SAF Tehnika
Interim Report
for 3 months of financial year 2011/12
(July 1, 2011 – September 30, 2011)

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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 covering wide frequency range and providing equipment for both licensed and un-licensed frequencies.

Know-how in modern wireless data transmission technologies, creativity in solutions, accuracy in design, precision in production and logistics make SAF Tehnika a unique designer and manufacturer of point-to-point microwave data transmission equipment. Located in Northern Europe, SAF Tehnika managed to acquire and consolidate valuable locally available intellectual resources of the microelectronics industry and spread its presence to 100 countries, covering all relevant market segments worldwide within just a decade.

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 02.11.2011

Name	Ownership interest (%)
Didzis Liepkalns	17.05%
Andrejs Grišans	10.03%
Normunds Bergs	9.74%
SEB Luxemburg clients	9.68%
Juris Ziema	8.71%
Vents Lācars	6.08%

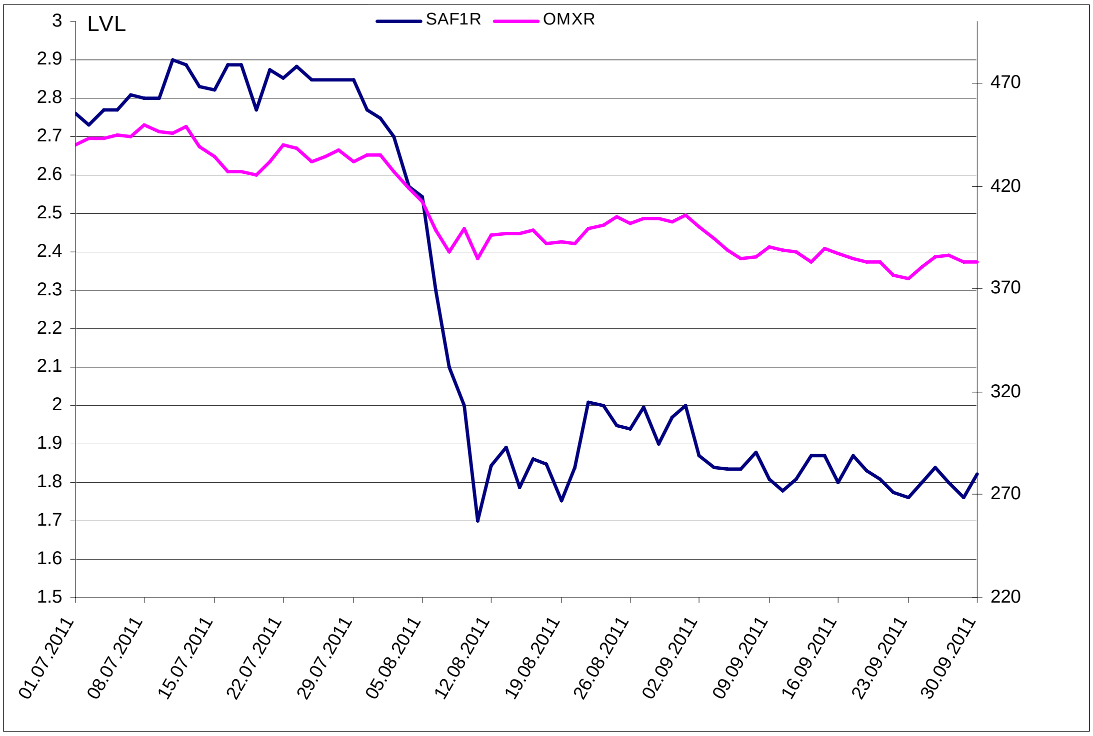
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (**SAF1R**)

Period: July 1, 2011 – September 30, 2011

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 0.73% of shares
Aira Loite	Member	owns 0.24% 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 0.94 % of shares
Juris Imaks	Member	-

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 September 30, 2011 and the results of its operations and cash flows for the 3 month period ended September 30, 2011.

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, 2011. 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

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Aira Loite

CFO, Member of the Management Board

Management Report

The Company's non-audited net sales for the first quarter of financial year 2011/12 were 2.89 million LVL (4.12 million EUR), representing 92% of the first quarter of the previous financial year. Compared to previous reporting quarter (Q4 FY 2010/11) which was the weakest in previous financial year this quarter shows recovering growth of 45% percent.

