SAF Tehnika
Interim Report
for 6 months of financial year 2010/11

(July 1, 2010 – December 31, 2010)

TABLE OF CONTENTS

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 competes with such multinational corporations as Nokia Siemens Networks, Ericsson, Alcatel and NEC.

SAF Tehnika Jsc. 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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Share and Shareholdings

SAF Tehnika shareholders (over 5%) as of 12.10.2010

Name	Ownership interest (%)
Didzis Liepkalns	17.05%
Maleks S, SIA	10.77%
Andrejs Grišans	10.03%
Skandinavia Enskilda Banken	9.98%
Normunds Bergs	9.74%
Juris Ziema	8.71%
Vents Lācars	6.08%
Swedbank AS Clients account	5.01%

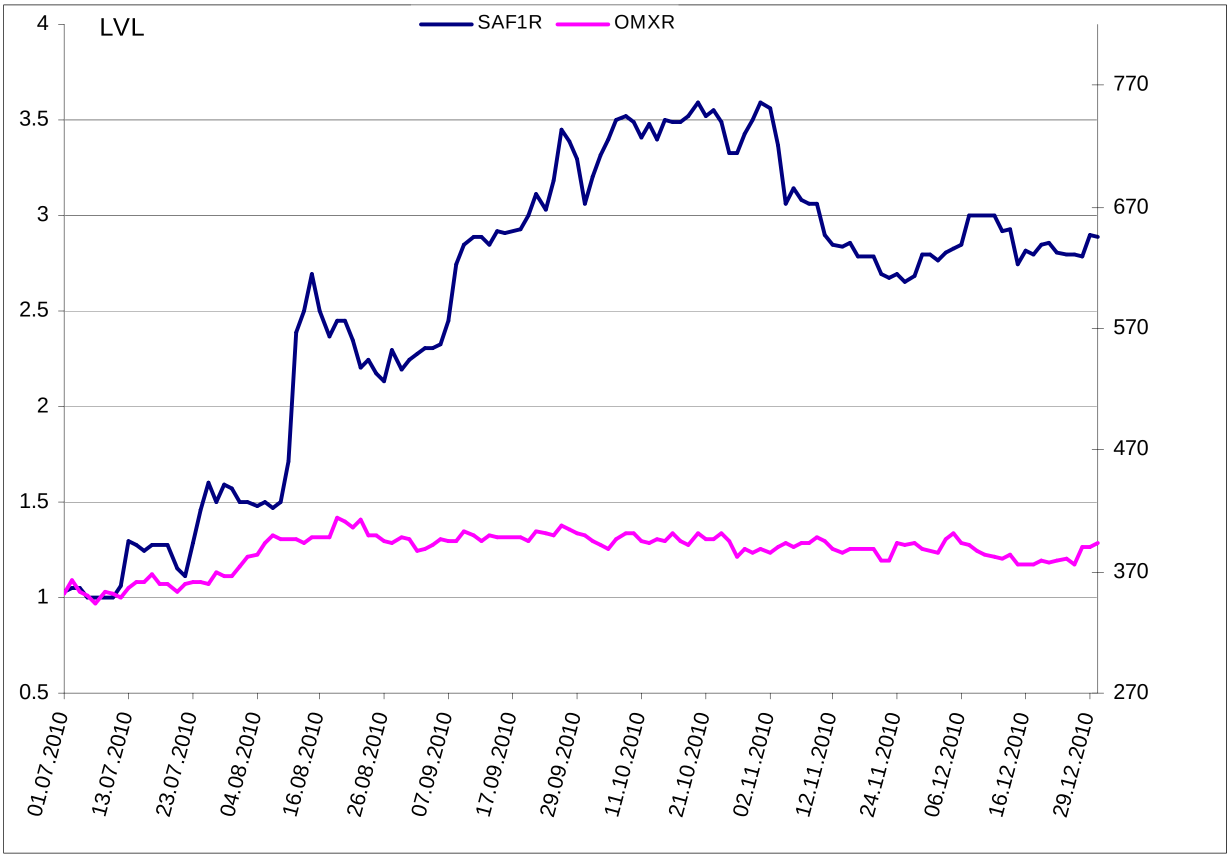
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (**SAF1R**)

Period: July 1, 2010 – December 31, 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	owns 0.09 % of shares
Juris Imaks	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 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 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

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.

