

SAF Tehnika A/S
Interim Report
for 12 months of financial year 2009/10
(July 1, 2009 – June 30, 2010)

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KEY DATA

SAF Tehnika is a telecommunications equipment company engaged in the development, production and distribution of digital microwave radio equipment. SAF Tehnika products provide wireless backhaul solutions for digital voice and data transmission. The Company offers three product lines: CFM family - low to medium capacity radio links (PDH; up to 34 Mbps), CFQ family - high capacity radio links (SDH; up to 155 Mbps), and the new CFIP product line (super PDH; 366Mbps Lumina FODU (Optical Gigabit Ethernet), 108Mbps FODU (Fast Ethernet) and 366Mbps PhoeniX Hybrid Split Mount System). The complete product range offers solutions to mobile network operators, data service providers, and government and private companies. Since its establishment in 1999, SAF Tehnika 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. From 2004 until late 2008, the Group had a subsidiary in Sweden which worked on CFQ product line development. The subsidiary was bought out by its management.

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 NASDAQ OMX Riga.

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End of financial year:	30.06.2010
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Share and Shareholdings

SAF Tehnika shareholders (over 5%) as of 02.07.2010

Name	Ownership interest (%)
Didzis Liepkalns	17.05%
Maleks S, SIA	10.85%
Andrejs Grišans	10.03%
Skandinavia Enskilda Banken	9.98%
Normunds Bergs	9.74%
Juris Ziema	8.71%
Swedbank AS Clients account	6.92%
Vents Lācars	6.08%

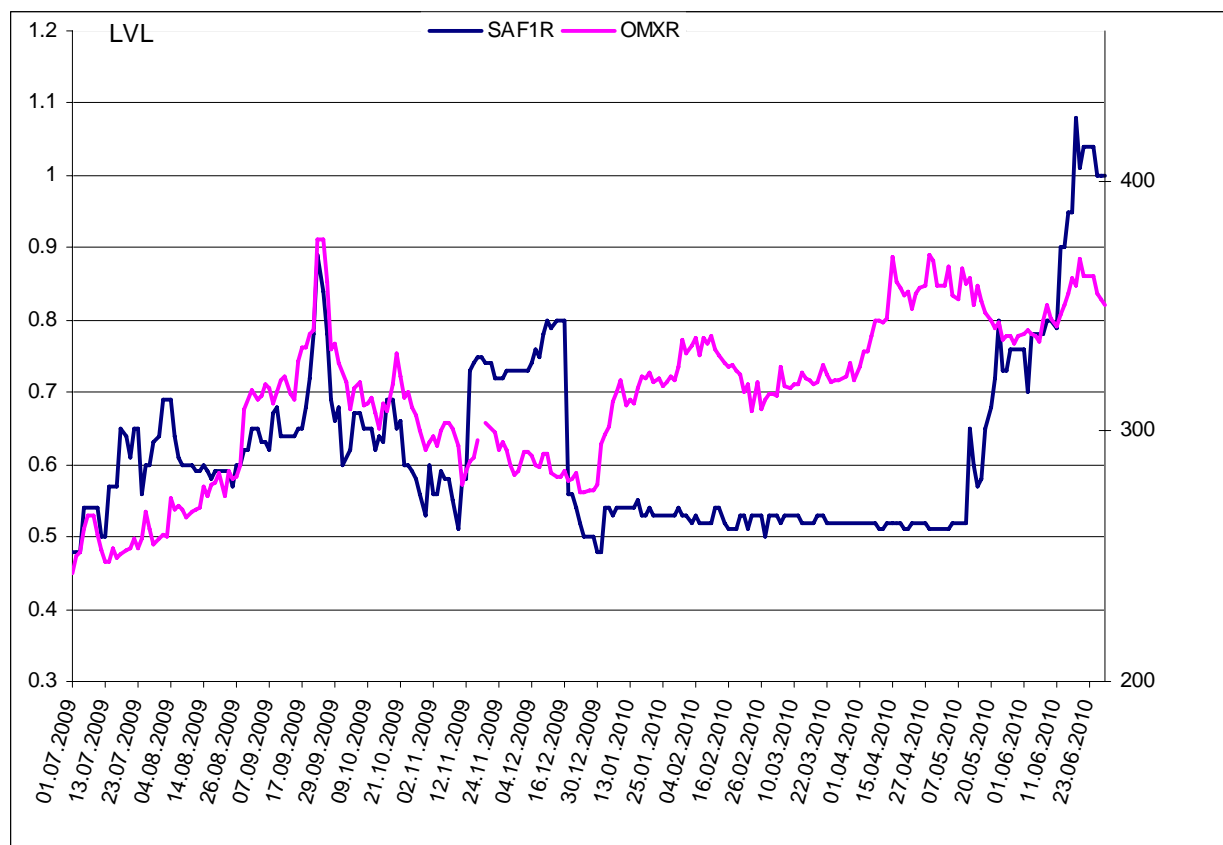
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2009 – June 30, 2010

Currency: LVL

Marketplace: NASDAQ OMX Riga



Information on management and supervisory board members

SAF Tehnika Management Board:

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

SAF Tehnika Supervisory Board:

Name	Position	Ownership interest (%)
Vents Lacars	Chairman	owns 6.08% of shares
Juris Ziema	Vice-Chairman	owns 8.71% of shares
Andrejs Grisans	Member	owns 10.03% of shares
Ivars Senbergs	Member	
Jānis Bergs	Member till July 11, 2010	
Juris Imaks	Member since July 12, 2010	

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 AS. Mr. Bergs is one of the founders of SIA Fortech (co-founding company of SAF Tehnika AS) 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 AS and a member of the Management Board of AS Microlink. From 1992 to 1999, Mr. Bergs worked for World Trade Centre Riga, where he held 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.