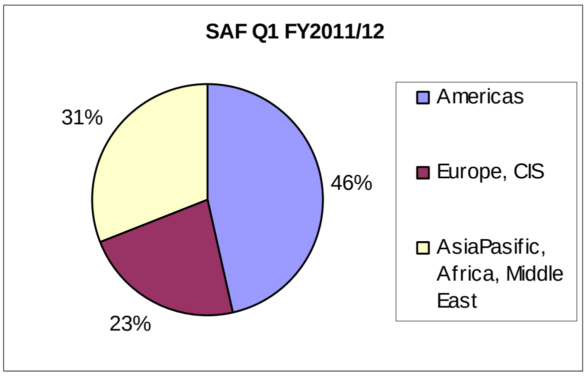
Sales in Americas slightly more than doubled amounting to 1.33 million LVL (1.9 million EUR) compared to previous financial year's the first quarter being the largest part of the turnover. Sales in Europe and CIS region decreased by 25% comparing with the 1st quarter of the previous financial year and formed 23% of the quarterly sales. The largest fall in the quarterly sales comparing year-to-year was from sales in Asia Pacific, Middle East and Africa region where sales dropped by 46% or by 753 thousand LVL (1.07 million EUR). Company is looking for the most appropriate sales strategies for particular countries in order to regain previous sales levels.

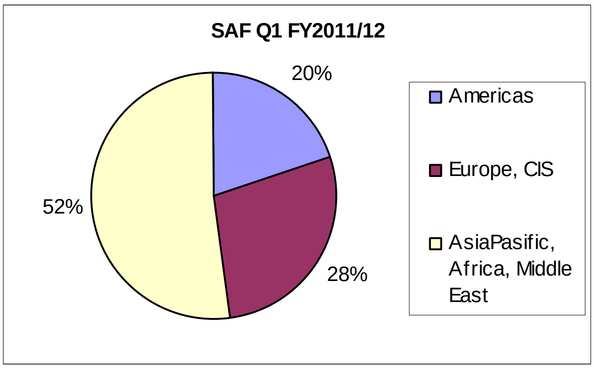
However our customers highly value quality of equipment produced in European Union considering this as one of the key advantages over competitors. Company continues to develop its partner network in US and the recently signed agreement with Crossover Distribution.com Corporation – one of leading value-added distributor of wireless broadband technologies in North America, Canada - will strengthen Company's presence in region and increase its market share. As a major recent success of cooperation with Crossover the Manitoba (Canada) NetSet network project would be named where 200 SAF Tehnika microwave CFIP Lumina links were supplied finalizing deliveries in the reporting quarter (see SAF Tehnika press release 12.04.2011).

During reporting quarter SAF Tehnika participated in several exhibitions in North America and Africa both concerned strategic regions presenting its product offering, solutions, as well as meeting with current and potential customers. The exhibition "NigeriaCom 2011" (Lagos, Nigeria) gathered the most significant representatives and decision makers from telecommunication industry of Nigeria, country experiencing massive telecommunications industry growth. "Canadian Wireless Trade Show 2011" (Toronto, Canada) was the most significant event in North America where SAF Tehnika took part. It has to be acknowledged that after two years of extensive marketing and product promotion activities, as well as major input in sales channel development resulted in much better SAF brand recognition in the North American market.

The Company's products were sold in 56 countries during the reporting quarter.

Chart 1. Quarter 1 revenue breakdown comparative charts:





At present product portfolio of the Company consists of three product lines: *CFIP*, *CFM* and *FreeMile*. *CFQ* line, as it was reported previously, was phased out due to substantially decreased demand starting from summer 2011. Due to growing interest for fast and easy to install data transmission equipment in un-licensed frequencies the Company has developed products particularly for this segment marketed under product name *FreeMile*. Even though un-licensed frequency products sales weight in total sales was not significant (4%) comparing to previous financial year first quarter this particular product group shows 39% growth. Demand for the oldest product line *CFM* radios still remains stable with the trend to gradually diminish.

The net profit of SAF Tehnika for the first quarter of financial year 2011/12 was 477 thousand LVL (679 thousand EUR). The positive material impact on net result were from provision reduction for doubtful debtors as substantial part from old overdue debt was recovered and gains from foreign exchange rate changes as US dollar rate showed upward trend.

