SAF Tehnika A/S
Interim Report
for 6 months of financial year 2009/10
(July 1, 2009 – December 31, 2009)

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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 01.10.2009

Name	Ownership interest (%)
Didzis Liepkalns	17.05%
Swedbank AS Clients account	12.96%
Andrejs Grišans	10.03%
Skandinavisa Enskilda Banken	9.98%
Normunds Bergs	9.74%
Juris Ziema	8.71%
Gatis Poiss	8.05%
Vents Lācars	6.08%

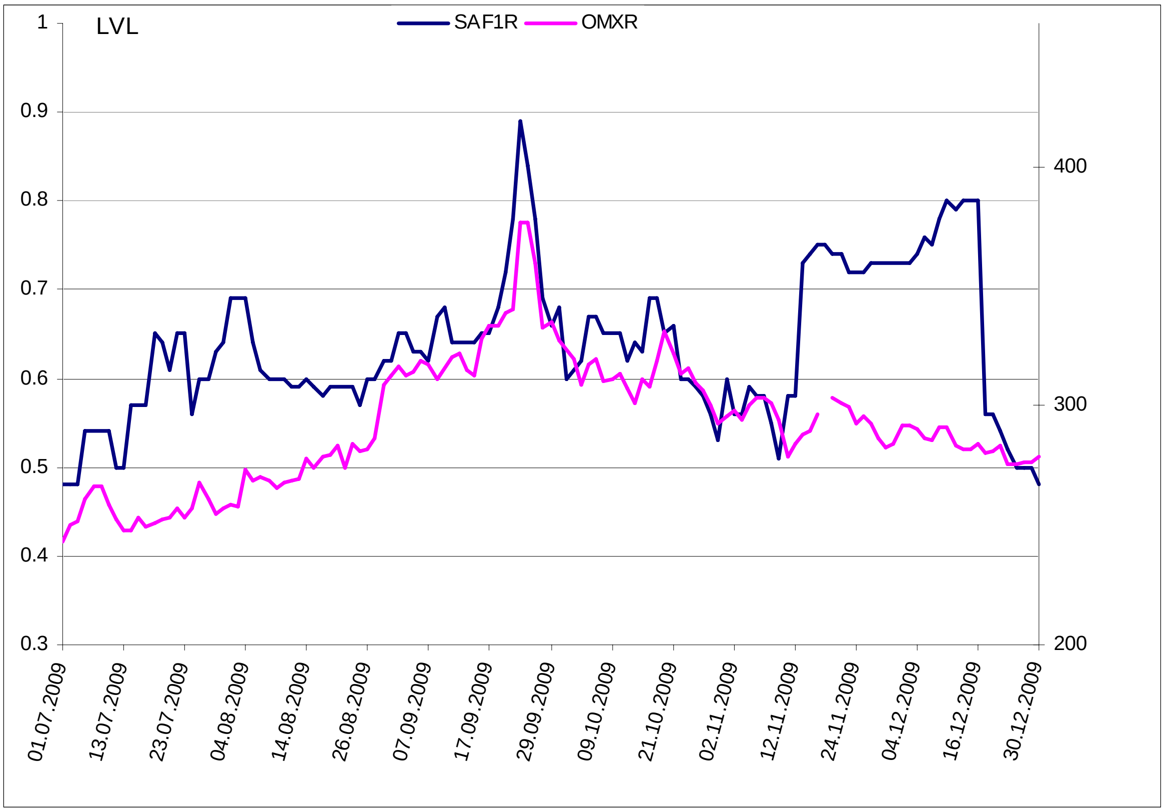
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (**SAF1R**)

Period: July 1, 2009 – December 31, 2009

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	
Aira Loite	Member	

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	

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 been awarded 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

Vents Lacars, 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 Ziema

Juris Ziema, 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. Ziema worked as an engineer at the Institute of Electronic Engineering and Computer Sciences. J. Ziema has graduated Riga Technical University with a degree in radio engineering in 1987.

Andrejs Grišāns

Andrejs Grisans, 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 in1980.