Didzis Liepkalns

Didzis Liepkalns, born in 1962, is Vice-Chairman of the Board and Technical Director of SAF Tehnika. D. Liepkalns founded a private enterprise SAF in 1995 and co-founded the company SAF Tehnika AS in 1999. From 1985 to 1990 he worked as an engineer at the Institute of Electronic Engineering and Computer Sciences. D. Liepkalns has graduated Riga Technical University with a degree in radio engineering in 1985.

Jānis Ennitis

Janis Ennitis, born in 1970, is Member of the Board 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. J. 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.

Aira Loite

Aira Loite, born in 1965, Member of the Board and Chief Financial Officer of SAF Tehnika. Prior to joining the company in November, 2007, she worked for SIA Lattelecom (2006/2007) initially as a Business Performance Director and later as a Director of Business Information and Control division. From 2000 till 2006 she held the position of the Head of Finances and Administration of SIA Microlink Latvia being the Board member as well. From 2004 till 2005 she was Chief Financial Officer of Microlink Group. A. Loite has graduated University of Latvia with a degree in applied mathematics in 1988. She has the degree of Master of Business Administration by the University of Salford (UK) in 2009.

Information on professional and educational background of the supervisory council members

Vents Lācars,

born in 1968, is Chairman of the Supervisory Council and Vice-President Business Development of SAF Tehnika. Before co-founding the Company, from 1992 to 1999, he worked in SIA Fortech, where throughout his career he held positions of programmer, leading programmer, and project manager in the networking department and networking department manager. From 1990 to 1992 V. Lacars worked as a programmer at state electric utility company Latvenergo. V. Lacars has studied in Faculty of Physics and Mathematics, University of Latvia.

Juris Zieme,

born in 1964, co-founder of the Company, is Vice-Chairman of the Supervisory Council and Production Department Director. From 1998 to 1999 he worked as an engineer at Didzis Liepkalns private enterprise SAF. From 1987 to 1999 J. Zieme worked as an engineer at the Institute of Electronic Engineering and Computer Sciences. J. Zieme has graduated Riga Technical University with a degree in radio engineering in 1987.

Andrejs Grišāns

born in 1957, is Member of the Supervisory Council and Production Department Manager. A. Grisans is one of the co-founders of SAF Tehnika. Prior to joining the Company, he owned and managed a private company specializing in electronic equipment engineering, production and distribution. From 1992 to 1999 A. Grisans was involved in entrepreneurial activities in the field of radio engineering. He worked as an engineer-constructor at the Institute of Polymer Mechanics from 1984 to 1992 and in the constructing bureau Orbita from 1980 to 1984. A. Grisans has graduated Riga Technical University with a degree in radio engineering in 1980.

Ivars Šenbergs,

born in 1962, Member of the Supervisory Council, also Chairman of the Board of SIA Juridiskais Audits, Latnek Ipasumi and SIA Namipasumu parvalde, Member of the Supervisory Council of AS MFS bookkeeping and Member of the Board of SIA Hipno. From 1999 until 2000 he worked as Finance and Administrative Director at SIA Fortech. I. Senbergs has graduated Faculty of Law, University of Latvia.

Jānis Bergs,

born in 1970, was Member of the Supervisory Council till July 11, 2010. Currently is the Chairman of the Board of SIA FMS. Former acted as Chairman of the Board of SIA „Fortech”, later Chairman of the Board of Mirolink Group. In 2004 elected in the 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.

Juris Imaks,

Member of the Supervisory Council since July 12, 2010, born in 1971, worked for VAS „Latvijas Hipotēku un zemes banka" from 1997 up to 2002 as the Head of the Securities trading department. J.Imaks held the office of the Member of the Supervisory Council in the Regulator of public services of the Riga municipality (2005-2007), SIA „Rīgas nami" (2005-2009), AAS „RSK" (2007-2009), but in SIA „Latvijas Garantiju aģentūra" he held the office of the Chairman of the Supervisory Council (2008-2009). J.Imaks has graduated University of Latvia, Faculty of Economics and Management in 1994 as the Engineer-Economist, but in 2004 reached the Master's degree in Business Management.

Statement of Board's Responsibilities

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

The interim financial statements are prepared in accordance with the source documents and present fairly the financial position of the Company as at June 30, 2010 and the results of its operations and cash flows for the 12 month period ended June 30, 2010.

The interim financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. The interim financial statements have been prepared based on the same accounting principles applied in the Consolidated Financial Statements for the year ended on June 30, 2009. Prudent and reasonable judgments and estimates have been made by the management in the preparation of the interim financial statements.