The Company's net cash flow for the 3 month period of the financial year was positive - 717 thousand LVL (1.02 million EUR). While the Company's cash generated from operations was negative -247 thousand LVL (-352 thousand EUR), the cash used in investing activities was positive 963 thousand LVL (1.37 million EUR) and free funds amounting to 1 million LVL (1.43 million EUR) were deposited in 2-6 month bank deposits. The Company carried a net cash balance (excluding interest bearing liabilities) of 2.82 million LVL (4.01 million EUR) as at September 30, 2011.

Market overview

The competition in the wireless backhaul equipment market remains fierce. Squeezed by price wars producers are forced to shorten supply chain and return to direct sales approach. Market consolidation in the telecommunication industry continues – both in customers' side and in producers' and solution providers' side. Clients prefer and even require from vendors turnkey solutions. The clients' decision to invest in telecommunication network development to large extent favors suppliers capable to offer longer term financing in some form. For example the Chinese vendors are keen users of government provided financing facilities.

The main discussion in the microwave industry continues about LTE implementation. While standard base and solutions offered by vendors are clearly maturing, the adoption of technology is somewhat held back by global economical uncertainties and small demand for LTE services by users of mobile devices. Nevertheless it is very clear the growing trend to replace TDM technology (SDH/PDH) by Carrier Ethernet technology will be used in backhaul network build-outs in most future deployments. SAF Tehnika is fully prepared for these market changes and already is providing solutions that meet customer requirements.

Guidance

The demand for wireless transmission equipment, which is SAF Tehnika's core product, is expected to be high over the coming years due to increasing usage of mobile devices worldwide. As the growing interest is noted for license-free 17 and 24 GHz frequency range, branded in SAF product portfolio as *FreeMile* equipment, the Company's plans significantly improve distribution mechanism to make these products more available to customers.

SAF Tehnika will proceed with research and development of next generation wireless data transmission devices in order to meet evolving customer demand on high capacity equipment with ever better network management system. The Company will continue to consider different options for strengthening local presence in target markets. A subsidiary in North America launched in October – SAF North America is just another step in the Company's geographical expansion after the announcement of SAF Middle East foundation.

The Company is financially stable, although due uncertainty in the global telecommunication market the Board of the Company cannot provide certain prognosis for sales figures despite positive results of the reporting quarter.

On September 30, 2011 the Company employed 164 people (148 people on September 30, 2010).

Balance sheet
As of September 30, 2011

	Note	30.09.2011	30.09.2010	30.09.2011	30.09.2010
CURRENT ASSETS		**LVL**	**LVL**	**EUR**	**EUR**
Cash and bank		**2 823 797**	**3 773 261**	**4 017 901**	**5 368 867**
Short-term investments	**1**	**470 833**	**495 324**	**669 935**	**704 783**
Customer receivables	**2**				
Accounts receivable		2 747 309	2 795 981	3 909 069	3 978 323
Allowance for uncollectible receivables		-386 052	-451 882	-549 303	-642 970
Total		**2 361 257**	**2 344 099**	**3 359 767**	**3 335 353**
Other receivables					
Other current receivables		66 312	33 136	94 353	47 148
Short-term loans given		0	738	0	1 050
Short-term loans	**3**	22 772	22 772	32 402	32 402
Total		**89 084**	**56 646**	**126 755**	**80 600**
Prepaid expenses					
Prepaid taxes		18 868	23 815	26 847	33 886
Other prepaid expenses		106 621	82 136	151 708	116 869
Total		**125 489**	**105 951**	**178 555**	**150 755**
Inventories	**4**				
Raw materials		1 148 359	906 516	1 633 968	1 289 856
Work-in-progress		1 431 323	829 834	2 036 589	1 180 747
Finished goods		863 449	878 759	1 228 577	1 250 361
Prepayments to suppliers		37 784	29 031	53 762	41 307
Total		**3 480 915**	**2 644 140**	**4 952 895**	**3 762 271**
TOTAL CURRENT ASSETS		**9 351 375**	**9 419 421**	**13 305 808**	**13 402 629**
NON-CURRENT ASSETS					
Long-term financial assets					
Shares in companies	**5**	500	500	711	711
Long-term receivables	**2**	0	106 489	0	151 520
Deffered income tax		73 032	57 179	103 916	81 359
Long-term loans	**3**	18 977	41 750	27 002	59 405
Total		**92 509**	**205 918**	**131 628**	**292 995**
NON-CURRENT physical assets	**6**				
Plant and equipment		2 160 823	2 038 820	3 074 574	2 900 980
Other equipment and fixtures		1 149 564	1 152 142	1 635 682	1 639 350
Accumulated depreciation		-2 785 216	-2 669 108	-3 963 005	-3 797 799
Prepayments for noncurrent physical assets		586	0	834	0
Total		**525 757**	**521 854**	**748 085**	**742 531**
Intagible assets					
Purchased licenses, trademarks etc.		68 979	47 986	98 148	68 278
Total		**68 979**	**47 986**	**98 148**	**68 278**
TOTAL NON-CURRENT ASSETS		**687 245**	**775 758**	**977 862**	**1 103 804**
TOTAL ASSETS		**10 038 620**	**10 195 179**	**14 283 669**	**14 506 433**