Juris Imaks,

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 Jsc (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, 2010 and the results of its operations and cash flows for the 6 month period ended December 31, 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 Financial Statements for the year ended on June 30, 2010. 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 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

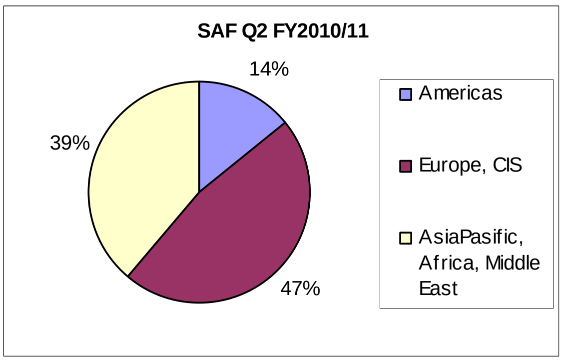
Management Report

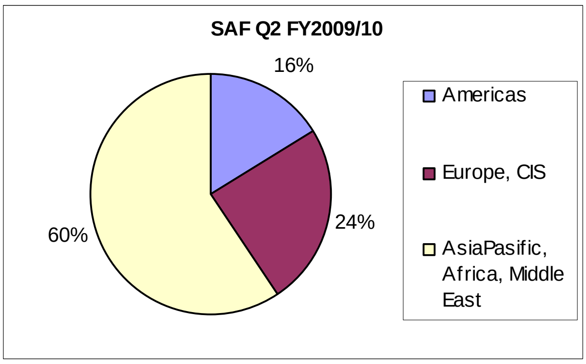
The Company's non-audited net sales for the second quarter of financial year 2010/11 were 2 970 603 LVL (4 226 787 EUR) representing a 44% increase compared with the second quarter of the previous financial year.

The Company's products were sold in 55 countries during the reporting quarter. Sales in Europe and the CIS region represented the largest part of the 2nd quarter's turnover (47%). Sales there rose by 177% or 0.89 million LVL (1.27 million EUR) compared with the same quarter of last financial year due to re-commenced sales to the CIS. Sales in Asia Pacific, Africa and Middle East represented 39% of quarterly sales and were 6% less than in the 2nd quarter of the previous financial year. The decrease in demand from Asian customers was the main reason for the comparative decrease in this region. Although sales in the Americas formed the smallest part (14%) of total sales, the revenues were 27% greater than in the same quarter of the previous corresponding period. Due to increasing demand in the Americas it is planned to expand the Partner network and attract more internal resources for support in this region in 2011. The Company continues to expand its installation and commissioning services in Africa, the Middle East and the Americas in order to meet ever increasing demand for turnkey solutions for its products.

In order to maintain a presence and international recognition for its products worldwide, recruit new partners and customers, the Company successfully participated in several international exhibitions – Broadband World Forum 2010 (Paris, France), Andicom 2010 (Colombia), ISC solutions 2010 (New York, US), Africa Com 2010 (Cape Town, South Africa).

Chart 1. Quarter 2 revenue breakdown comparative charts:

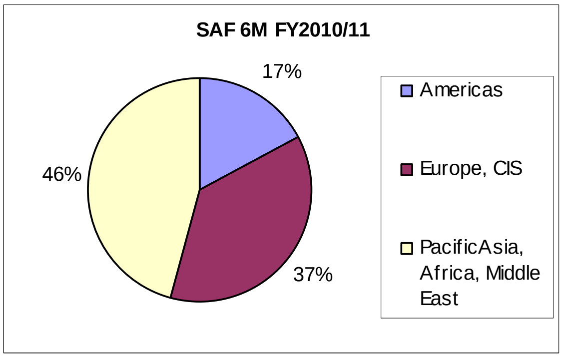


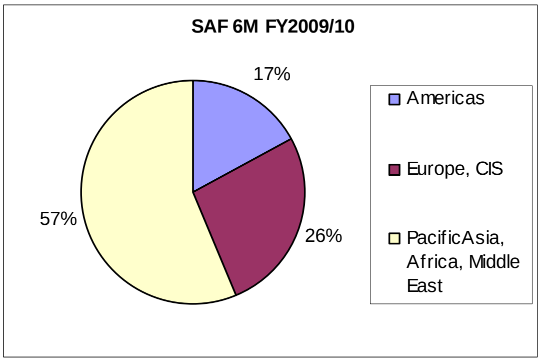


The Company's non-audited net sales for 6 months of the financial year 2010/11 were 6 129 129 LVL (8 720 965 EUR) representing a year-on-year increase of 65%. Sales growth was recorded in all regions. The largest growth was in the CIS and Europe where sales increased more than two times amounting to 2.27 million LVL (3.23 million EUR), but sales in Americas almost doubled reaching a total of 1.06 million LVL (1.5 million EUR). The largest part of sales

(46%) in 6 months was represented by sales from the Asia Pacific, Africa and Middle East countries (2.81 million LVL; 3.99 million EUR).

