

SAF Tehnika A/S
Consolidated Interim Report
for 12 month of financial year 2006/7

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KEY DATA

SAF Tehnika AS is a designer, producer and distributor of digital microwave data transmission equipment. SAF Tehnika products provide wireless backhaul solutions for digital voice and data transmission to mobile and fixed network operators, data service providers, governments and private companies. The Company offers two product lines: CFM family - low to medium capacity radio equipment (PDH) and CFQ family – high capacity radio equipment (SDH). 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. To strengthen the product portfolio, SAF Tehnika acquired a Swedish company, Viking Microwave AB in 2004. Today, this division contributes to SDH product line as SAF Tehnika Sweden, a fully owned subsidiary, from its base in Gothenburg. These additional product development resources enable the Company to deliver high-value solutions to customers at compelling price points.

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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Commercial Registry Nr.:	40003474109
VAT Registry Nr.:	LV40003474109
Beginning of financial year:	01.07.2006
End of financial year:	30.06.2007
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Aleksis Orlovs
Member of the Management Board

August 7, 2007

Share and Shareholdings

SAF Tehnika shareholders (over 5%) as of 01.12.2006

Name	Ownership interest (%)
Hansapank AS Clients Account	25.68%
Didzis Liepkalns	17.05%
Andrejs Grišāns	10.03%
Normunds Bergs	9.74%
Skandinaviska Enskilda Banken AB Clients Account	9.27%
Juris Zieme	8.71%
Vents Lācars	6.08%
Nordea Bank Finland PLC Clients Account	5.94%

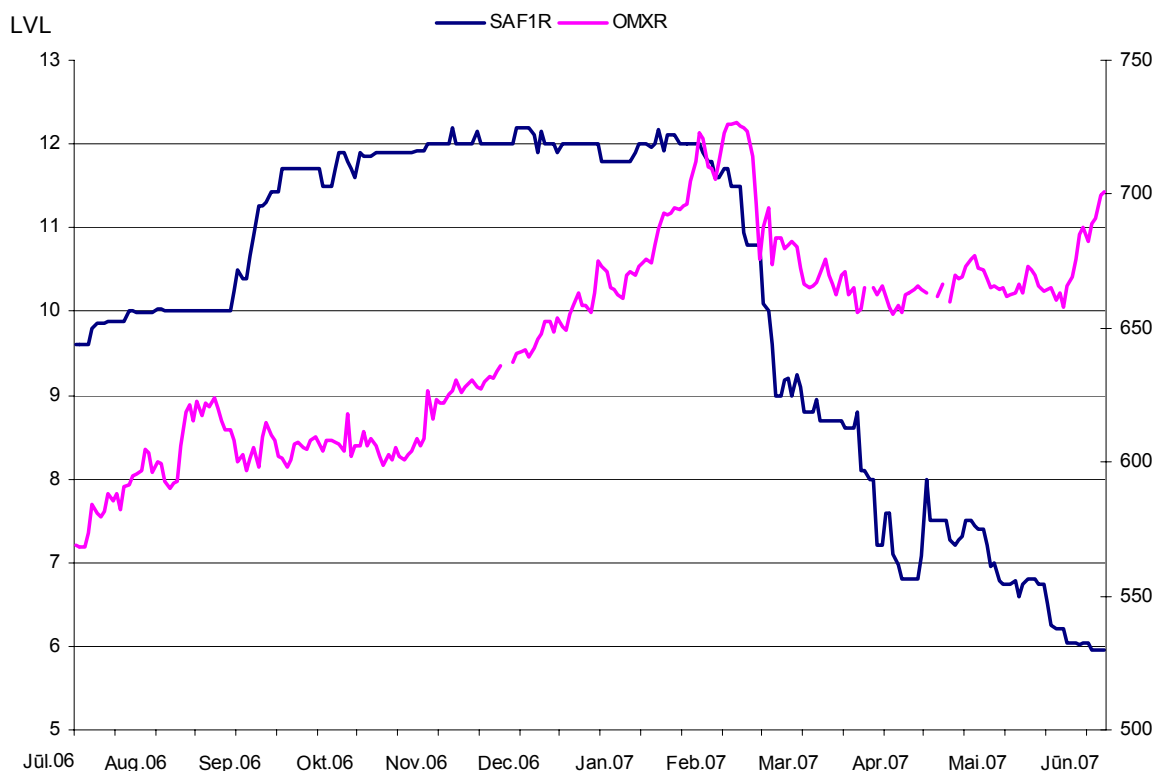
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: 2006-07-01 - 2007-06-30

Currency: LVL

Marketplace: RSE



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
Aleksis Orlovs	Member	
Jānis Ennitis	Member	

SAF Tehnika Supervisory Board:

Name	Position	Ownership interest (%)
Vents Lācars	Chairman	owns 6.08% of shares
Juris Zieme	Vice-Chairman	owns 8.71% of shares
Andrejs Grišāns	Member	owns 10.03% of shares
Ivars Šenbergs	Member	
Jānis Bergs	Member	

Information on professional and educational background of the management board members