LIABILITIES AND OWNERS' EQUITY	Note	30.09.2011	30.09.2010	30.09.2011	30.09.2010
CURRENT LIABILITIES		**LVL**	**LVL**	**EUR**	**EUR**
Debt obligations					
Short-term loans from financial institutons		4 476	7 400	6 369	10 530
Customer prepayments for goods and services		37 385	519 552	53 194	739 256
Accounts payable	**7**	1 193 941	1 389 736	1 698 825	1 977 416
Tax liabilities	**8**	314 146	173 360	446 989	246 669
Salary-related accrued expenses	**9**	396 359	347 454	563 968	494 383
Provisions for guarantees		39 751	20 250	56 561	28 813
Prepaid revenue		2 086	5 662	2 968	8 057
TOTAL CURRENT LIABILITIES		**1 988 144**	**2 463 414**	**2 828 874**	**3 505 125**
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		2 598 473	2 480 781	3 697 294	3 529 833
Net profit for the financial year		477 619	276 600	679 591	393 566
TOTAL OWNERS' EQUITY		**8 050 476**	**7 731 765**	**11 454 795**	**11 001 309**
TOTAL LIABILITIES AND OWNERS' EQUITY		**10 038 620**	**10 195 179**	**14 283 669**	**14 506 433**

Income Statement for 3 month of the financial year 2011/12

	Note	30.09.2011	30.09.2010	30.09.2011	30.09.2010
		LVL	LVL	EUR	EUR
Net sales	10	2 892 567	3 158 526	4 115 752	4 494 178
Other operating income		7 052	2 587	10 034	3 681
Total income		**2 899 619**	**3 161 113**	**4 125 786**	**4 497 859**
Direct cost of goods sold or services rendered		-1 525 655	-1 525 104	-2 170 811	-2 170 027
Marketing, advertising and public relations expenses		-89 940	-61 931	-127 973	-88 120
Bad receivables	11	61 411	-248 549	87 380	-353 653
Operating expenses		-171 786	-172 702	-244 429	-245 733
Salaries and social expenses	12	-471 815	-415 392	-671 332	-591 050
Bonuses and social expenses	12	-195 930	-181 798	-278 783	-258 675
Depreciation expense		-54 088	-51 247	-76 960	-72 918
Other expenses		-17 449	-6 749	-24 828	-9 603
Operating expenses		**-2 465 252**	**-2 663 472**	**-3 507 738**	**-3 789 779**
EBIT		**434 367**	**497 641**	**618 050**	**708 080**
Financial income (except ForEx rate difference)		5 966	9 254	8 489	13 167
Financial costs (except ForEx rate difference)		-649	0	-923	0
Foreign exchange +gain/(loss)		98 637	-136 630	140 347	-194 408
Financial items		**103 954**	**-127 376**	**147 912**	**-181 241**
EBT		**538 321**	**370 265**	**765 961**	**526 839**
Corporate income tax		**-60 702**	**-93 665**	**-86 371**	**-133 273**
Net profit		**477 619**	**276 600**	**679 591**	**393 566**