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

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

Currency Exchange rate for LVL/EUR is 0.702804



Aira Loite

CFO, Member of the Management Board

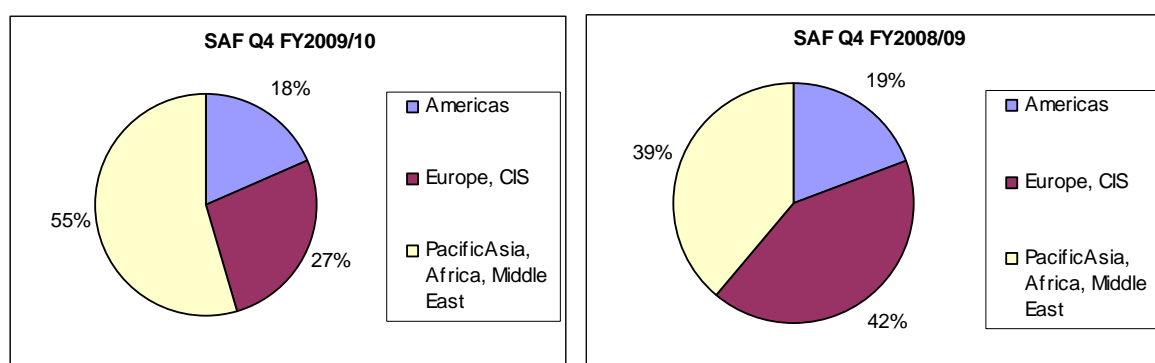
Management Report

The Company's non-audited net sales kept an upward trend. Sales for the fourth quarter of financial year 2009/10 were 3 739 199 LVL (5 320 401 EUR), representing an 89% increase compared with the fourth quarter of the previous financial year. This was the best quarterly sales result not only in financial year 2009/10, but the best in the last three financial years.

Starting from the beginning of calendar 2010 the Company's sales organization is arranged into 3 regions – Americas, Europe plus CIS, and the third – Asia Pacific, Middle East and Africa. Each has similar business potential and distinctive regional characteristics.

Sales in the Asia Pacific, Middle East and Africa represented the largest part of the 4th quarter's turnover (55%). Sales rose there by 165% or 1.26 million LVL (1.81 million EUR) compared with the same quarter of the previous corresponding period. The largest contribution came from a large project for an Indian client and sales in Africa. Sales volumes in the Americas have increased by 81% due to sales increases both in North America and Latin America and formed 18% of total sales in the reporting quarter. Sales in Europe and CIS represented 27% of quarterly sales and were by 23% larger than in the 4th quarter of the previous financial year as sales to the CIS re-commenced. So as to strengthen SAF's brand, the latest products - CFIP Lumina FODU and CFIP Phoenix Split Mount system were exhibited at the SviazExpo Comm 2010, Moscow, Russia, in May. This is the largest and most prestigious B2B exhibition and conference for Russia and the CIS countries. The decision to withdraw from a joint company in the Russian Federation under the name of *SAF Tehnika RUS Ltd* (SAF Tehnika Rus OOO) was made as the subsidiary had not started its planned operations.

Chart 1. Quarter 4 revenue breakdown comparative charts:

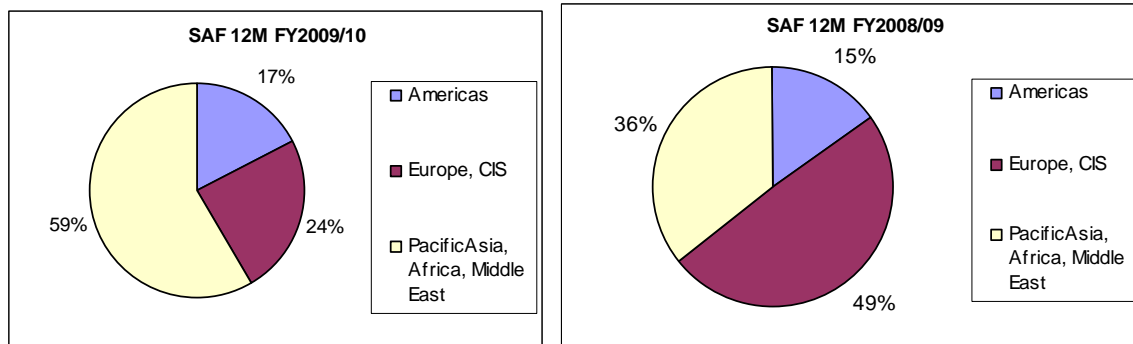


The Company's products were sold in 56 countries during the reporting quarter, but the number of countries where the Company has delivered its products in 2009/10 amounted to 79 in total. Five out of 79 are new markets. The recent customer survey lists product price, quality and customer support as the key features for choosing SAF Tehnika as partner.