Normunds Bergs

Normunds Bergs, born in 1963, is Chairman of the Board and Chief Executive Officer of SAF Tehnika A/S. Mr. Bergs is one of the founders of SIA Fortech (co-founding company of SAF Tehnika A/S) where during the periods from 1990 to 1992 and 1999 to 2000 he acted as Managing Director and General Director, respectively. Following SIA Fortech's merger with AS Microlink in 2000, Mr. Bergs became Chief Executive Officer of SAF Tehnika A/S and a member of the Management Board of AS Microlink. From 1992 to 1999, Mr. Bergs worked for World Trade Centre Riga, where he was holding the position of General Director and became a Member of the Board of Directors in 1998. Mr. Bergs graduated from the Riga Technical University with a degree in radio engineering in 1986. Since 1998, he has been a lecturer at the Riga Business School

Didzis Liepkalns,

Didzis Liepkalns, born in 1962, co-founded the Company in 2000 and serves as Deputy Chairman of the Board and Technical Director. Mr. Liepkalns graduated from the Riga Technical University with a degree in radio engineering in 1985.

Aleksis Orlovs

Aleksis Orlovs, born in 1974, is Board Member and Chief Financial Officer. Prior to joining the Company in 2004, he served as Chief Executive Officer of A/S MicroLink ServIT from 2001 to 2003. From 2000 to 2001 Mr. Orlovs was holding the positions of Chief Executive Officer and Chairman of the Board of Delfi A/S. From 1998 to 2000, he was the Chief Executive Officer of A/S MicroLink Datori. Mr. Orlovs holds a Master of Business Administration (MBA) degree from the Riga Business School which he received in 2004, as well as he holds a Master of Science degree in International Business and Law and a Bachelor degree in Economics from the University of Latvia, which he received in 2000 and 1998, respectively.

Jānis Ennitis

Janis Ennitis is a Board Member and he holds the position of Vice-President Sales and Marketing in the Company. Prior to joining the Company in July 2006, Janis Ennitis was employed by information technology and electronics distribution company GNT Latvia (now ALSO) as Sales and Marketing director. Mr. Ennitis holds a Master degree of Microelectronics from Riga Technical University which he graduated in 1996. Post graduate studies during 1996/1997 were held at the Technical University of Lausanne in Switzerland.

Information on professional and educational background of the supervisory board members

Vents Lācars,

Vents Lācars, born in 1968, is a Member of the Supervisory Council and Sales and VP Business Development of SAF Tehnika A/S. Before co-founding the Company, from 1992 to 2000, he worked in SIA Fortech, where throughout his career he held positions of programmer, lead programmer, manager in the networking department and networking department manager. Mr. Lācars graduated from the University of Latvia with a degree in physics and mathematics in 1994.

Juris Ziema,

Juris Ziema, born in 1964, co-founder of the Company, is a Member of the Supervisory Council and Production Department Manager. From 1998 to 2000 he worked as an engineer at D. Liepkalns private enterprise SAF. From 1987 to 1999 Mr. Ziema served as an engineer at the Institute of Electronic Engineer and Computer Science. Mr. Ziema received a degree in radio engineering from the Riga Technical University in 1987

Andrejs Grišāns

Andrejs Grišāns, born in 1957, co-founder of the Company, is a Member of the Supervisory Council. Prior to joining the Company, he owned and managed a private company specializing in electronic equipment engineering, production and distribution. From 1992 to 1999, Mr. Grišāns was involved in entrepreneurial activities in the field of radio engineering. He served as engineer-constructor at the Institute of Polymer Mechanics from 1984 to 1992 and in SIA Orbita from 1980 to 1984. Mr. Grišāns graduated from the Riga Technical University with a degree in radio engineering in 1980.

Ivars Šenbergs

Ivars Šenbergs, born in 1962, is a Member of the Supervisory Council. From November 2004, Member of the Board of SIA „Juridiskais Audits” and Chairman of the Board of SIA „Namīpašumu pārvalde”. From 1999 until 2000 worked as SIA „Fortek” Finance and Administrative Director. Graduated Law Faculty of University of Latvia.

Jānis Bergs

Janis Bergs, born in 1970, is a Member of the Supervisory Council. Currently is the Chairman of Management Board of SIA FMS. Former acted as Chairman of the Management Board of SIA „Fortech”, later Chairman of the management Board of Mirolink Group. In 2004 elected in the Management Board of the Latvian Information Technology and Telecommunications Association. J. Bergs graduated from Riga Technical University with a degree in radio engineering in 1993. In 2000 he graduated from Riga Business School with an MBA degree.

Statement of Board's Responsibilities

The Board of SAF Tehnika A/S (hereinafter – the Company) is responsible for preparing the consolidated interim financial statements of the Company and 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 30 June 2007 and the results of its operations and cash flows for the 9 month period ended 30 June 2007.

The consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards as adopted by 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, 2006. 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

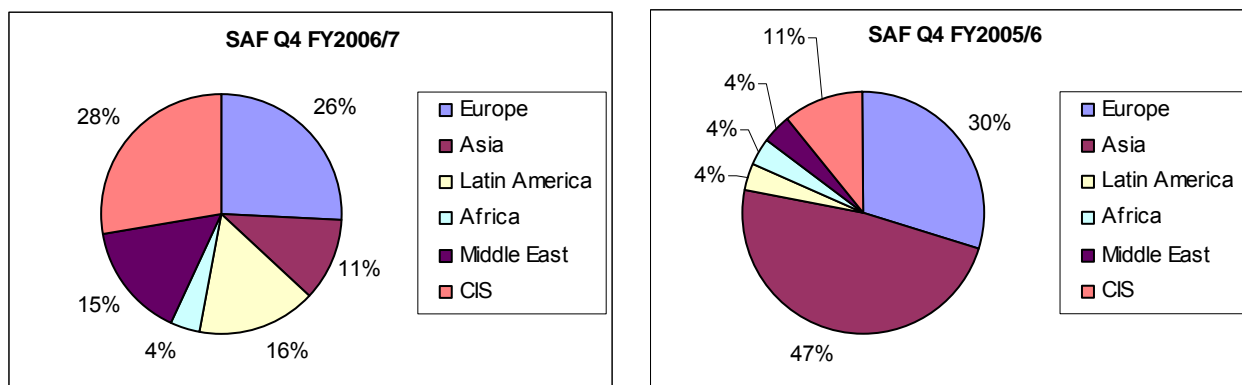
Aleksis Orlovs

Member of the Management Board

Management Report

The Group's consolidated non-audited net sales for the fourth quarter of financial year 2006/7 were LVL 2.4m (EUR 3.4m), representing a 62% of the same quarter of previous financial year. This was mostly due to the delay of the India project (refer to press release on 04.04.2007), as well lower demand in Europe and China. Improvement has been achieved in Latin-America and in Middle East by successful participation in projects with local telecom operators in Iran and Afghanistan and growing sales in Columbia. CIS market continues to show good development led by sales in Ukraine and Russia

Quarter 4 sales breakdown comparative charts:



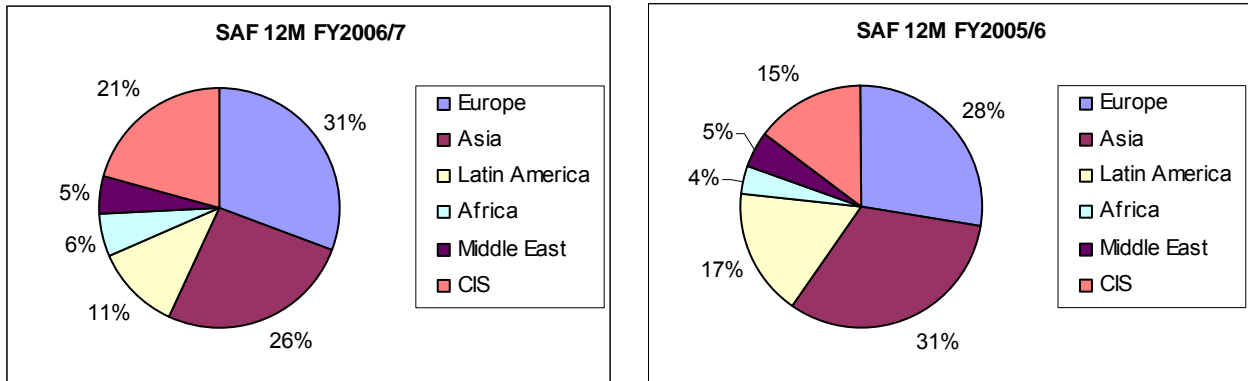
The Group's consolidated non-audited net sales for the financial year 2006/7 were LVL 13.5m (EUR 19.2m); on par with FY 2005/2006. The CIS region demonstrated 12 month revenue growth of 41% due to the successful cooperation with several notable GSM, CDMA and alternative operators in Russia, Ukraine, Tajikistan and Azerbaijan. Recurring supplies to this region are projected for the coming financial year.

The Asian region posted a revenue decrease of 16%. This was mostly due to the delay of the India project. Sales volumes to China were at the same levels as in the previous financial year 2005/6. Currently SAF Tehnika has already received the first order for the delayed India project and partial deliveries commenced in July. The 34% decrease of sales volumes in Latin America is mainly influenced by lower demand in Columbia and the impact of Brazilian market regulations, which provide competition protection to local manufacturers.

Sales to the African region increased by 63% during the financial year. Sales volumes in Europe have grown by 11% as a result of increasing demand for the SAF SDH (high capacity) product line,

which was launched in 2006. During the 2006/7 financial year, SAF Tehnika sold its products to 62 countries worldwide.