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, is Member of the Supervisory Council. 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.

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 December 31, 2009 and the results of its operations and cash flows for the 6 month period ended December 31, 2009.

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

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Aira Loite

CFO, Member of the Management Board

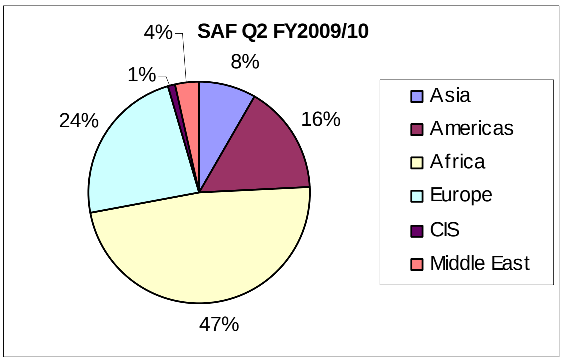
Management Report

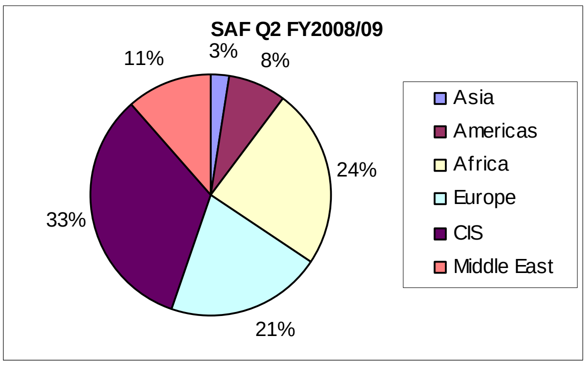
The Company's non-audited net sales for the second quarter of financial year 2009/10 were 2 066 500 LVL (2 940 365 EUR), representing 90% of the second quarter of the previous financial year.

Sales in Africa represented the largest part of 2nd quarter's turnover (47%). Sales there rose by 78% or 0.43 million LVL (0.61 million EUR) compared with the same quarter of last financial year. The first turn-key projects were successfully completed in this region. Sales in Europe were at the same level on a year-on-year basis, comprising 24% of quarterly sales. Sales volumes in the Americas for the reporting quarter increased by 86% as continuous sales endeavors in North America brought results and new CFIP products were in demand. Although some projects were postponed for Asian clients, sales results in this region were by 0,11 million LVL (0,16 million EUR) better than in the 2nd quarter of the previous financial year. The largest negative revenue impact was from sales in the CIS – a decrease of 98% or by 0,75 million LVL (1,07 million EUR). This region could become more active in the spring of 2010.

In order to meet current and prospective clients, as well as demonstrate the Company's products, SAF Tehnika participated in the regional exhibition "AfricaCom 2009", which took place in Cape Town, South Africa in November 2009. The greatest interest was noted in one of the Company's latest products - CFIP Lumina FODU. Participation was co-funded by the European Regional Development fund.

Chart 1. Quarter 2 revenue breakdown comparative charts:

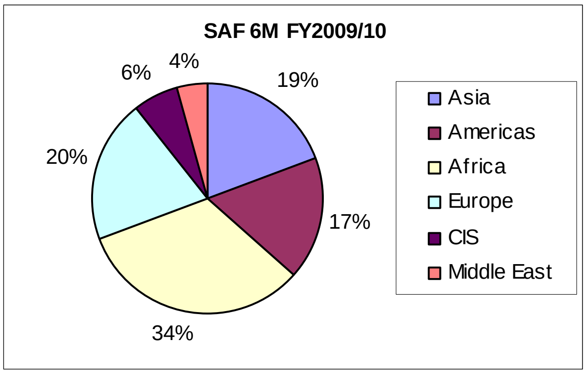


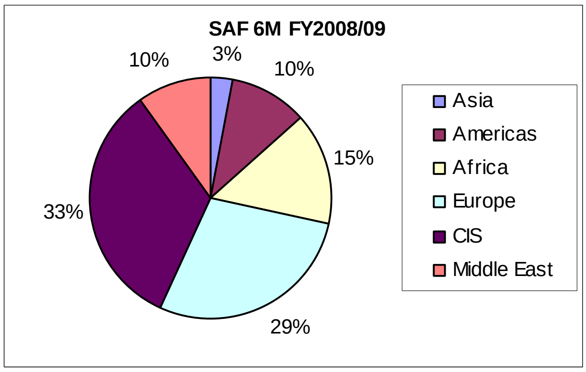


The Company's products were sold in 52 countries during the reporting quarter. The number of customers is increasing although average order amounts are smaller showing lack of free resources for investments.

The Company's non-audited net sales for the 6 months of financial year 2009/10 were 3716 966 LVL (5 288 766 EUR) representing a year-on-year revenue decrease of 20%. Africa formed the largest sales portion (34%) comprising 1.22 million LVL (1.73 million EUR). Sales numbers were on an equal level in Asia and Europe – 0.7 million LVL (1 million EUR), although it was a 44% decrease in sales for Europe, but 4 times more for the Asia region on a year-on-year basis. The greatest part of Asian turnover formed deliveries to India in the first quarter of the current financial year. Sales to the CIS decreased by 1.3 million LVL (1.86 million EUR).

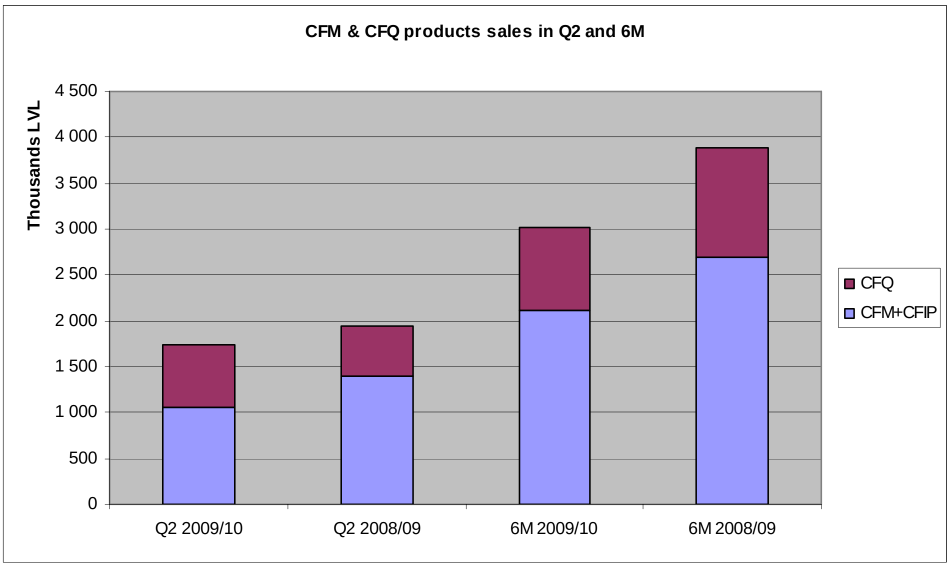
Chart 2. 6 months revenue breakdown comparative charts:





The number of CFM and CFQ products sold has decreased substantially. New CFIP products – such as newly introduced CFIP Phoenix, split mount solution, are planned to replace CFM products. The number of CFIP products sold is increasing each quarter and is 88% higher in comparison with the 2nd quarter of the previous financial year.

Chart 3. Quarter 2 and 6 month product sales breakdown.



The net loss of the Company for the second quarter of financial year 2009/10 was 181 388 LVL (258 090 EUR). The net loss of the Company for the 6 months of financial year 2009/10 was 365 022 LVL (519 380 EUR). The net loss mainly reflects lower sales and falling margins due to increasing competition and a lack of funding for investments for SAF Tehnika's clients.