*Earnings per share
EPS 30.09.2011. = 0.16 LVL (0.23 EUR)
EPS 30.09.2010. = 0.09 LVL (0.13 EUR)

Cash flow statement for 3 months of the financial year 2011/12

	30.09.2011	30.09.2010	30.09.2011	30.09.2010
	LVL	LVL	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	**-247 696**	**193 530**	**-352 440**	**275 368**
Cash received from customers	2 302 515	2 806 009	3 276 185	3 992 592
Cash paid to suppliers and employees	-2 550 627	-2 613 929	-3 629 215	-3 719 286
Received tax	416	1 450	592	2 063
NET CASH USED IN INVESTING ACTIVITIES (of which)	**963 768**	**1 187 073**	**1 371 318**	**1 689 053**
Cash paid for other long-term investments (e.g. purchase of <50% shares)	0	-500	0	-711
Cash paid for short-term investments	1 008 248	1 164 565	1 434 608	1 657 027
Cash paid for purchasing non-current physical assets	-61 284	-14 839	-87 199	-21 114
Interest received	16 804	37 847	23 910	53 851
NET CASH USED IN FINANCING ACTIVITIES (of which)	**1 065**	**-21 029**	**1 515**	**-29 922**
Repayment of short-term loans	-4 628	1 219	-6 585	1 734
Repayment of long-term loans	5 693	3 796	8 100	5 401
Cash paid of long-term loans	0	-68 317	0	-97 206
Cash received from EU fonds	0	42 273	0	60 149
TOTAL CASH FLOW:	**717 137**	**1 359 574**	**1 020 394**	**1 934 500**
Cash and cash equivalents as at the beginning of period	2 106 660	2 413 687	2 997 507	3 434 367
Cash and cash equivalents as at the end of period	2 823 797	3 773 261	4 017 901	5 368 867
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	**717 137**	**1 359 574**	**1 020 394**	**1 934 500**

Statement of changes in consolidated equity for the 3 months period ended September 30 2011

	Share capital	Share premium	Currency translation reserve	Retained earnings	Total
	LVL	LVL	LVL	LVL	LVL
As at 30 June 2010	**2 970 180**	**2 004 204**	**-**	**2 480 781**	**7 455 165**
Dividend relating to 2009/2010	-	-	-	**-683 141**	**-683 141**
Profit for the year	-	-	-	800 833	**800 833**
As at 30 June 2011	**2 970 180**	**2 004 204**	**-**	**2 598 473**	**7 572 857**
Profit for the period	-	-	-	477 619	**477 619**
As at 30 September 2011	**2 970 180**	**2 004 204**	**-**	**3 076 092**	**8 050 476**

Statement of changes in consolidated equity for the 3 months period ended September 30 2011

	Share capital	Share premium	Currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
As at 30 June 2010	**4 226 185**	**2 851 725**	**-**	**3 529 833**	**10 607 744**
Dividend relating to 2009/2010	-	-	-	**-972 022**	**-972 022**
Profit for the year	-	-	-	1 139 482	**1 139 482**
As at 30 June 2011	**4 226 185**	**2 851 725**	**-**	**3 697 293**	**10 775 204**
Profit for the period	-	-	-	679 591	**679 591**
As at 30 September 2011	**4 226 185**	**2 851 725**	**-**	**4 376 884**	**11 454 795**

Notes for interim report

Note 1 Short-term investments

	30.09.2011 LVL	30.09.2010 LVL	30.09.2011 EUR	30.09.2010 EUR
Short-term investments	**470 833**	**495 324**	**669 935**	**704 783**

Short-term investments consist of deposits with a maturity period of more than 90 days commencing from 30/09/2011.

Note 2 Customer receivables

	30.09.2011 LVL	30.09.2010 LVL	30.09.2011 EUR	30.09.2010 EUR
Long-term receivables	**-**	**106 489**	**-**	**151 520**
Accounts receivable	2 747 309	2 795 981	3 909 069	3 978 323
Provisions for bad and doubtful accounts receivable	(386 052)	(451 882)	(549 303)	(642 970)
Total accounts receivable	**2 361 257**	**2 344 099**	**3 359 767**	**3 335 353**
Total receivables	**2 361 257**	**2 450 588**	**3 359 767**	**3 486 873**

Total receivables were by 3.6% smaller compared with the previous year reflecting decreasing sales in the reporting quarter Q1. Provisions for doubtful accounts receivable has decreased by 15% as previously reported bad debtors from Africa started to settle their overdue debts.