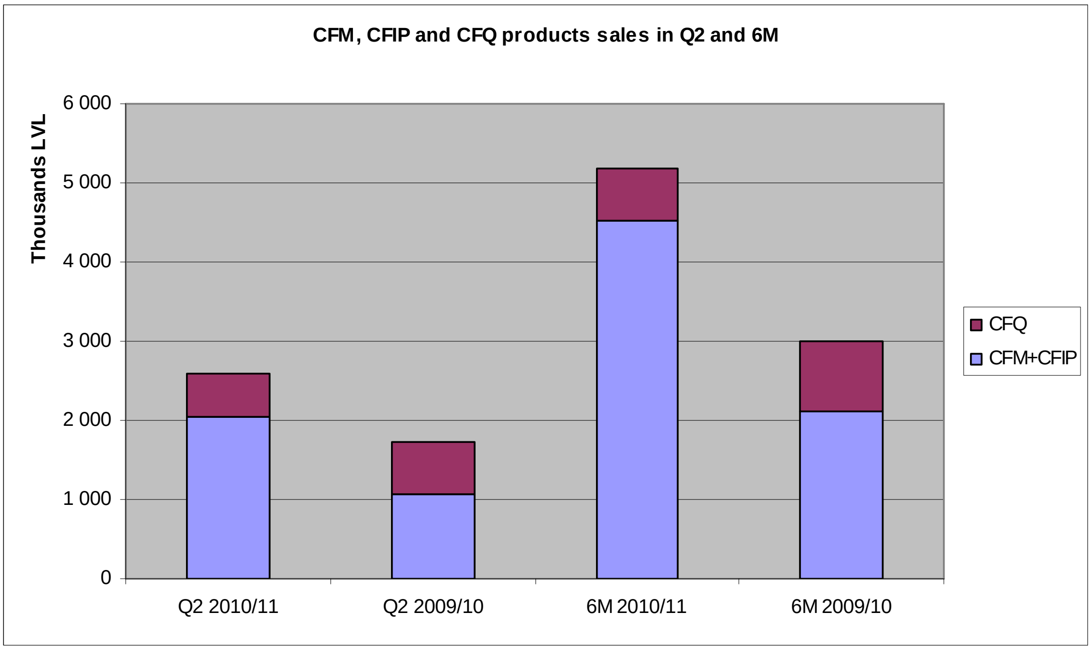
Chart 2. 6 months revenue breakdown comparative charts:





Ever-increasing demand was seen for CFIP products, which successfully replace CFM products. CFM and CFIP products formed 74% of 6 month sales. The number of CFQ products sold in the 2nd quarter was half of that for the second quarter of FY 2009/10 and it is planned that newly developed CFIP products with their technical parameters will replace orders for CFQ in the foreseen future.

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



The net profit of SAF Tehnika for the second quarter of financial year 2010/11 was 293 827 LVL (418 079 EUR).

The net profit of SAF Tehnika for the 6 months of financial year 2010/11 was 570 427 LVL (811 644 EUR). The result was impacted by recording an allowance for doubtful debtors amounting to 215 thousand LVL (305 thousand EUR). The main part of the allowance forms debts from one client who delayed payment (although informing about their liquidity problems).

Market overview

2010 ended with the beginning of LTE (Long Term Evolution) technology implementation in telecommunication networks and growing concerns about WiMax as the widely accepted and profitable 4G solution. It could be expected that 2011 will be a test year for LTE as a future technology for telecoms to see if it can achieve worldwide acceptance. As a consequence there will be further delays for telecom development. The second obstacle towards a slowdown in telecom developments are profit sharing deals between mobile operators and large scale equipment vendors. As a result equipment vendors will be not be happy to start network updates before previous deployment expenses are paid back by network customers.

In the meantime data networks are even hungrier for data bandwidth. Here the market is driven by new content data operators for individual users via Google, Facebook, Twitter for commercials – webinars, IP telephony, cloud computing and others. We expect that there is significant space for new mobile data operators who will satisfy the needs of the rapidly growing segment of data hungry users now equipped with mobile laptops, smart phones and iPad types of solutions. The technological platform for newcomers is not unambiguously predictable. It will have regional differences based on local regulatory restrictions and/or cultural differences.

The conclusion - there will be changes in the wireless mobile market as soon as existing players are not coping with mobile data customer demands.

Guidance

In such a changing environment we see SAF Tehnika has several advantages ahead of large-scale dominant competitors. As a middle-sized company it can rapidly change the product specification based on new customer demands. As a focused manufacturer it could widely cooperate with other specialized manufacturers to be the first in the market with new solutions without creating competitive problems, while using its existing extensive partner basis to be more cost effective in accessing new customers worldwide.

With its existing product line-up SAF Tehnika is able to cover the majority of products required by the market supporting 4G requirements as well as data broadband specific.

To boost our competitiveness, the Company will continue to focus on efficiency and quality in all general operations reaching a competitive edge for next level products as well as extending its product niche in the wireless product spectrum.