Market overview

There was no significant change observed during last three months of 2009 in comparison with the first quarter of financial year 2009/10 in the Point to Point (P2P) wireless radio market in which SAF Tehnika operates. Access to financial resources is still very limited and it is one of main constraints for customers in order to start new network development projects. Manufacturers at all levels struggle to maintain the planned revenue and production levels by offering very aggressive pricing and in addition are forced to offer different (further extended) financing schemes for customers. Clients from developing countries give preference to turnkey network development solutions expecting from a provider not only delivery of equipment, but also installation and commissioning services. SAF Tehnika has existing partners for such solutions in selected areas and is working on developing such co-operation further.

Guidance

SAF Tehnika is closely following market trends and new products for the CFIP product line are developed according to customer needs. The Company is flexible at adapting to the changing environment, keeps ongoing production costs low and maintains an efficient operations strategy. Even taking into account the existing results, the company continues to be financially stable. The management is shifting the company's strategy towards delivering more specialized niche products and looking for cooperation partners and new collaboration forms with vendors who could supplement the current offering to the company's clients. The focus is the full introduction of an extensive CFIP product line and development of customer tailored solutions. The main goal is to make the company's business profitable again.

The Company's net cash flow for the 6 month period of the financial year was a negative -198 871 LVL (-282 968 EUR), but was positive at the operating level. The Company paid dividends of LVL 0.23 (twenty three santims) per share or, LVL 683 141 in December 2009. The Company carried a net cash balance (excluding interest bearing liabilities) of 2 146 028 LVL (3 053 523 EUR) as at December 31, 2009.

On December 31, 2009 the Company employed 134 people. (144 people on December 31, 2008).

Balance sheet
As of December 31, 2009

ASSETS	Note	31.12.2009	31.12.2008	31.12.2009	31.12.2008
CURRENT ASSETS		LVL	LVL	EUR	EUR
Cash and bank		**2 147 947**	**2 342 716**	**3 056 253**	**3 333 385**
Customer receivables	1				
Accounts receivable		2 125 368	2 015 461	3 024 126	2 867 743
Allowance for uncollectible receivables		-246 286	-247 871	-350 433	-352 689
Total		**1 879 082**	**1 767 590**	**2 673 693**	**2 515 054**
Other receivables					
Other current receivables		6 034	5 892	8 586	8 384
Short-term loans given		738	885	1 050	1 259
Total		**6 772**	**6 777**	**9 636**	**9 643**
Prepaid expenses					
Prepaid taxes		49 315	66 037	70 169	93 962
Other prepaid expenses		48 491	61 565	68 996	87 599
Total		**97 806**	**127 602**	**139 165**	**181 561**
Inventories	2				
Raw materials		381 701	519 150	543 112	738 684
Work-in-progress		1 167 081	1 606 781	1 660 607	2 286 243
Finished goods		671 555	745 849	955 537	1 061 248
Prepayments to suppliers		24 927	13 764	35 468	19 584
Total		**2 245 264**	**2 885 544**	**3 194 724**	**4 105 759**
TOTAL CURRENT ASSETS		**6 376 871**	**7 130 229**	**9 073 471**	**10 145 402**
NON-CURRENT ASSETS					
Long-term financial assets					
Deffered income tax		51 025	48 160	72 602	68 526
Other long-term receivable		0	590	0	839
Total		**51 025**	**48 750**	**72 602**	**69 365**
NON-CURRENT physical assets	3				
Plant and equipment		1 975 286	1 949 609	2 810 579	2 774 044
Other equipment and fixtures		1 162 152	1 168 920	1 653 593	1 663 223
Accumulated depreciation		-2 561 964	-2 280 272	-3 645 346	-3 244 535
Total		**575 474**	**838 257**	**818 826**	**1 192 732**
Intagible assets					
Purchased licenses, trademarks etc.		51 461	85 299	73 222	121 370
Prepayments for intangible assets		0	10 182	0	14 488
Total		**51 461**	**95 481**	**73 222**	**135 858**
TOTAL NON-CURRENT ASSETS		**677 960**	**982 488**	**964 650**	**1 397 955**
TOTAL ASSETS		**7 054 831**	**8 112 717**	**10 038 121**	**11 543 357**