The Company's non-audited net sales for the 12 months of financial year 2009/10 were 10 226 905 LVL (14 551 575 EUR) representing a 16% increase compared with the 12 months

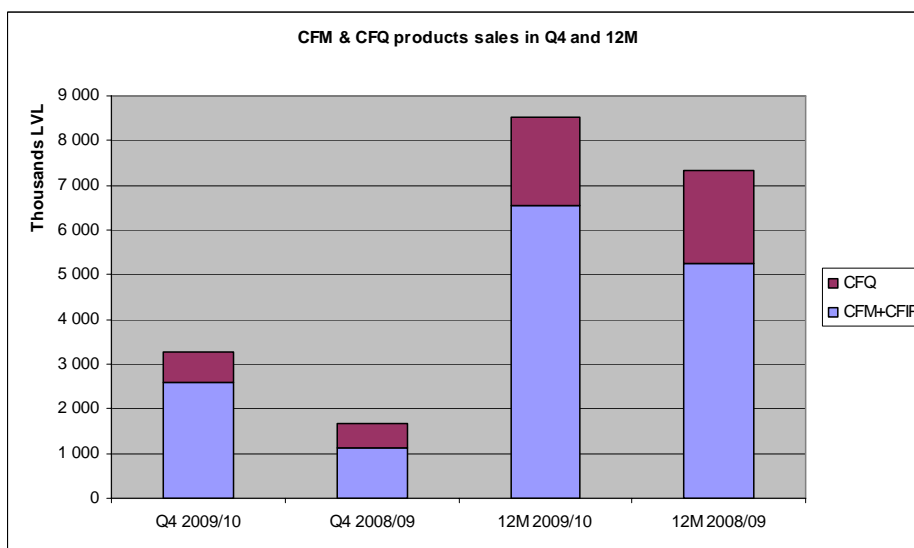
of financial year 2008/09. The best sales results were reached in the Asia Pacific, Africa and Middle East region where 88% y-o-y growth was reached, amounting to LVL 5.9 million (EUR 8.48 million) in the 12 months of FY 2009/10 and a 33% increase was recorded in the Americas. Sales in Europe and the CIS region were substantially (by 43%) lower than in the previous financial year. This was mostly impacted by very low sales in the CIS.

Chart 2. 12 months revenue breakdown comparative charts:



Although a sharp decrease in older CFM product interest was expected in 2009/10, there are still regions where CFM products are in demand, keeping sales volumes high. Sales of CFQ products are decreasing although in the fourth quarter were somewhat at the same level as in Q4 2008/09. The highest demand is for the new CFIP products. The number of CFIP products sold is more than 3 times more in comparison with the 12 months period of 2008/9.

Chart 3. Quarter 4 and 12 month product sales breakdown.



The net profit of the Company for the fourth quarter of financial year 2009/10 was 1 234 016 LVL (1 755 848 EUR). The net profit of the Company for the 12 month period of the financial year 2009/10 was 1 476 521 LVL (2 100 900 EUR) which is by 2.71 million LVL (3.86 million EUR) better than the result for the 12 months of the financial year 2008/09. This is a great result and proves that the Company's strategy towards development of a new CF IP product line, expansion of direct sales, investments into product marketing, cost savings into production and

operations was right and has provided SAF Tehnika a more stable position with positive perspectives. The invaluable work and loyalty of the Company's employees also has to be mentioned as a key to success.

Market overview

Calendar year 2010 finally comes with extensive 3G technology deployment over the world, which is driven by growing demand for high capacity data traffic and increasing demand for Point to Point microwave radio equipment. After the recent 3G and Wimax licence auctions in India it will be again be the main market for telecom infrastructure modernisation and deployment. After a slow down in 2009 the telecom market is recovering very quickly, creating holes in the supply chain due to unexpectedly high demand. Creating technology more accessible has led to growing sales volumes in the microwave radio market. As a result more new players are entering the market. Competition in this segment is growing while major volume is divided between the existing market leaders. As exception we see is that Motorola has left this segment. From a technology perspective we see that sales volumes have finally shifted to high capacity radio, which now takes up more than half of the total market volume.

Guidance

SAF Tehnika continues to pursue its established course, taking into account its stable financial position, control over the production process and CFIP product development. The core focus is the full introduction of an extensive CFIP product line and development of customer-tailored solutions. The main targets for the company in the coming years are to achieve steady growth, maintaining high production quality and customer satisfaction levels. As uncertainty in the global telecommunication market continues the Board of the Company cannot provide certain prognosis towards sales figures despite outstanding results of the reporting financial year.

The Company's net cash flow for the 12 month period of the financial year was a positive 66 869 LVL (95 146 EUR). Moreover 1 659 889 LVL (2 361 809 EUR) were kept in bank deposits (deposit period more than 90 days), recorded as short-term investment in the balance. This explains the negative cash flow from investing activities. The cash flow in financing activities was negative due to the payment of dividends of LVL 0.23 (twenty three santims) per share or, LVL 683 141 in December 2009. This was on account of surplus funds and favourable taxation conditions at the time. The Company carried a net cash balance (excluding interest bearing liabilities) of 2 407 506 LVL (3 425 572 EUR) as at June 30, 2010.

On June 30, 2010 the Company employed 146 people. (143 people on June 30, 2009).