The Company's net cash flow for the 6 month period of the financial year was a negative -35 840 LVL (-50 996 EUR). The company has deposited 949 355 LVL (1 350 810 EUR) (deposit period more than 90 days), recorded as a short-term investment in the balance sheet.

Besides, the Company paid dividends of LVL 0.23 (twenty three santims) per share or, 683 141 LVL (972 022 EUR) in November 2010. The Company carried a net cash balance (excluding interest bearing liabilities) of 2 373 449 LVL (3 377 112 EUR) as at December 31, 2010.

On December 31, 2010 the Company employed 159 people. (134 people on December 31, 2009).

Balance sheet
As of December 31, 2010

	Note	31.12.2010	31.12.2009	31.12.2010	31.12.2009
CURRENT ASSETS		**LVL**	**LVL**	**EUR**	**EUR**
Cash and bank		**2 377 847**	**2 147 947**	**3 383 371**	**3 056 253**
Short-term investments	**1**	**949 355**	**0**	**1 350 810**	**0**
Customer receivables	**2**				
Accounts receivable		2 209 830	2 125 368	3 144 305	3 024 126
Allowance for uncollectible receivables		-424 135	-246 286	-603 490	-350 433
Total		**1 785 695**	**1 879 082**	**2 540 815**	**2 673 693**
Other receivables					
Other current receivables		479	6 034	682	8 586
Short-term loans given		0	738	0	1 050
Short-term loans	**3**	22 772	0	32 402	0
Total		**23 251**	**6 772**	**33 083**	**9 636**
Prepaid expenses					
Prepaid taxes		27 451	49 315	39 059	70 169
Other prepaid expenses		50 262	48 491	71 516	68 996
Total		**77 713**	**97 806**	**110 576**	**139 165**
Inventories	**4**				
Raw materials		1 069 822	381 701	1 522 220	543 112
Work-in-progress		1 065 393	1 167 081	1 515 918	1 660 607
Finished goods		941 641	671 555	1 339 834	955 537
Prepayments to suppliers		35 732	24 927	50 842	35 468
Total		**3 112 588**	**2 245 264**	**4 428 814**	**3 194 722**
TOTAL CURRENT ASSETS		**8 326 449**	**6 376 871**	**11 847 470**	**9 073 470**
NON-CURRENT ASSETS					
Long-term financial assets					
Shares in companies	**5**	500	0	711	0
Long-term receivables	**2**	239 388	0	340 618	0
Deffered income tax		57 179	51 025	81 358	72 602
Long-term loans	**3**	36 056	0	51 303	0
Total		**333 123**	**51 025**	**473 991**	**72 602**
NON-CURRENT physical assets	**6**				
Plant and equipment		2 050 097	1 975 286	2 917 025	2 810 579
Other equipment and fixtures		1 140 676	1 162 152	1 623 036	1 653 593
Accumulated depreciation		-2 699 048	-2 561 964	-3 840 399	-3 645 346
Total		**491 725**	**575 474**	**699 662**	**818 826**
Intagible assets					
Purchased licenses, trademarks etc.		52 720	51 461	75 014	73 222
Prepayments for intangible assets		4 157	0	5 915	0
Total		**56 877**	**51 461**	**80 929**	**73 222**
TOTAL NON-CURRENT ASSETS		**881 725**	**677 960**	**1 254 582**	**964 650**
TOTAL ASSETS		**9 208 174**	**7 054 831**	**13 102 051**	**10 038 121**

LIABILITIES AND OWNERS' EQUITY	Note	31.12.2010	31.12.2009	31.12.2010	31.12.2009
CURRENT LIABILITIES		**LVL**	**LVL**	**EUR**	**EUR**
Debt obligations					
Short-term loans from financial institutons		4 398	1 919	6 259	2 730
Customer prepayments for goods and services		138 202	282 141	196 644	401 450
Accounts payable	**7**	1 143 403	953 108	1 626 916	1 356 152
Tax liabilities	**8**	205 637	46 393	292 595	66 011
Salary-related accrued expenses	**9**	349 526	146 307	497 331	208 176
Provisions for guarantees		19 789	22 294	28 157	31 723
Prepaid revenue		4 768	0	6 785	0
TOTAL CURRENT LIABILITIES		**1 865 723**	**1 452 162**	**2 654 688**	**2 066 242**
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		1 797 640	993 307	2 557 811	1 413 349
Net profit for the financial year		570 427	-365 022	811 644	-519 380
TOTAL OWNERS' EQUITY		**7 342 451**	**5 602 669**	**10 447 366**	**7 971 879**
TOTAL LIABILITIES AND OWNERS' EQUITY		**9 208 174**	**7 054 831**	**13 102 051**	**10 038 121**