	Note	31.12.2009	31.12.2008	31.12.2009	31.12.2008
LIABILITIES AND OWNERS' EQUITY		LVL	LVL	EUR	EUR
CURRENT LIABILITIES					
Short-term loans from financial institutons		1 919	3 013	2 730	4 287
Total		**1 919**	**3 013**	**2 730**	**4 287**
Customer prepayments for goods and services		282 141	43 723	401 450	62 212
Accounts payable	4	953 108	534 809	1 356 152	760 966
Tax liabilities		46 393	33 178	66 011	47 208
Salary-related accrued expenses	5	146 307	101 211	208 176	144 011
Other accrued expenses		22 294	15 331	31 723	21 814
TOTAL CURRENT LIABILITIES		**1 452 162**	**731 265**	**2 066 242**	**1 040 498**
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	6	993 307	2 951 087	1 413 349	4 199 019
Net profit for the financial year		-365 022	-544 019	-519 380	-774 069
TOTAL OWNERS' EQUITY		**5 602 669**	**7 381 452**	**7 971 879**	**10 502 859**
TOTAL LIABILITIES AND OWNERS' EQUITY		**7 054 831**	**8 112 717**	**10 038 121**	**11 543 357**

* 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 6 month of the financial year 2009/10

	Note	31.12.2009	31.12.2008	31.12.2009	31.12.2008
		LVL	LVL	EUR	EUR
Net sales	7	3 716 966	4 667 252	5 288 766	6 640 901
Other operating income		69 054	327	98 255	465
Total income		**3 786 020**	**4 667 579**	**5 387 021**	**6 641 366**
Direct cost of goods sold or services rendered		-2 467 520	-2 837 237	-3 510 965	-4 037 025
Marketing, advertising and public relations expenses		-372 584	-194 891	-530 139	-277 305
Bad receivables	8	155 832	-102 290	221 729	-145 546
Operating expenses	9	-294 746	-404 623	-419 386	-575 727
Salaries, bonuses and social expenses	10	-793 175	-1 049 980	-1 128 586	-1 493 987
Depreciation expense		-175 064	-228 253	-249 094	-324 775
Amortization of product Prototypes		0	-16 797	0	-23 900
Other expenses	8	-261 827	-9 891	-372 546	-14 074
Operating expenses		**-4 209 084**	**-4 843 962**	**-5 988 987**	**-6 892 339**
EBIT		**-423 064**	**-176 383**	**-601 966**	**-250 973**
Financial income (except ForEx rate difference)		60 287	42 187	85 781	60 030
Financial costs (except ForEx rate difference)		-1 313	-3 739	-1 869	-5 320
Foreign exchange +gain/(loss)		-932	30 478	-1 326	43 366
Financial items		**58 042**	**68 926**	**82 586**	**98 076**
Loss on sale of long-term investment	11	0	-436 562	0	-621 172
Net profit		**-365 022**	**-544 019**	**-519 380**	**-774 069**

Earnings per share
EPS 31.12.2009. = -0.12 LVL (-0.17 EUR)
EPS 31.12.2008. = -0.18 LVL (-0.26 EUR)

Income Statement for Q2 of the financial year 2009/10

	31.12.2009	31.12.2008	31.12.2009	31.12.2008
	LVL	LVL	EUR	EUR
Net sales	2 066 500	2 291 071	2 940 365	3 259 900
Other operating income	51 044	161	72 629	229
Total income	**2 117 544**	**2 291 232**	**3 012 994**	**3 260 129**
Direct cost of goods sold or services rendered	-1 381 110	-1 416 898	-1 965 142	-2 016 065
Marketing, advertising and public relations expenses	-281 519	-105 566	-400 565	-150 207
Bad receivables	185 673	-61 467	264 189	-87 460
Operating expenses	-168 250	-207 079	-239 398	-294 647
Salaries, bonuses and social expenses	-391 391	-505 143	-556 899	-718 754
Depreciation expense	-82 857	-111 074	-117 895	-158 044
Amortization of product Prototypes	0	-3 720	0	-5 293
Other expenses	-250 134	-2 575	-355 909	-3 664
Operating expenses	**-2 369 588**	**-2 413 522**	**-3 371 619**	**-3 434 133**
EBIT	**-252 044**	**-122 290**	**-358 625**	**-174 003**
Financial income (except ForEx rate difference)	46 347	24 474	65 946	34 822
Financial costs (except ForEx rate difference)	-684	-1 873	-973	-2 665
Foreign exchange +gain/(loss)	24 993	-31 450	35 562	-44 749
Financial items	**70 656**	**-8 849**	**100 535**	**-12 591**
Loss on sale of long-term investment	0	-436 562	0	-621 172
EBT	**-181 388**	**-567 701**	**-258 090**	**-807 766**
Provision for taxes	0	0	0	0
Net profit	**-181 388**	**-567 701**	**-258 090**	**-807 766**