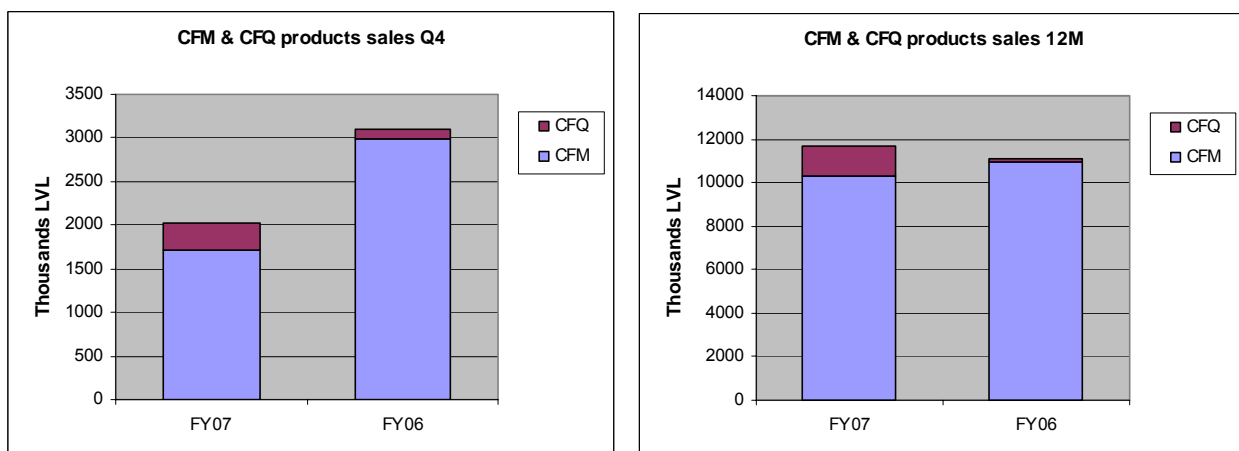
12 month sales breakdown comparative charts:



The consolidated net losses of the Group for Quarter 4 of financial year 2006/7 were LVL 0.7m (EUR 1.0m). The consolidated non-audited net profit of the Group for the financial year 2006/7 was LVL 0.11m (EUR 0.16m). The main reasons for the profit decrease were the delay of the large-scale shipments in Q4, as well as the high operational costs. The cost cutting plan was fully implemented in June (in SAF Tehnika Latvia). June staff expenses were 22% lower compared with March, while the headcount reduction was 12%. The plan came into effect in SAF Tehnika's Swedish subsidiary in July, allowing a further decrease in subsidiary expenses by 10%.

The new SDH product's sales growth has exceeded expectations in FY 2006/7. Now SDH products are introduced in all regions of the World and received clear acceptance by customers.

Q4 and 12 month product breakdown comparative charts:



Market overview

After the consolidation the Point to Point (P2P) wireless radio market has showed price erosion decreasing sales profitability. In telecom operator market main focus is on combining different services such as voice, data and TV communication in the same network demanding higher data capacities. Worldwide grows in internet utilization demands faster data networks to cover customer growing needs. Growing demand of data capacity influences increase of demand for high capacity products. As SDH products are two times more expressive than PDH products, currently significant part of demand migrates to Super PDH products, which offer higher capacity than PDH and are priced less than SDH. SAF Tehnika plans to launch the new hybrid (super PDH) product during the 2007/8 financial year.

Guidance:

In the 2007/8 financial year, SAF Tehnika plans to keep on developing new products and improving the existing product range in accordance with the latest market tendencies. Previous investments in market development should bring more stable business in all regions decreasing influence of large projects on revenues. Mostly all countries in Europe are covered by active partner network. Largest grows is expected in Africa. Projects in Asia and particularly in India were delayed, but have been already restarted in July and large order from Cambodia is expected during first half of 2007/8 financial year. Expectations in the Middle East are conservative and grows could be achieved only by accessing new customers in such countries as Egypt, Saudi Arabia or Bangladesh. Existing situation in CIS are very promising and further business grows are expected generally in Russia and countries of central Asia.

Dividends:

Management proposal is not to pay dividend in respect of the financial year 2006/2007.

On June 30, 2007 the Group employed 171 people (166 in FY 2005/06).

Consolidated balance sheet

	Note	30.06.2007	30.06.2006	30.06.2007	30.06.2006
CURRENT ASSETS		LVL	LVL	EUR	EUR
Cash and bank		299 588	1 244 633	426 275	1 770 953
Short-term investments					
Customer receivables	1				
Accounts receivable		2 547 553	3 222 506	3 624 841	4 585 213
Allowance for uncollectible receivables		-191 438	-219 717	-272 391	-312 629
Total		2 356 115	3 002 789	3 352 450	4 272 584
Other receivables					
Other current receivables		36 640	14 227	52 134	20 243
Short-term loans given		590	572	839	814
Derivative financial instruments		0	21 593	0	30 724
Total		37 230	36 392	52 973	51 781
Prepaid expenses	2				
Prepaid taxes		429 022	543 635	610 443	773 523
Other prepaid expenses		83 145	79 757	118 305	113 484
Total		512 167	623 392	728 748	887 007
Inventories	3				
Raw materials		1 861 485	2 628 478	2 648 655	3 739 987
Work-in-progress		3 312 930	1 635 281	4 713 875	2 326 795
Finished goods		603 459	488 492	858 645	695 061
Prepayments to suppliers		15 490	26 928	22 040	38 316
Total		5 793 364	4 779 179	8 243 215	6 800 159
TOTAL CURRENT ASSETS		8 998 464	9 686 385	12 803 661	13 782 484
NON-CURRENT ASSETS					
Long-term financial assets					
Deffered income tax		163 989	149 627	233 335	212 900
Other long-term receivable		45 047	17 640	64 096	25 099
Total		209 036	167 267	297 431	237 999
NON-CURRENT physical assets	4				
Plant and equipment		1 968 291	1 583 145	2 800 626	2 252 612
Other equipment and fixtures		1 168 259	688 235	1 662 283	979 270
Accumulated depreciation		-1 770 061	-1 445 388	-2 518 570	-2 056 602
Prepayments for noncurrent physical assets		109	31 782	155	45 222
Total		1 366 598	857 774	1 944 494	1 220 502
Intangible assets					
Purchased licenses, trademarks etc.		123 953	141 948	176 369	201 974
Goodwill		464 369	503 354	660 738	716 208
Prepayments for intangible assets		20 654	37 337	29 388	53 127
Total		608 976	682 639	866 495	971 309
TOTAL NON-CURRENT ASSETS		2 184 610	1 707 680	3 108 420	2 429 810
TOTAL ASSETS		11 183 074	11 394 065	15 912 081	16 212 294