Income Statement for 6 month of the financial year 2010/11

	Note	31.12.2010	31.12.2009	31.12.2010	31.12.2009
		LVL	LVL	EUR	EUR
Net sales	10	6 129 129	3 716 966	8 720 965	5 288 766
Other operating income		8 899	69 054	12 662	98 255
Total income		**6 138 028**	**3 786 020**	**8 733 627**	**5 387 021**
Direct cost of goods sold or services rendered		-3 209 059	-2 729 031	-4 566 080	-3 883 061
Marketing, advertising and public relations expenses		-157 371	-111 073	-223 919	-158 043
Bad receivables	11	-220 802	155 832	-314 173	221 729
Operating expenses		-363 246	-294 746	-516 852	-419 386
Salaries and social expenses	12	-900 881	-745 712	-1 281 838	-1 061 053
Bonuses and social expenses	12	-329 409	-47 463	-468 707	-67 534
Depreciation expense		-100 361	-175 064	-142 801	-249 094
Other expenses		-114 323	-261 827	-162 667	-372 546
Operating expenses		**-5 395 452**	**-4 209 084**	**-7 677 037**	**-5 988 987**
EBIT		**742 576**	**-423 064**	**1 056 590**	**-601 966**
Financial income (except ForEx rate difference)		51 440	60 287	73 193	85 781
Financial costs (except ForEx rate difference)		0	-1 313	0	-1 868
Foreign exchange +gain/(loss)		-89 653	-932	-127 565	-1 326
Financial items		**-38 213**	**58 042**	**-54 372**	**82 586**
EBT		**704 363**	**-365 022**	**1 002 218**	**-519 380**
Corporate income tax		**-133 936**	**0**	**-190 574**	**0**
Net profit		**570 427**	**-365 022**	**811 644**	**-519 380**

Earnings per share
EPS 31.12.2010. = 0.19 LVL (0.27 EUR)
EPS 31.12.2009. = -0.12 LVL (-0.17 EUR)

Income Statement for Q2 of the financial year 2010/11

	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	LVL	LVL	EUR	EUR
Net sales	2 970 603	2 066 500	4 226 787	2 940 365
Other operating income	6 312	51 044	8 981	72 629
Total income	**2 976 915**	**2 117 544**	**4 235 768**	**3 012 994**
Direct cost of goods sold or services rendered	-1 683 955	-1 580 488	-2 396 052	-2 248 832
Marketing, advertising and public relations expenses	-95 440	-82 141	-135 799	-116 876
Bad receivables	27 747	185 673	39 480	264 189
Operating expenses	-190 544	-168 250	-271 120	-239 398
Salaries and social expenses	-485 489	-358 994	-690 789	-510 802
Bonuses and social expenses	-147 611	-32 397	-210 032	-46 097
Depreciation expense	-49 114	-82 857	-69 883	-117 895
Other expenses	-107 574	-250 134	-153 064	-355 909
Operating expenses	**-2 731 980**	**-2 369 588**	**-3 887 257**	**-3 371 620**
EBIT	**244 935**	**-252 044**	**348 511**	**-358 626**
Financial income (except ForEx rate difference)	42 186	46 347	60 025	65 946
Financial costs (except ForEx rate difference)	0	-684	0	-973
Foreign exchange +gain/(loss)	46 977	24 993	66 842	35 562
Financial items	**89 163**	**70 656**	**126 869**	**100 535**
EBT	**334 098**	**-181 388**	**475 380**	**-258 091**
Corporate income tax	**-40 271**	**0**	**-57 300**	**0**
Net profit	**293 827**	**-181 388**	**418 079**	**-258 091**

*Earnings per share
EPS 31.12.2010. = 0.10 LVL (0.14 EUR)
EPS 31.12.2009. = -0.06 LVL (-0.09 EUR)

Cash flow statement for 6 months of the financial year 2010/11

	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	LVL	LVL	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	**-103 483**	**414 896**	**-147 243**	**590 344**
Cash received from customers	5 821 266	3 632 501	8 282 916	5 168 583
Cash paid to suppliers and employees	-5 926 702	-3 266 462	-8 432 937	-4 647 757
Received tax	1 953	48 857	2 779	69 517
NET CASH USED IN INVESTING ACTIVITIES (of which)	**746 098**	**30 081**	**1 061 602**	**42 801**
Cash paid for other long-term investments (e.g. purchase of <50% shares)	-500	0	-711	0
Cash paid/received for short-term investments	710 534	0	1 010 999	0
Cash paid for purchasing non-current physical assets	-42 717	-34 791	-60 781	-49 503
Interest received	78 781	64 872	112 095	92 305
NET CASH USED IN FINANCING ACTIVITIES (of which)	**-678 455**	**-643 848**	**-965 354**	**-916 113**
Repayment of short-term loans	-1 783	23	-2 537	33
Repayment of long-term loans	9 490	0	13 503	0
Cash paid of long-term loans	-68 317	0	-97 206	0
Paid interest	0	-1 340	0	-1 907
Cash received from EU fonds	65 296	40 610	92 908	57 783
Dividends paid	-683 141	-683 141	-972 022	-972 022
TOTAL CASH FLOW:	**-35 840**	**-198 871**	**-50 996**	**-282 968**
Cash and cash equivalents as at the beginning of period	2 413 687	2 346 818	3 434 367	3 339 221
Cash and cash equivalents as at the end of period	2 377 847	2 147 947	3 383 371	3 056 253
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	**-35 840**	**-198 871**	**-50 996**	**-282 968**