*Earnings per share
EPS 31.12.2009. = -0.06 LVL (-0.09 EUR)
EPS 31.12.2008. = -0.19 LVL (-0.27 EUR)

Cash flow statement for 6 months of the financial year 2009/10

	31.12.2009	31.12.2008	31.12.2009	31.12.2008
	LVL	LVL	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	**414 896**	**597 204**	**590 344**	**849 744**
Cash received from customers	3 632 501	5 397 558	5 168 583	7 680 033
Cash paid to suppliers and employees	-3 266 462	-4 963 766	-4 647 757	-7 062 803
Paid income tax/VAT	48 857	163 412	69 517	232 514
NET CASH USED IN INVESTING ACTIVITIES (of which)	**30 081**	**80 312**	**42 801**	**114 274**
Cash paid for purchasing non-current physical assets	-34 791	-33 974	-49 503	-48 341
Interest received	64 872	39 805	92 305	56 637
Cash received from other long-term investments	0	74 481	0	105 977
NET CASH USED IN FINANCING ACTIVITIES (of which)	**-643 848**	**-5 978**	**-916 113**	**-8 506**
Repayment of short-term loans	23	-2 246	33	-3 196
Paid interest	-1 340	-3 732	-1 907	-5 310
Dividends paid	-683 141	0	-972 022	0
Cash received from ERAF subsidies	40 610	0	57 783	0
TOTAL CASH FLOW:	**-198 871**	**671 538**	**-282 968**	**955 512**
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	2 147 947	2 342 716	3 056 253	3 333 385
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	**-198 871**	**671 538**	**-282 968**	**955 512**

* 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 6 months period ended December 31 2009

	Share capital	Share premium	Currency translation rezerves	Retained earnings	Total
	LVL	LVL	LVL	LVL	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**
Loss for the year	-	-	-	-365 022	**-365 022**
As at 31 December 2009	**2 970 180**	**2 004 204**	**0**	**628 285**	**5 602 669**

Statement of changes in consolidated equity for the 6 months period ended December 31 2009

	Share capital	Share premium	Currency translation rezerves	Retained earnings	Total
	EUR	EUR	EUR	EUR	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**
Loss for the year	-	-	-	-519 380	**-519 380**
As at 31 December 2009	**4 226 185**	**2 851 725**	**0**	**893 969**	**7 971 879**

Notes for interim report

Note 1 Customer receivables

	31.12.2009 LVL	31.12.2008 LVL	31.12.2009 EUR	31.12.2008 EUR
Accounts receivable	2 125 368	2 015 461	3 024 126	2 867 743
Provisions for bad and doubtful accounts receivable	(246 286)	(247 871)	(350 433)	(352 689)
	1 879 082	**1 767 590**	**2 673 693**	**2 515 054**

Accounts receivable were slightly larger but provisions for bad and doubtful accounts receivable were at the same level as of December 31, 2008. 245 thousand LVL (348 thousand EUR) were written off considering debt from one Russian client was not recoverable.