Consolidated balance sheet

	Note	30.06.2007	30.06.2006	30.06.2007	30.06.2006
LIABILITIES AND OWNERS' EQUITY		LVL	LVL	EUR	EUR
CURRENT LIABILITIES					
Short-term loans from financial institutons	5	1 467 415	7 456	2 087 943	10 609
Customer prepayments for goods and services		39 390	9 229	56 047	13 132
Accounts payable	6	480 211	1 776 215	683 279	2 527 326
Tax liabilities		111 079	113 818	158 051	161 948
Salary-related accrued expenses		349 595	369 602	497 429	525 896
Provisions		365 188	292 464	519 616	416 139
Prepaid revenue		39 589	31 301	56 330	44 538
TOTAL CURRENT LIABILITIES		2 852 467	2 600 085	4 058 695	3 699 588
OWNERS' EQUITY					
Share capital	7	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		3 231 104	2 223 009	4 597 447	3 163 057
Net profit for the financial year		109 616	1 602 131	155 970	2 279 627
Currency translation reserve		15 503	-5 544	22 059	-7 888
TOTAL OWNERS' EQUITY		8 330 607	8 793 980	11 853 386	12 512 706
TOTAL LIABILITIES AND OWNERS' EQUITY		11 183 074	11 394 065	15 912 081	16 212 294

Consolidated Income Statement for 12 month of the financial year 2006/7

	Note	30.06.2007	30.06.2006	30.06.2007	30.06.2006
		LVL	LVL	EUR	EUR
Net sales	8	13 362 094	13 259 709	19 012 547	18 866 866
Other operating income		156 366	102 219	222 490	145 445
Total income		13 518 460	13 361 928	19 235 036	19 012 311
Direct cost of goods sold or services rendered		-7 553 276	-7 189 213	-10 747 343	-10 229 329
Marketing, advertising and public relations expenses	9	-694 636	-719 017	-988 378	-1 023 069
Bad receivables		28 279	66 368	40 237	94 433
Operating expenses	10	-1 260 988	-978 474	-1 794 224	-1 392 243
Salaries, bonuses and social expenses	11	-2 854 351	-2 023 998	-4 061 376	-2 879 890
Depreciation expense		-738 540	-661 825	-1 050 848	-941 692
Amortization of product Prototypes		-37 774	-33 778	-53 748	-48 062
Other expenses		-95 580	-3 031	-135 996	-4 313
Operating expenses		-13 206 866	-11 542 968	-18 791 677	-16 424 165
EBIT		311 594	1 818 960	443 358	2 588 146
Financial income (except ForEx rate difference)		6 546	49 849	9 314	70 929
Financial costs (except ForEx rate difference)		-92 184	-33 075	-131 166	-47 061
Foreign exchange +gain/(loss)		-88 623	-171 818	-126 099	-244 475
Financial items		-174 261	-155 044	-247 951	-220 608
EBT		137 333	1 663 916	195 407	2 367 539
Corporate income tax		-27 717	-61 785	-39 438	-87 912
Net profit		109 616	1 602 131	155 970	2 279 627

*Earnings per share

EPS 30.06.2007. = 0.04LVL (0.06 EUR)

EPS 30.06.2006. = 0.54LVL (0.77 EUR)