Statement of changes in consolidated equity for the 6 months period ended December 31 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**	-	**1 676 448**	**6 650 832**
Dividend relating to 2008/2009	-	-	-	**-683 141**	**-683 141**
Profit for the year	-	-	-	1 487 474	**1 487 474**
As at 30 June 2009	**2 970 180**	**2 004 204**	-	**2 480 781**	**7 455 165**
Dividend relating to 2009/2010	-	-	-	**-683 141**	**-683 141**
Profit for the period	-	-	-	570 427	**570 427**
As at 31 December 2010	**2 970 180**	**2 004 204**	-	**2 368 067**	**7 342 451**

Statement of changes in consolidated equity for the 6 months period ended December 31 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**	-	**2 385 371**	**9 463 281**
Dividend relating to 2008/2009	-	-	-	**-972 022**	**-972 022**
Profit for the year	-	-	-	2 116 484	**2 116 484**
As at 30 June 2009	**4 226 185**	**2 851 725**	-	**3 529 832**	**10 607 743**
Dividend relating to 2009/2010	-	-	-	**-972 022**	**-972 022**
Profit for the period	-	-	-	811 644	**811 644**
As at 31 December 2010	**4 226 185**	**2 851 725**	-	**3 369 454**	**10 447 365**

Notes for interim report

Note 1 Short-term investments

	31.12.2010 LVL	31.12.2009 LVL	31.12.2010 EUR	31.12.2009 EUR
Short-term investments	**949 355**	**-**	**1 350 810**	**-**

Short-term investments consist of deposits with a maturity period of more than 90 days commencing from 31/12/2010.

Note 2 Customer receivables

	31.12.2010 LVL	31.12.2009 LVL	31.12.2010 EUR	31.12.2009 EUR
Long-term receivables	**239 388**	**-**	**340 618**	**-**
Accounts receivable	2 209 830	2 125 368	3 144 305	3 024 126
Provisions for bad and doubtful accounts receivable	(424 135)	(246 286)	(603 490)	(350 433)
Total accounts receivable	**1 785 695**	**1 879 082**	**2 540 815**	**2 673 693**
Total receivables	**2 025 083**	**1 879 082**	**2 881 433**	**2 673 693**

Total receivables were 8% larger compared with the previous year reflecting increasing sales. Accruals for doubtful debtors were increased by 215 thousand LVL (305 thousand EUR). The main part represents one client who delayed payment after informing about their liquidity problems. Long term receivables include those whose due date is more than 360 days from the balance date. Part of this particular debt is secured by a State export guarantee.

Note 3 Loans

	31.12.2010 LVL	31.12.2009 LVL	31.12.2010 EUR	31.12.2009 EUR
Short-term loans	**22 772**	**-**	**32 402**	**-**
Long-term loans	**36 056**	**-**	**51 303**	**-**
	58 828	**-**	**83 705**	**-**

In order to facilitate the Company's product sales, encourage clients to buy the Company's products and at the same time following tender requirements, financing was assigned for a Belorussian client. Up to now all payments have been made according to schedule.

Note 4 Inventories

	31.12.2010 LVL	31.12.2009 LVL	31.12.2010 EUR	31.12.2009 EUR
Raw materials	1 282 932	632 517	1 825 448	899 991
Allowance for slow-moving items	(213 110)	(250 816)	(303 228)	(356 879)
Work-in- progress	1 065 393	1 167 081	1 515 918	1 660 607
Finished goods	941 641	671 555	1 339 834	955 537
Prepayments to suppliers	35 732	24 927	50 842	35 468
	3 112 588	**2 245 264**	**4 428 814**	**3 194 722**

Inventories in comparison with December 31 of the previous financial year 2009/10 increased by 39%. More raw materials were purchased in order to ensure current production volumes and delivery terms.