Note 2 Inventories

	31.12.2009 LVL	31.12.2008 LVL	31.12.2009 EUR	31.12.2008 EUR
Raw materials	632 517	704 225	899 991	1 002 022
Allowance for slow-moving items	(250 816)	(185 075)	(356 879)	(263 338)
Work-in- progress	1 167 081	1 606 781	1 660 607	2 286 243
Finished goods	671 555	745 849	955 537	1 061 248
Prepayments to suppliers	24 927	13 764	35 468	19 584
	2 245 264	**2 885 544**	**3 194 723**	**4 105 759**

Inventories in comparison with December 31 of the previous financial year 2008/09 decreased by 22%. Current stock levels are deemed appropriate for present production volumes. The amount of allowances for slow-moving items has increased as the Company keeps components for all types of products sold in order to provide repair services.

Note 3 Non-current physical assets

	31.12.2009 LVL	31.12.2008 LVL	31.12.2009 EUR	31.12.2008 EUR
Plant and equipment	1 975 286	1 949 609	2 810 579	2 774 044
Other equipment and fixtures	1 162 152	1 168 920	1 653 593	1 663 223
Accumulated depreciation	(2 561 964)	(2 280 272)	(3 645 346)	(3 244 535)
	575 474	**838 257**	**818 826**	**1 192 732**

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

Note 4 Accounts payable

	31.12.2009 LVL	31.12.2008 LVL	31.12.2009 EUR	31.12.2008 EUR
Accounts payable	**953 108**	**534 809**	**1 356 152**	**760 966**

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

***Note 5* Salary-related accrued expenses**

	31.12.2009 LVL	31.12.2008 LVL	31.12.2009 EUR	31.12.2008 EUR
Salary-related accrued expenses	**146 307**	**101 211**	**208 176**	**144 011**

Salary-related accrued expenses were higher than the year before as salaries for December 2009 were paid at the beginning of January, but last year it was done at the end of December 2008.

***Note 6* Retained earnings**

	31.12.2009 LVL	31.12.2008 LVL	31.12.2009 EUR	31.12.2008 EUR
Retained earnings	**993 307**	**2 951 087**	**1 413 349**	**4 199 019**

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 7* 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 6 month of the financial year 2009/10 and financial year 2008/09.

	CFQ		CFM		Other		Total	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
	Ls	Ls	Ls	Ls	Ls	Ls	Ls	Ls
Segment assets	**1 347 404**	**1 575 238**	**2 976 837**	**3 393 271**	**490 923**	**539 642**	**4 815 164**	**5 508 151**
Undivided assets							**2 239 667**	**2 604 566**
Total assets							**7 054 831**	**8 112 717**
Segment liabilities	**350 273**	**195 595**	**806 991**	**369 247**	**195 761**	**94 058**	**1 353 025**	**658 900**
Undivided liabilities							**99 137**	**72 365**
Total liabilities							**1 452 162**	**731 265**
Net sales	1 018 135	1 303 879	2 131 261	2 702 847	567 570	660 526	3 716 966	4 667 252
Segment results	**270 905**	**244 665**	**135 118**	**390 294**	**152 711**	**200 748**	**558 734**	**835 707**
Undivided expenses							-1 050 843	-1 014 071
Profit from operations							**-492 109**	**-178 364**
Other income							73 992	1 957
Financial expenses, net							53 095	68 950
Loss on sale of long term investment							0	-436 562
Profit before taxes							**-365 022**	**-544 019**
Net profit							**-365 022**	**-544 019**
Other information								
equipment and intangible asets	0	23 955	5 852	20 111	0	0	5 852	44 066
Undivided additions							10 979	19 997
Total additions of property plant and equipment and intangible asets							**16 831**	**64 063**
Depreciation and amortization	7 947	27 346	108 866	118 482	10	1 069	116 823	146 897
Undivided depreciation							58 241	98 153
Total depreciation and amortization							**175 064**	**245 050**