Balance sheet
As of June 30, 2010

	Note	30.06.2010	30.06.2009	30.06.2010	30.06.2009
		LVL	LVL	EUR	EUR
CURRENT ASSETS					
Cash and bank		2 413 687	2 346 818	3 434 367	3 339 221
Short-term investments	1	1 659 889	0	2 361 809	0
Customer receivables	2				
Accounts receivable		3 018 161	2 148 530	4 294 456	3 057 083
Allowance for uncollectible receivables		-203 333	-402 118	-289 317	-572 162
Total		2 814 828	1 746 412	4 005 139	2 484 920
Other receivables					
Other current receivables	3	108 299	50 722	154 096	72 171
Short-term loans given		738	885	1 050	1 259
Total		109 037	51 607	155 146	73 430
Prepaid expenses					
Prepaid taxes		26 783	61 788	38 109	87 916
Other prepaid expenses		63 184	30 668	89 903	43 637
Total		89 967	92 456	128 012	131 554
Inventories	4				
Raw materials		737 857	362 440	1 049 876	515 706
Work-in-progress		754 828	1 566 728	1 074 023	2 229 253
Finished goods		725 170	623 742	1 031 824	887 505
Prepayments to suppliers		31 019	25 813	44 136	36 729
Total		2 248 874	2 578 723	3 199 859	3 669 192
TOTAL CURRENT ASSETS		9 336 282	6 816 016	13 284 332	9 698 317
NON-CURRENT ASSETS					
Long-term financial assets					
Long-term receivables	5	182 776	0	260 067	0
Deffered income tax		63 140	51 025	89 840	72 602
Other long-term receivable		0	590	0	839
Total		245 916	51 615	349 907	73 442
NON-CURRENT physical assets	6				
Plant and equipment		2 027 516	1 997 082	2 884 895	2 841 592
Other equipment and fixtures		1 149 025	1 168 142	1 634 915	1 662 116
Accumulated depreciation		-2 626 539	-2 447 274	-3 737 228	-3 482 157
Total		550 002	717 950	782 582	1 021 550
Intangible assets					
Purchased licenses, trademarks etc.		56 251	67 273	80 038	95 721
Total		56 251	67 273	80 038	95 721
TOTAL NON-CURRENT ASSETS		852 169	836 838	1 212 527	1 190 712
TOTAL ASSETS		10 188 451	7 652 854	14 496 860	10 889 030

LIABILITIES AND OWNERS' EQUITY	Note	30.06.2010	30.06.2009	30.06.2010	30.06.2009
CURRENT LIABILITIES		LVL	LVL	EUR	EUR
Debt obligations					
Short-term loans from financial institutons		6 181	1 896	8 795	2 698
Customer prepayments for goods and services		1 005 618	148 606	1 430 866	211 447
Accounts payable	7	1 266 987	614 593	1 802 760	874 487
Tax liabilities		98 316	54 385	139 891	77 383
Salary-related accrued expenses	8	313 691	116 971	446 342	166 435
Provisions for guarantees		46 890	21 054	66 718	29 957
Prepaid revenue		6 556	44 517	9 328	63 342
TOTAL CURRENT LIABILITIES		2 744 239	1 002 022	3 904 700	1 425 749
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	9	993 307	2 918 194	1 413 349	4 152 216
Net profit for the financial year		1 476 521	-1 241 746	2 100 900	-1 766 845
TOTAL OWNERS' EQUITY		7 444 212	6 650 832	10 592 159	9 463 281
TOTAL LIABILITIES AND OWNERS' EQUITY		10 188 451	7 652 854	14 496 860	10 889 030

* The comparison information is consolidated data for the SAF Tehnika Group as until November, 2008 AS SAF Tehnika had a subsidiary in Sweden.

Income Statement for 12 month of the financial year 2009/10

	Note	30.06.2010	30.06.2009	30.06.2010	30.06.2009
		LVL	LVL	EUR	EUR
Net sales	10	10 226 905	8 825 628	14 551 575	12 557 737
Other operating income		206 664	56 542	294 056	80 452
Total income		10 433 569	8 882 170	14 845 631	12 638 189
Direct cost of goods sold or services rendered		-6 270 839	-6 139 448	-8 922 600	-8 735 647
Marketing, advertising and public relations expenses	11	-257 425	-141 893	-366 283	-201 896
Bad receivables		198 785	-318 995	282 846	-453 889
Operating expenses		-648 519	-688 875	-922 759	-980 181
Salaries, bonuses and social expenses	12	-1 747 457	-1 963 471	-2 486 407	-2 793 768
Depreciation expense		-278 569	-456 000	-396 368	-648 830
Other expenses		-285 505	-79 769	-406 237	-113 501
Operating expenses		-9 289 529	-9 788 451	-13 217 808	-13 927 710
EBIT		1 144 040	-906 281	1 627 823	-1 289 523
Financial income (except ForEx rate difference)		165 084	83 479	234 893	118 780
Financial costs (except ForEx rate difference)		-2 132	-4 170	-3 034	-5 933
Foreign exchange +gain/(loss)		190 316	18 923	270 795	26 925
Financial items		353 268	98 232	502 654	139 773
Loss on sale of long-term investment	13	0	-436 562	0	-621 172
EBT		1 497 308	-1 244 611	2 130 477	-1 770 921
Corporate income tax		-20 787	2 865	-29 577	4 077
Net profit		1 476 521	-1 241 746	2 100 900	-1 766 845

Earnings per share

EPS 30.06.2010. = 0.50 LVL (0.71 EUR)

EPS 30.06.2009. = -0.42 LVL (-0.59 EUR)