Consolidated Income Statement for Q4 of the financial year 2006/7

	30.06.2007	30.06.2006	30.06.2007	30.06.2006
	LVL	LVL	EUR	EUR
Net sales	2 350 170	3 751 242	3 343 991	5 337 536
Other operating income	46 312	97 387	65 896	138 570
Total income	2 396 482	3 848 629	3 409 887	5 476 106
Direct cost of goods sold or services rendered	-1 503 045	-1 993 304	-2 138 640	-2 836 216
Marketing, advertising and public relations expenses	-186 138	-221 599	-264 851	-315 307
Bad receivables	-69 436	8 639	-98 799	12 292
Operating expenses	-334 231	-261 325	-475 568	-371 832
Salaries, bonuses and social expenses	-703 950	-654 281	-1 001 631	-930 958
Depreciation expense	-298 270	-135 643	-424 400	-193 003
Amortization of product Prototypes	-13 023	-33 778	-18 530	-48 062
Other expenses	-12 402	-42	-17 646	-59
Operating expenses	-3 120 495	-3 291 333	-4 440 065	-4 683 145
EBIT	-724 013	557 296	-1 030 178	792 961
Financial income (except ForEx rate difference)	656	39 598	933	56 343
Financial costs (except ForEx rate difference)	-27 396	-30 605	-38 981	-43 547
Foreign exchange +gain/(loss)	-13 185	-22 864	-18 760	-32 533
Financial items	-39 925	-13 871	-56 808	-19 737
EBT	-763 938	543 425	-1 086 986	773 224
Corporate income tax	63 592	102 360	90 483	145 645
Net profit	-700 346	645 785	-996 503	918 869

*Earnings per share

EPS 30.06.2007. = -0.24LVL (-0.34 EUR)

EPS 30.06.2006. = 0.22 LVL (0.31 EUR)

Consolidated cash flow statement for 12 months of the financial year 2006/07

	30.06.2007	30.06.2006	30.06.2006.	30.06.2005.
	LVL	LVL	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	-512 236	1 818 044	-728 846	2 586 844
Cash received from customers	13 963 793	12 062 979	19 868 688	17 164 073
Cash paid to suppliers and employees	-14 476 029	-9 964 134	-20 597 534	-14 177 685
Paid income tax		-280 801	0	-399 544
NET CASH USED IN INVESTING ACTIVITIES (of which)	-1 241 717	-476 598	-1 766 804	-678 138
Cash paid for purchasing non-current physical assets	-1 310 792	-474 974	-1 865 089	-675 827
Cash received from the sale of non-current physical assets	103 916	1 260	147 859	1 793
Loans given	-604 014	-813 368	-859 434	-1 157 318
Cash received from repayment of loans given	559 556	795 727	796 176	1 132 218
Interest received	9 617	14 757	13 684	20 996
NET CASH USED IN FINANCING ACTIVITIES (of which)	814 533	-194 705	1 158 976	-277 041
Short-term loans received	1 769 535	1 355	2 517 821	1 928
Repayment of short-term loans	-309 576		-440 487	0
Paid interest	-90 560		-128 855	0
Cash received from state	39 170	100 958	55 734	143 650
Dividends paid	-594 036	-297 018	-845 237	-422 619
Effects of exchange rate changes	-5 625	-7 298	-8 004	-10 384
TOTAL CASH FLOW:	-945 045	1 139 443	-1 344 678	1 621 281
Cash and cash equivalents as at the beginning of period	1 244 633	105 190	1 770 953	149 672
Cash and cash equivalents as at the end of period	299 588	1 244 633	426 275	1 770 953
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	-945 045	1 139 443	-1 344 678	1 621 281

Statement of changes in consolidated equity for the 12 months period ended June 30 2007

	Share capital	Share premium	Personnel incentive shares	Other rezerves	Currency translation rezerves	Retained earnings	Total
	Ls	Ls	Ls	Ls	Ls	Ls	Ls
As at 30 June 2005	2 970 180	2 004 204	-	1 023 402	-1 090	1 496 625	7 493 321
Dividend relating to 2004/2005	-	-	-	-	-	-297 018	-297 018
Allocation of profit	-	-	60 000	-1 023 402	-	963 402	-
Currency translation difference	-	-	-	-	-4 454	-	-4 454
Profit for the year	-	-	-	-	-	1 602 131	1 602 131
As at 30 June 2006	2 970 180	2 004 204	60 000	-	-5 544	3 765 140	8 793 980
Cancelation of personnel incentive shares	-	-	-60 000	-	-	60 000	-
Dividend relating to 2005/2006	-	-	-	-	-	-594 036	-594 036
Currency translation difference	-	-	-	-	21 047	-	21 047
Profit for the year	-	-	-	-	-	109 616	109 616
As at 30 June 2007	2 970 180	2 004 204	-	-	15 503	3 340 720	8 330 607

Statement of changes in consolidated equity for the 12 months period ended June 30 2007

	Share capital	Share premium	Personnel incentive shares	Other rezerves	Currency translation rezerves	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As at 30 June 2005	4 226 185	2 851 725	-	1 456 170	-1 551	2 129 506	10 662 035
Dividend relating to 2004/2005	-	-	-	-	-	-422 619	-422 619
Allocation of profit	-	-	85 372	-1 456 170	-	1 370 798	-
Currency translation difference	-	-	-	-	-6 337	-	-6 337
Profit for the year	-	-	-	-	-	2 279 627	2 279 627
As at 30 June 2006	4 226 185	2 851 725	85 372	-	-7 888	5 357 312	12 512 706
Cancelation of personnel incentive shares	-	-	-85 372	-	-	85 372	-
Dividend relating to 2005/2006	-	-	-	-	-	-845 237	-845 237
Currency translation difference	-	-	-	-	29 947	-	29 947
Profit for the year	-	-	-	-	-	155 970	155 970
As at 30 June 2007	4 226 185	2 851 725	-	-	22 059	4 753 417	11 853 386