	CFQ		CFM		Other		Total	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Segment assets	1 917 183	2 241 362	4 235 657	4 828 190	698 519	767 841	6 851 361	7 837 393
Undivided assets							3 186 759	3 705 964
Total assets							**10 038 121**	**11 543 356**
Segment liabilities	498 394	278 307	1 148 245	525 391	278 543	133 832	1 925 181	937 530
Undivided liabilities							141 061	102 966
Total liabilities							**2 066 242**	**1 040 496**
Net sales	1 448 676	1 855 253	3 032 511	3 845 805	807 579	939 844	5 288 766	6 640 901
Segment results	**385 463**	**348 127**	**192 256**	**555 338**	**217 288**	**285 640**	**795 007**	**1 189 104**
Undivided expenses							-1 495 215	-1 442 893
Profit from operations							**-700 208**	**-253 789**
Other income							105 281	2 785
Financial expenses, net							75 547	98 107
Loss on sale of long-term investment							0	-621 172
Profit before taxes							**-519 380**	**-774 069**
Net profit							**-519 380**	**-774 069**
Other information								
Additions of property plant and equipment and intangible asets	0	34 085	8 327	28 615	0	0	8 327	62 700
Undivided additions							15 622	28 453
Total additions of property plant and equipment and intangible asets							**23 949**	**91 153**
Depreciation and amortization	11 308	38 910	154 902	168 585	14	1 521	166 224	209 016
Undivided depreciation							82 868	139 659
Total depreciation and amortization							**249 092**	**348 675**

b) This note provides information about division of the Company's turnover and assets by geographical regions (customer location) for 6 month of the financial year 2009/10 and financial year 2008/09.

	Net sales		Assets		Net sales		Assets	
	2009/10 LVL	2008/09 LVL	31.12.2009 LVL	31.12.2008 LVL	2009/10 EUR	2008/09 EUR	31.12.2009 EUR	31.12.2008 EUR
Asia	724 165	139 669	486 545	21 204	1 030 394	198 731	692 291	30 171
America	640 041	489 325	267 087	180 139	910 696	696 247	380 031	256 315
Africa	1 218 777	701 320	676 524	246 383	1 734 164	997 888	962 607	350 571
Europe	744 941	1 327 099	283 462	443 165	1 059 956	1 888 293	403 330	630 567
CIS	233 200	1 538 097	161 390	570 659	331 813	2 188 515	229 637	811 975
Middle East	155 843	471 742	4 074	306 041	221 743	671 228	5 797	435 458
	3 716 966	**4 667 252**	**1 879 082**	**1 767 590**	**5 288 766**	**6 640 901**	**2 673 693**	**2 515 054**
Unallocatted assets	-	-	5 175 749	6 345 127	-	-	7 364 428	9 028 303
	3 716 966	**4 667 252**	**7 054 831**	**8 112 717**	**5 288 766**	**6 640 901**	**10 038 121**	**11 543 357**

Note 8 Bad receivables

	31.12.2009 LVL	31.12.2008 LVL	31.12.2009 EUR	31.12.2008 EUR
Bad receivables	**155 832**	**(102 290)**	**221 729**	**(145 546)**

245 thousand LVL (348 thousand EUR) were written off considering debt from one Russian client as being non-recoverable.

Note 9 Operating expenses

	31.12.2009 LVL	31.12.2008 LVL	31.12.2009 EUR	31.12.2008 EUR
Operating expenses	**(294 746)**	**(404 623)**	**(419 386)**	**(575 727)**

Expenses for outsourced services form the largest part of decrease of operating services.

Note 10 Salaries, bonuses and social expenses

	31.12.2009 LVL	31.12.2008 LVL	31.12.2009 EUR	31.12.2008 EUR
Salaries, bonuses and social expenses	**(793 175)**	**(1 049 980)**	**(1 128 586)**	**(1 493 988)**

Salaries, bonuses and social expenses, in comparison with the 6 month period of the previous financial year decreased by 24% due to decreases in bonuses and salaries as a result of the reduced workload and lower headcount.

Note 11 Loss on sale of long term investment

	31.12.2009 LVL	31.12.2008 LVL	31.12.2009 EUR	31.12.2008 EUR
Loss on sale of long term investment	**-**	**(436 562)**	**-**	**(621 172)**

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).