Income Statement for Q4 of the financial year 2009/10

	30.06.2010	30.06.2009	30.06.2010	30.06.2009
	LVL	LVL	EUR	EUR
Net sales	3 739 199	1 976 142	5 320 401	2 811 797
Other operating income	60 618	51 718	86 252	73 588
Total income	3 799 817	2 027 860	5 406 652	2 885 385
Direct cost of goods sold or services rendered	-1 905 740	-1 185 883	-2 711 624	-1 687 359
Marketing, advertising and public relations expenses	-90 263	-86 762	-128 433	-123 451
Bad receivables	33 011	-75 032	46 970	-106 761
Operating expenses	-165 872	-173 723	-236 015	-247 186
Salaries, bonuses and social expenses	-548 554	-610 227	-780 522	-868 275
Depreciation expense	-50 095	-128 645	-71 279	-183 045
Other expenses	-19 374	-9 887	-27 567	-14 068
Operating expenses	-2 746 887	-2 270 159	-3 908 468	-3 230 145
EBIT	1 052 930	-242 299	1 498 184	-344 760
Financial income (except ForEx rate difference)	73 124	28 126	104 046	40 020
Financial costs (except ForEx rate difference)	-205	-438	-292	-623
Foreign exchange +gain/(loss)	128 954	-51 113	183 485	-72 727
Financial items	201 873	-23 425	287 240	-33 330
EBT	1 254 803	-265 724	1 785 425	-378 090
Corporate income tax	-20 787	2 865	-29 577	4 077
Net profit	1 234 016	-262 859	1 755 848	-374 014

*Earnings per share

EPS 30.06.2010. = 0.40 LVL (0.59 EUR)

EPS 30.06.2009. = -0.09 LVL (-0.13 EUR)

Cash flow statement for 12 months of the financial year 2009/10

	30.06.2010	30.06.2009	30.06.2008	30.06.2007
	LVL	LVL	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	2 307 658	579 947	3 283 502	825 190
Cash received from customers	9 975 657	9 329 801	14 194 082	13 275 112
Cash paid to suppliers and employees	-7 745 668	-8 970 244	-11 021 093	-12 763 507
Received tax	77 669	220 390	110 513	313 587
NET CASH USED IN INVESTING ACTIVITIES (of which)	-1 650 825	49 925	-2 348 912	71 037
Cash paid for short-term investments	-1 659 889	0	-2 361 809	0
Cash paid for purchasing non-current physical assets	-119 271	-98 075	-169 707	-139 548
Cash received from the sale of non-current physical assets	0	529	0	753
Cash received from other long-term investments	0	74 481	0	105 977
Interest received	128 335	72 990	182 604	103 855
NET CASH USED IN FINANCING ACTIVITIES (of which)	-589 964	45 768	-839 443	65 122
Repayment of short-term loans	4 285	-3 263	6 097	-4 643
Paid interest	-2 159	-4 163	-3 072	-5 923
Cash received from EU funds	91 051	53 194	129 554	75 688
Dividends paid	-683 141	0	-972 022	0
Effects of exchange rate changes	0	0	0	0
TOTAL CASH FLOW:	66 869	675 640	95 146	961 349
Cash and cash equivalents as at the beginning of period	2 346 818	1 671 178	3 339 221	2 377 872
Cash and cash equivalents as at the end of period	2 413 687	2 346 818	3 434 367	3 339 221
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	66 869	675 640	95 146	961 349

* The comparison information is consolidated data for the SAF Tehnika Group as until November, 2008 AS SAF Tehnika had a subsidiary in Sweden.

Statement of changes in consolidated equity for the 12 months period ended June 30 2010

	Share capital LVL	Share premium LVL	Currency translation reserve LVL	Retained earnings LVL	Total LVL
As at 30 June 2008	2 970 180	2 004 204	5 106	2 918 194	7 897 684
Currency translation difference	-	-	-5 106	-	-5 106
Loss for the year	-	-	-	-1 241 746	-1 241 746
As at 30 June 2009	2 970 180	2 004 204	0	1 676 448	6 650 832
Dividend relating to 2008/2009	-	-	-	-683 141	-683 141
Profit for the year	-	-	-	1 476 521	1 476 521
As at 30 June 2010	2 970 180	2 004 204	-	2 469 828	7 444 212

Statement of changes in consolidated equity for the 12 months period ended June 30 2010

	Share capital EUR	Share premium EUR	Currency translation reserve EUR	Retained earnings EUR	Total EUR
As at 30 June 2008	4 226 185	2 851 725	7 265	4 152 216	11 237 392
Currency translation difference	-	-	-7 265	-	-7 265
Loss for the year	-	-	-	-1 766 845	-1 766 845
As at 30 June 2009	4 226 185	2 851 725	0	2 385 371	9 463 281
Dividend relating to 2008/2009	-	-	-	-972 022	-972 022
Profit for the year	-	-	-	2 100 900	2 100 900
As at 30 June 2010	4 226 185	2 851 725	-	3 514 249	10 592 159

Notes for interim report

Note 1 Short-term investments

	30.06.2010 LVL	30.06.2009 LVL	30.06.2010 EUR	30.06.2009 EUR
Short-term investments	<u>1 659 889</u>	-	<u>2 361 809</u>	-

Consists of deposits with a maturity period of more than 90 days commencing from 30/06/2010.

