	-	-	-	1 360 758	1 360 758
<b>As at 31 March 2006</b>	<b>4 226 185</b>	<b>2 851 725</b>	<b>85 372</b>	<b>0</b>	<b>-21 097</b>	<b>4 438 443</b>	<b>11 580 628</b>

## **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 2006 and the results of its operations and cash flows for the 9 month period ended 31 March 2006

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, 2005.

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 is 0.7028.

### **Note 1 Customer receivables**

	<b>31.03.2006</b>	<b>31.03.2005</b>
	<b>Ls</b>	<b>Ls</b>
Accounts receivables	2 931 334	1 433 887
Provisions for bad and doubtful accounts receivable	<u>(228 128)</u>	<u>(123 251)</u>
	<b><u>2 703 206</u></b>	<b><u>1 310 636</u></b>

Accounts receivables, in comparison with the 9 month period of the previous financial year 2004/5, increased as the Group stopped discounting of Letters of Credit, as working capital is sufficient. Provisions for bad and doubtful accounts receivable, in comparison with the 9 month period of the previous financial year 2004/5, increased due to sales portfolio diversification and new market entry.

### **Note 2 Prepaid expenses**

	<b>31.03.2006</b>	<b>31.03.2005</b>
	<b>Ls</b>	<b>Ls</b>
Prepaid taxes	552 621	187 636
Prepaid participation at exhibition	18 514	5 934
Prepaid insurance fees	15 013	12 819
Prepaid software maintenance year fees	16 648	18 065
Prepaid rent month fees	7 521	7 282
Other prepaid expenses	<u>41 250</u>	<u>17 113</u>
	<b><u>651 567</u></b>	<b><u>248 849</u></b>

Prepaid expenses, in comparison with the 9 month period of the previous financial year 2004/5, increased due to the paid in advance Income tax in Financial Year 2004/5 and the beginning of Financial Year 2005/6.

### **Note 3 Inventories**

	<b>31.03.2006</b>	<b>31.03.2005</b>
	<b>Ls</b>	<b>Ls</b>
Raw materials	1 511 717	2 191 578
Work-in- progress	1 585 891	2 046 100
Finished goods	440 067	598 459
Merchandise purchased for resale	0	2 570
Prepayments to suppliers	<u>15 245</u>	<u>71 833</u>
	<b><u>3 552 920</u></b>	<b><u>4 910 540</u></b>

Completion of significant order (BNSL) resulted in lower inventory level, in comparison with the 9 month period of the previous financial year 2004/5, on the balance sheet date.

### **Note 4 Accounts payable**

	<b>31.03.2006</b>	<b>31.03.2005</b>
	<b>Ls</b>	<b>Ls</b>
Accounts payable	<b>932 854</b>	<b>660 696</b>



Accounts payable, in comparison with the 9 month period of the previous financial year 2004/5, increased due to the increase in turnover and more favorable payment terms achieved.

**Note 5 Provisions**

	<b>31.03.2006</b>	<b>31.03.2005</b>
	<b>Ls</b>	<b>Ls</b>
Deferred income tax liability	15 082	29 422
Other provisions	265 819	164 931
	<b><u>280 901</u></b>	<b><u>194 353</u></b>

Provisions, in comparison with the 9 month period of the previous financial year 2004/5, increased due to the increase in provisions for slow moving items as a result of sales portfolio diversification and new market entry.

**Note 6 Share capital**

The total number of Company's share capital is LVL 3 030 180 consisting of authorized, issued and fully paid ordinary shares with voting rights is 2 970 180 shares and 60 000 dematerialized restricted employee incentive title shares without voting rights (issued on October 26, 2005). Restricted personnel incentive shares may be bought back only by SAF Tehnika (for detailed information see JSC „SAF Tehnika” Resolutions of Annual Shareholder Meeting October 26, 2005). The nominal value of one share is Ls 1.

**Note 7 Marketing, advertising and public relations expenses**

Marketing, advertising and public relations expenses, in comparison with the 9 month period of the previous financial year 2004/5, increased as the group is participating in more exhibitions and increase in sales commissions.

**Note 8 Operating expenses**

Operating expenses, in comparison with the 9 month period of the previous financial year 2004/5, increased due to the increase in IT Outsourcing, traveling, personal and training expenses.

**Note 9 Segment information**

The Group operates in a single business and geographical segment. Under IAS 14 geographical segment is determined by a reference to the dominant source of geographical risks which is the location of its main production unit in Latvia.