***Note 5* Shares in Companies**

	31.12.2010 LVL	31.12.2009 LVL	31.12.2010 EUR	31.12.2009 EUR
Shares in companies	**500**	**-**	**711**	**-**

With the aim to attract EU funds for research and development within the sphere of electronics and electrical engineering, the Company, together with other members of the Latvian Electrical Engineering and electronic Industry Association (LETERA), co-founded a limited liability company "LEO kompetences centrs" (LEO) investing 500 LVL (711 EUR) in its equity capital and becoming the owner of 10% of its share capital.

***Note 6* Non-current physical assets**

	31.12.2010 LVL	31.12.2009 LVL	31.12.2010 EUR	31.12.2009 EUR
Plant and equipment	2 050 097	1 975 286	2 917 025	2 810 579
Other equipment and fixtures	1 140 676	1 162 152	1 623 036	1 653 593
Accumulated depreciation	(2 699 048)	(2 561 964)	(3 840 399)	(3 645 346)
	491 725	**575 474**	**699 662**	**818 826**

Decrease of the net book value of non current physical assets, in comparison with the year before is mainly due to accumulated depreciation. The company has started replacement of its current IT infrastructure and made investments in order to create new working places for production and testing purposes.

***Note 7* Accounts payable**

	31.12.2010 LVL	31.12.2009 LVL	31.12.2010 EUR	31.12.2009 EUR
Accounts payable	**1 143 403**	**953 108**	**1 626 916**	**1 356 152**

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

***Note 8* Tax liabilities**

	31.12.2010 LVL	31.12.2009 LVL	31.12.2010 EUR	31.12.2009 EUR
Tax liabilities	**205 637**	**46 393**	**292 595**	**66 011**

As the Company works with a net profit, accruals for corporate Income Tax payment have been calculated and recorded.

***Note 9* Salary-related accrued expenses**

	31.12.2010 LVL	31.12.2009 LVL	31.12.2010 EUR	31.12.2009 EUR
Salary-related accrued expenses	**349 526**	**146 307**	**497 331**	**208 176**

Salary–related accrued expenses increased mainly because of bonuses accrued due to good financial results and increased headcount.

***Note 10* Segment information**

a) The Company's operations may be divided into two major structural units by product lines – CFM (Hybrid/ PDH radio) and CF IP (Hybrid/ super PDH system) as the first structural unit and CFQ (SDH) as the second unit. These structural units are used as a basis for providing information about the primary segments of the Company, i.e. business segments. Production, as well as research and development are organised and managed for each structural units (CFM, CFIP and CFQ) separately.

CFM microwave radio product line has been the main type of radio SAF has been supplying to the market over many years, yet it is still demanded and popular as ever. Such medium capacity, simple yet extremely reliable and feature rich radio forms the basis of many new deployments in the areas of rapid development of telecom networks.

CFIP - a new and growing product line is represented by 3 notable models,

- a split mount Phoenix hybrid radio system with Gigabit Ethernet + 20 E1 interfaces;
- Lumina high capacity Full Outdoor all-in-one radio with Gigabit Ethernet traffic interface;
- CFIP-108 entry level radio - perfect for upgrade of E1 networks into packet data networks.

All CFIP radios are offered in most widely used frequency bands from 6 to 38 GHz, thus enabling the use of CFIP radios all across the globe,

Phoenix radio represents the type of microwave radio which is taking the commanding role on the market at present, Full Outdoor units of Lumina and 108 modifications are of growing and developing radio type 'all-in-one' which has biggest potential as part of future data/packet networks.

SAF Tehnika was one of the first companies offering Full Outdoor radios from 2003, thus is well positioned to use the past experience for development of next generation product.

Even though mentioned CFIP products are set to carry SAF Tehnika's fortunes into the future, SAF is still offering a popular CFQ radio, still widely used due to an ability to reconfigure the terminal to provide widest range of interfaces in any SAF system.

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 2010/11 and financial year 2009/10.

	CFQ		CFM; CFIP		Other		Total	
	2010/11 LVL	2009/10 LVL	2010/11 LVL	2009/10 LVL	2010/11 LVL	2009/10 LVL	2010/11 LVL	2009/10 LVL
Segment assets	**1 556 516**	**1 347 404**	**3 554 308**	**2 976 837**	**633 436**	**490 923**	**5 744 260**	**4 815 164**
Undivided assets							**3 463 914**	**2 239 667**
Total assets							**9 208 174**	**7 054 831**
Segment liabilities	**268 267**	**350 273**	**942 131**	**806 991**	**229 882**	**195 761**	**1 440 280**	**1 353 025**
Undivided liabilities							**425 443**	**99 137**
Total liabilities							**1 865 723**	**1 452 162**
Net sales	744 343	1 018 135	4 528 691	2 131 261	856 095	567 570	6 129 129	3 716 966
Segment results	**128 124**	**270 905**	**2 063 795**	**135 118**	**336 448**	**152 711**	**2 528 367**	**558 734**
Undivided expenses							-1 794 710	-1 050 843
Profit from operations							**733 657**	**-492 109**
Other income							8 911	73 992
Financial expenses, net							-38 205	53 095
Profit before taxes							**704 363**	**-365 022**
Corporate income tax							-133 936	0
Net profit							**570 427**	**-365 022**
Other information								
intangible asets	1 257	0	17 635	5 852	83	0	18 975	5 852
Undivided additions							22 988	10 979
Total additions of property plant and equipment and intangible asets							**41 963**	**16 831**
Depreciation and amortization	5 267	7 947	51 632	108 866	10	10	56 909	116 823
Undivided depreciation							43 452	58 241
Total depreciation and amortization							**100 361**	**175 064**