Note 2 Customer receivables

	30.06.2010 LVL	30.06.2009 LVL	30.06.2010 EUR	30.06.2009 EUR
Accounts receivable	3 018 161	2 148 530	4 294 456	3 057 083
Provisions for bad and doubtful accounts receivable	(203 333)	(402 118)	(289 317)	(572 162)
	<u>2 814 828</u>	<u>1 746 412</u>	<u>4 005 139</u>	<u>2 484 920</u>

Accounts receivable were 40% larger compared with the previous year reflecting increasing sales. Provisions for bad and doubtful accounts receivable have decreased by 50%. The majority of the increase is represented by existing customers with known credit histories.

Note 3 Other current receivables

	30.06.2010 LVL	30.06.2009 LVL	30.06.2010 EUR	30.06.2009 EUR
Other current receivables	<u>108 299</u>	<u>50 722</u>	<u>121 227</u>	<u>72 171</u>

The main items included in the Other current receivables are accrued interest for deposits and EU funding amounting to 65 thousand LVL assigned for new Product research and development and participation in foreign exhibitions.

Note 4 Inventories

	30.06.2010 LVL	30.06.2009 LVL	30.06.2010 EUR	30.06.2009 EUR
Raw materials	918 849	540 075	1 307 404	768 457
Allowance for slow-moving items	(180 992)	(177 635)	(257 528)	(252 752)
Work-in-progress	754 828	1 566 728	1 074 023	2 229 253
Finished goods	725 170	623 742	1 031 824	887 505
Prepayments to suppliers	31 019	25 813	44 136	36 729
	<u>2 248 874</u>	<u>2 578 723</u>	<u>3 199 859</u>	<u>3 669 192</u>

Inventories in comparison with June 30 of the previous financial year 2008/09 decreased by 13%. More raw materials were purchased in order to ensure present production volumes and delivery terms.

Note 5 Long-term receivables

	30.06.2010 LVL	30.06.2009 LVL	30.06.2010 EUR	30.06.2009 EUR
Long-term receivables	182 776	-	260 067	-

Long term receivables includes receivables whose due date is more than 360 days from balance date. The particular debt is secured by a State export guarantee.

Note 6 Non-current physical assets

	30.06.2010 LVL	30.06.2009 LVL	30.06.2010 EUR	30.06.2009 EUR
Plant and equipment	2 027 516	1 997 082	2 884 895	2 841 592
Other equipment and fixtures	1 149 025	1 168 142	1 634 915	1 662 116
Accumulated depreciation	(2 626 539)	(2 447 274)	(3 737 228)	(3 482 157)
	550 002	717 950	782 582	1 021 550

Decrease of the net book value of non current physical assets, in comparison with the year before is mainly due to accumulated depreciation.

Note 7 Accounts payable

	30.06.2010 LVL	30.06.2009 LVL	30.06.2010 EUR	30.06.2009 EUR
Accounts payable	1 266 987	614 593	1 802 760	874 487

Accounts payable have increased due to the increase of purchases for new products, increased production volumes and larger local marketing services rendered.

Note 8 Salary-related accrued expenses

	30.06.2010 LVL	30.06.2009 LVL	30.06.2010 EUR	30.06.2009 EUR
Salary-related accrued expenses	313 691	116 971	446 342	166 435

Salary-related accrued expenses increased mainly because of bonuses accrued due to outstanding financial results and the fact that June 2010 salary was paid after balance date 30/06/2010.

Note 9 Retained earnings

	30.06.2010 LVL	30.06.2009 LVL	30.06.2010 EUR	30.06.2009 EUR
Retained earnings	993 307	2 981 194	1 413 349	4 152 216

Dividends of LVL 0.23 per share or LVL 683 141.40 in total were paid out according to the annual shareholders' meeting decision.

Note 10 Segment information

a) The Group's operations may currently be divided into two major structural units by product type – CFM (PDH) and CFQ (SDH) product lines. The new CFIP products belong to the CFM product type (super PDH). The 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, 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.

CFIP radio is capable to provide up to 108Mbps of bit rate to all interfaces combined. This product family provides a perfect solution for a user looking for higher than PDH E3 capacity without need for STM-1 capacity. Apart from the full system capacity of 108Mbps, it is possible to configure the radio to any of 7 MHz, 14 MHz and 28MHz channel bandwidths.

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 frequency bands from 7 to 38 GHz. The product is generally exported to developed European countries where the demand for high capacity data transmission possibilities dominates.

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 2009/10 and financial year 2008/09.