Note 1 Customer receivables

	30.06.2007.	30.06.2006	30.06.2007.	30.06.2006
	Ls	Ls	EUR	EUR
Accounts receivables	2 547 553	3 222 506	3 624 841	4 585 213
Provisions for bad and doubtful accounts receivable	-191 438	-219 717	-272 391	-312 629
	2 356 115	3 002 789	3 352 450	4 272 584

Accounts receivables, in comparison with the 12 month period of the previous financial year 2005/6, decreased due to the discounting of Letters of Credit in order to optimise working capital.

Note 2 Prepaid expenses

	30.06.2007.	30.06.2006	30.06.2007.	30.06.2006
	Ls	Ls	EUR	EUR
Prepaid taxes	429 022	543 635	610 443	773 523
Prepaid participation at exhibition	0	10 671	0	15 183
Prepaid insurance fees	20 039	17 501	28 513	24 902
Prepaid software maintenance year fees	21 971	23 162	31 262	32 957
Other prepaid expenses	41 135	28 423	58 530	40 442
	512 167	623 392	728 748	887 007

Prepaid expenses, in comparison with the 12 month period of the previous financial year 2005/6, decreased due to the decrease of prepaid VAT.

Note 3 Inventories

	30.06.2007.	30.06.2006	30.06.2007.	30.06.2006
	Ls	Ls	EUR	EUR
Raw materials	1 861 485	2 628 478	2 648 655	3 739 987
Work-in- progress	3 312 930	1 635 281	4 713 875	2 326 795
Finished goods	603 459	488 492	858 645	695 061
Prepayments to suppliers	15 490	26 928	22 040	38 316
	5 793 364	4 779 179	8 243 215	6 800 159

Inventories, in comparison with the 12 month period of the previous financial year 2005/2006, increased as the group created additional reserves for a wider product assortment and greater manufacturing capacity.

Note 4 Non-current physical assets

	30.06.2007.	30.06.2006	30.06.2007.	30.06.2006
	Ls	Ls	EUR	EUR
Plant and equipment	1 968 291	1 583 145	2 800 626	2 252 612
Other equipment and fixtures	1 168 259	688 235	1 662 283	979 270
Accumulated depreciation	-1 770 061	-1 445 388	-2 518 570	-2 056 602
Prepayments for non-current physical assets	109	31 782	155	45 222
	1 366 598	857 774	1 944 494	1 220 502

Non-current physical assets, in comparison with the 12 month period of the previous financial year 2005/2006, increased as the Group made substantial investments in a new production facility.

Note 5 Short-term loans from financial institutions

	30.06.2007.	30.06.2006	30.06.2007.	30.06.2006
	Ls	Ls	EUR	EUR
Short-term loans from financial institutions	1 467 415	7 456	2 087 943	10 609

On February 21, 2007, the Group has signed amendment to the credit line agreement with Nordea bank Finland Plc Latvian branch for total amount of 5M EUR credit line with interest rate 12 month LIBOR + 0.85% .

Note 6 Accounts payable

	30.06.2007.	30.06.2006	30.06.2007.	30.06.2006
	Ls	Ls	EUR	EUR
Accounts payable	480 211	1 776 215	683 279	2 527 326

Accounts payable, in comparison with the 12 month period of the previous financial year 2005/6, decreased due to the decrease in turnover in Q4.

Note 7 Share capital

	30.06.2007.	30.06.2006	30.06.2007.	30.06.2006
	Ls	Ls	EUR	EUR
Share capital	2 970 180	2 970 180	4 226 185	4 226 185

The total number of Company's share capital is LVL 2 970 180 consisting of authorized, issued and fully paid ordinary shares with voting rights. The nominal value of one share is Ls 1.

Note 8 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 organized 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 demand for this product in Asia basically accounts for this market share.

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 12 month of the financial year 2006/7 and financial year 2005/6

	CFQ		CFM		Other		Total	
	2006/7 Ls	2005/6 Ls	2006/7 Ls	2005/6 Ls	2006/7 Ls	2005/6 Ls	2006/7 Ls	2005/6 Ls
Segment assets	1 595 046	228 628	7 833 292	3 380 183	660 968	968 169	10 089 306	4 576 980
Undivided assets							1 093 768	6 817 085
Total assets							11 183 074	11 394 065
Segment liabilities	184 952	212 267	556 843	1 998 154	81 191	50 995	822 986	2 261 416
Undivided liabilities							2 029 481	338 669
Total liabilities							2 852 467	2 600 085
Net sales	1 428 510	119 652	10 405 813	10 951 239	1 527 771	2 188 818	13 362 094	13 259 709
Segment results	-454 334	-680 259	2 964 705	4 098 246	300 754	607 195	2 811 125	4 025 182
Undivided expenses							-2 655 897	-2 308 441
Profit from operations							155 228	1 716 741
Other income							156 366	102 219
Financial expenses, net							-174 261	-155 044
Profit before taxes							137 333	1 663 916
Corporate income tax							-27 717	-61 785
Net profit							109 616	1 602 131
Other information								
Additions of property plant and equipment and intangible assets	185 948	77 630	742 313	205 065	6 019	691	934 280	283 386
Undivided additions							424 366	204 635
equipment and intangible assets							1 358 646	488 021
Depreciation and amortization	253 424	113 295	316 886	344 240	3 542	3 157	573 852	460 692
Undivided depreciation							202 462	234 911
Total depreciation and amortization							776 314	695 603