	CFQ		CFM; CFIP		Other		Total	
	2010/11 EUR	2009/10 EUR	2010/11 EUR	2009/10 EUR	2010/11 EUR	2009/10 EUR	2010/11 EUR	2009/10 EUR
Segment assets	2 214 723	1 917 183	5 057 325	4 235 657	901 297	698 519	8 173 344	6 851 361
Undivided assets							4 928 708	3 186 759
Total assets							**13 102 051**	**10 038 121**
Segment liabilities	381 710	498 394	1 340 532	1 148 245	327 093	278 543	2 049 334	1 925 181
Undivided liabilities							605 350	141 061
Total liabilities							**2 654 684**	**2 066 242**
Net sales	1 059 105	1 448 676	6 443 747	3 032 511	1 218 113	807 579	8 720 965	5 288 766
Segment results	**182 304**	**385 463**	**2 936 516**	**192 256**	**478 722**	**217 288**	**3 597 542**	**795 007**
Undivided expenses							-2 553 641	-1 495 215
Profit from operations							**1 043 900**	**-700 208**
Other income							12 679	105 281
Financial expenses, net							-54 361	75 547
Profit before taxes							**1 002 218**	**-519 380**
Corporate income tax							-190 574	0
Net profit							**811 644**	**-519 380**
Other information								
Additions of property plant and equipment and intangible asets	1 789	0	25 092	8 327	118	0	26 999	8 327
Undivided additions							32 709	15 622
Total additions of property plant and equipment and intangible asets							**59 708**	**23 949**
Depreciation and amortization	7 494	11 308	73 466	154 902	14	14	80 974	166 224
Undivided depreciation							61 826	82 868
Total depreciation and amortization							**142 800**	**249 092**

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 2010/11 and financial year 2009/10.

	Net sales		Assets		Net sales		Assets	
	2010/11 LVL	2009/10 LVL	31.12.2010 LVL	31.12.2009 LVL	2010/11 EUR	2009/10 EUR	31.12.2010 EUR	31.12.2009 EUR
America	1 055 065	640 041	218 557	267 087	1 501 223	910 696	310 978	380 031
Europe, CIS	2 268 875	978 141	584 107	444 852	3 228 318	1 391 770	831 109	632 968
Asia, Africa, Middle East	2 805 189	2 098 784	1 222 419	1 167 143	3 991 424	2 986 300	1 739 346	1 660 696
	6 129 129	**3 716 966**	**2 025 083**	**1 879 082**	**8 720 965**	**5 288 766**	**2 881 433**	**2 673 693**
Unallocatted assets	-	-	7 183 091	5 175 749	-	-	10 220 618	7 364 428
	6 129 129	**3 716 966**	**9 208 174**	**7 054 831**	**8 720 965**	**5 288 766**	**13 102 051**	**10 038 121**

Note 11 Bad receivables

	31.12.2010 LVL	31.12.2009 LVL	31.12.2010 EUR	31.12.2009 EUR
Bad receivables	**(220 802)**	**155 832**	**(314 173)**	**221 729**

The Company records accruals based on its accrual policy for bad and doubtful debtors. As information about a client's liquidity problems were received, the company has posted additional accruals for doubtful debts amounting to 215 thousand LVL (305 thousand EUR).

Note 12 **Salaries, bonuses and social expenses**

	31.12.2010 LVL	31.12.2009 LVL	31.12.2010 EUR	31.12.2009 EUR
Salaries and social expenses	(900 881)	(745 712)	(1 281 838)	(1 061 052)
Bonuses and social expenses	(329 409)	(47 463)	(468 707)	(67 534)
	(1 230 290)	**(793 175)**	**(1 750 545)**	**(1 128 586)**

Salaries and social expenses, in comparison with the 6 month period of the previous financial year increased by 20% due to increased headcount and changes in fixed salaries for Research and Development employees. It has to be taken into account that due to a sales decrease in Q2 FY 2009/10 workload for production was reduced by 20% on average and salaries were decreased accordingly.

Bonuses and social expenses were accrued based on good financial performance.