	CFQ		CFM; CFIP		Other		Total	
	2009/10 LVL	2008/09 LVL	2009/10 LVL	2008/09 LVL	2009/10 LVL	2008/09 LVL	2009/10 LVL	2008/09 LVL
Segment assets	1 520 623	1 385 792	3 606 374	3 223 325	753 902	439 315	5 880 899	5 048 432
Undivided assets							4 307 552	2 604 422
Total assets							10 188 451	7 652 854
Segment liabilities	541 770	214 237	1 505 050	520 346	386 978	116 625	2 433 798	851 208
Undivided liabilities							310 441	150 814
Total liabilities							2 744 239	1 002 022
Net sales	2 187 568	2 246 456	6 509 182	5 255 622	1 530 155	1 323 550	10 226 905	8 825 628
Segment results	820 279	450 758	2 072 363	674 812	560 474	280 254	3 453 116	1 405 824
Undivided expenses							-2 515 746	-2 368 647
Profit from operations							937 370	-962 823
Other income							212 332	56 542
Financial income, net							347 606	98 232
Loss on sale of long-term investment							0	-436 562
Profit before taxes							1 497 308	-1 244 611
Corporate income tax							-20 787	2 865
Net profit							1 476 521	-1 241 746
Other information								
Intangible assets	5 944	23 955	77 701	65 683	0	0	83 645	89 638
Undivided additions							16 000	49 049
Total additions of property plant and equipment and intangible assets							99 645	138 687
Depreciation and amortization	13 600	49 817	159 741	238 348	10	1 292	173 351	289 457
Undivided depreciation							105 218	166 543
Total depreciation and amortization							278 569	456 000

	CFQ		CFM; CFIP		Other		Total	
	2009/10 EUR	2008/09 EUR	2009/10 EUR	2008/09 EUR	2009/10 EUR	2008/09 EUR	2009/10 EUR	2008/09 EUR
Segment assets	2 163 652	1 971 804	5 131 408	4 586 378	1 072 705	625 089	8 367 763	7 183 272
Undivided assets							6 129 096	3 705 759
Total assets							14 496 860	10 889 030
Segment liabilities	770 869	304 832	2 141 493	740 386	550 620	165 942	3 462 983	1 211 160
Undivided liabilities							441 717	214 589
Total liabilities							3 904 700	1 425 749
Net sales	3 112 629	3 196 419	9 261 732	7 478 076	2 177 214	1 883 242	14 551 575	12 557 737
Segment results	1 167 152	641 371	2 948 707	960 171	797 483	398 767	4 913 341	2 000 307
Undivided expenses							-3 579 583	-3 370 281
Profit from operations							1 333 757	-1 369 974
Other income							302 121	80 452
Financial income, net							494 599	139 772
Loss on sale of long-term investment							0	-621 172
Profit before taxes							2 130 477	-1 770 922
Corporate income tax							-29 577	4 077
Net profit							2 100 900	-1 766 845
Other information								
Additions of property plant and equipment and intangible assets	8 458	34 085	110 559	93 458	0	0	119 016	127 543
Undivided additions							22 766	69 790
Total additions of property plant and equipment and intangible assets							141 782	197 333
Depreciation and amortization	19 351	70 883	227 291	339 139	14	1 838	246 656	411 860
Undivided depreciation							149 711	236 968
Total depreciation and amortization							396 367	648 828

b) This note provides information about division of the Company's turnover and assets by geographical regions (customer location) for 12 month of the financial year 2009/10 and financial year 2008/09.

	Net sales		Assets		Net sales		Assets	
	2009/10 LVL	2008/09 LVL	30.06.2010 LVL	30.06.2009 LVL	2009/10 EUR	2008/09 EUR	30.06.2010 EUR	30.06.2009 EUR
America	1 787 390	1 339 548	470 417	337 145	2 543 227	1 906 005	669 343	479 714
Europe, CIS	2 475 325	4 314 306	751 536	751 112	3 522 070	6 138 705	1 069 339	1 068 736
Asia, Africa, Middle East	5 964 190	3 171 774	1 592 875	658 155	8 486 278	4 513 027	2 266 457	936 470
	10 226 905	8 825 628	2 814 828	1 746 412	14 551 575	12 557 737	4 005 139	2 484 920
Unallocated assets	-	-	7 373 623	5 906 442	-	-	10 491 721	8 404 110
	10 226 905	8 825 628	10 188 451	7 652 854	14 551 575	12 557 737	14 496 860	10 889 030

Note 11 Marketing, advertising and public relations expenses

	30.06.2010 LVL	30.06.2009 LVL	30.06.2010 EUR	30.06.2009 EUR
Marketing, advertising and public relations expenses	(257 425)	(141 893)	(366 283)	(201 896)

Considering that sales agent services, which are closely related to sales results and by nature are an attribute of the cost of sales, such services are now included in the *Direct cost of goods sold or*

services rendered item and not in *Marketing, advertising and public relations expenses* section. The reclassification is also applied for comparison data.

Note 12 Salaries, bonuses and social expenses

	30.06.2010 LVL	30.06.2009 LVL	30.06.2010 EUR	30.06.2009 EUR
Salaries, bonuses and social expenses	<u>(1 747 457)</u>	<u>(1 963 471)</u>	<u>(2 486 407)</u>	<u>(2 793 768)</u>

Salaries, bonuses and social expenses, in comparison with the 12 month period of the previous financial year decreased by 11% due to a decrease in salaries as a result of the reduced workload and lower headcount during the year although includes bonuses for outstanding financial results in Q4 2009/10.

Note 13 Loss on sale of long term investment

	30.06.2010 LVL	30.06.2009 LVL	30.06.2010 EUR	30.06.2009 EUR
Loss on sale of long term investment	<u>-</u>	<u>(436 562)</u>	<u>-</u>	<u>(621 172)</u>

The impact on the parent company's Income Statement from the divestment of SAF Tehnika Sweden in November 2008 was 436 562 LVL (621 172 EUR).