	CFQ		CFM		Other		Total	
	2006/7 EUR	2005/6 EUR	2006/7 EUR	2005/6 EUR	2006/7 EUR	2005/6 EUR	2006/7 EUR	2005/6 EUR
Segment assets	2 269 546	325 308	11 145 770	4 809 567	940 473	1 377 581	14 355 789	6 512 456
Undivided assets							1 556 292	9 699 838
Total assets							15 912 081	16 212 294
Segment liabilities	263 163	302 029	792 316	2 843 117	115 525	72 559	1 171 004	3 217 705
Undivided liabilities							2 887 691	481 883
Total liabilities							4 058 695	3 699 588
Net sales	2 032 587	170 249	14 806 138	15 582 209	2 173 822	3 114 408	19 012 547	18 866 866
Segment results	-646 459	-967 921	4 218 395	5 831 279	427 935	863 960	3 999 871	5 727 318
Undivided expenses							-3 779 002	-3 284 616
Profit from operations							220 869	2 442 702
Other income							222 490	145 445
Financial expenses, net							-247 951	-220 608
Profit before taxes							195 408	2 367 539
Corporate income tax							-39 438	-87 912
Net profit							155 970	2 279 627
Other information								
Additions of property plant and equipment and intangible assets	264 580	110 458	1 056 216	291 781	8 565	983	1 329 361	403 222
Undivided additions							603 818	291 169
Total additions of property plant and							1 933 179	694 391
Depreciation and amortization	360 590	161 204	450 888	489 809	5 040	4 493	816 518	655 506
Undivided depreciation							288 078	334 248
Total depreciation and amortization							1 104 596	989 754

b) This note provides information about division of the Group's turnover and assets by geographical regions (customer location) for 12 month of the financial year 2006/7 and financial year 2005/6

	Net sales		Assets		Net sales		Assets	
	2006/7 Ls	2005/6 Ls	30.06.2007 Ls	30.06.2006 Ls	2006/7 EUR	2005/6 EUR	30.06.2007 EUR	30.06.2006 EUR
Asia	3 515 948	4 181 024	841 871	1 932 746	5 002 743	5 949 061	1 197 875	2 750 050
America	1 514 860	2 283 068	381 624	82 778	2 155 452	3 248 513	543 002	117 782
Africa	783 896	475 385	59 354	117 770	1 115 384	676 412	84 453	167 572
Europe	4 086 555	3 696 859	270 504	510 629	5 814 645	5 260 156	384 893	726 560
CIS	2 780 634	1 962 377	450 320	412 304	3 956 486	2 792 211	640 748	586 656
Middle East	680 201	660 996	352 442	166 279	967 837	940 513	501 479	236 593
	13 362 094	13 259 709	2 356 115	3 222 506	19 012 547	18 866 866	3 352 450	4 585 213
Unallocated assets	-	-	8 826 959	8 171 559	-	-	12 559 631	11 627 081
	13 362 094	13 259 709	11 183 074	11 394 065	19 012 547	18 866 866	15 912 081	16 212 294

Note 9 Marketing, advertising and public relations expenses

	30.06.2007. Ls	30.06.2006 Ls	30.06.2007. EUR	30.06.2006 EUR
Marketing, advertising and public relations expenses	694 636	719 017	988 378	1 023 069

Marketing, advertising and public relations expenses, in comparison with the 12 month period of the previous financial year 2005/6, decreased due to the decrease in sales commissions.

Note 10 Operating expenses

	30.06.2007.	30.06.2006	30.06.2007.	30.06.2006
	Ls	Ls	EUR	EUR
Operating expenses	1 260 988	978 474	1 794 224	1 392 243

Operating expenses, in comparison with the 12 month period of the previous financial year 2005/6, increased due to the increase in utility/maintenance, traveling, personal and training expenses.

Note 11 Salaries, bonuses and social expenses

	30.06.2007.	30.06.2006	30.06.2007.	30.06.2006
	Ls	Ls	EUR	EUR
Salaries, bonuses and social expenses	2 854 351	2 023 998	4 061 376	2 879 890

Salaries, bonuses and social expenses, in comparison with the 12 month period of the previous financial year 2005/6, increased due to substantial hiring of additional staff during first 9 month of financial year 2006/7 and paid compensations for leaving employees during the Q4 of financial year 2006/7. At the same time June staff expenses were 22% lower compared with March, while the headcount reduction was 12% (refer to press release on 18.07.2007)