Long term receivables include those whose due date is more than 360 days from the balance date. There are no long term receivables on reporting date.

Note 3 Loans

	30.09.2011 LVL	30.09.2010 LVL	30.09.2011 EUR	30.09.2010 EUR
Short-term loans	**22 772**	**22 772**	**32 402**	**32 402**
Long-term loans	**18 977**	**41 750**	**27 002**	**59 405**
	41 749	**64 522**	**59 404**	**91 807**

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

	30.09.2011 LVL	30.09.2010 LVL	30.09.2011 EUR	30.09.2010 EUR
Raw materials	1 443 243	1 093 583	2 053 549	1 556 028
Allowance for slow-moving items	(294 884)	(187 067)	(419 582)	(266 172)
Work-in- progress	1 431 323	829 834	2 036 589	1 180 747
Finished goods	863 449	878 759	1 228 577	1 250 361
Prepayments to suppliers	37 784	29 031	53 762	41 307
	3 480 915	**2 644 140**	**4 952 895**	**3 762 271**

Inventories in comparison with September 30, 2010 increased by 32% as the Company had to make inventory reserves in order to be able to produce large scale orders in competitive terms for all kind of products currently being in the Company's product list. CFIP product line was substantially expanded in comparison with year before. Company also keeps components for previously produced and sold product types for repair and maintenance purpose.

Note 5 Shares in Companies

	30.09.2011 LVL	30.09.2010 LVL	30.09.2011 EUR	30.09.2010 EUR
Shares in companies	**500**	**500**	**711**	**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 pētījumu 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

	30.09.2011 LVL	30.09.2010 LVL	30.09.2011 EUR	30.09.2010 EUR
Plant and equipment	2 160 823	2 038 820	3 074 574	2 900 980
Other equipment and fixtures	1 149 564	1 152 142	1 635 682	1 639 350
Accumulated depreciation	(2 785 216)	(2 669 108)	(3 963 005)	(3 797 799)
Prepayments for noncurrent physical assets	586	-	834	-
	525 757	**521 854**	**748 085**	**742 531**

During 3 months of financial year 2011/12 the Company invested 69 thousand LVL (98 thousand EUR) in product certification, product development software, production equipment and IT.

Note 7 Accounts payable

	30.09.2011 LVL	30.09.2010 LVL	30.09.2011 EUR	30.09.2010 EUR
Accounts payable	**1 193 941**	**1 389 736**	**1 698 825**	**1 977 416**

Note 8 Tax liabilities

	30.09.2011 LVL	30.09.2010 LVL	30.09.2011 EUR	30.09.2010 EUR
Tax liabilities	**314 146**	**173 360**	**446 989**	**246 669**

The significant increase of 81% in tax liabilities was mainly due to accrued corporate income tax liabilities for FY 2010/11 as during financial year the Company has no obligation to pay advance payment for corporate income tax.

Note 9 **Salary-related accrued expenses**

	30.09.2011 LVL	30.09.2010 LVL	30.09.2011 EUR	30.09.2010 EUR
Salary-related accrued expenses	**396 359**	**347 454**	**563 968**	**494 383**

Salary–related accrued expenses in comparison with Q1 of FY 2010/11 were increased as during last financial year fixed salaries were revised and increased for employees in Product development and Production departments, bonuses for Q1 were calculated.

Note 10 **Segment information**

a) The Company's operations are divided into two major structural units – SAF branded equipment designed and produced in-house – CFM (Hybrid/ PDH Radios), CFIP (Etherent/Hybrid/ superPDH systems) and FreeMile (Hybrid Radios for unlicensed frequency bands) as the first structural unit and 3rd party products for resale, like Antennas, cables, some OEMed products and accessories as the second unit.

CFIP – the major product line is represented by 4 respectable 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;
- Marathon FIDU low frequency low capacity system for servicing rural and industrial applications.

All CFIP radios are offered in most widely used frequency bands from 1.4 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.

CFM microwave radio product line has been the main type of radio SAF has been supplying to the market over many years and is still demanded. Such medium capacity, mature, yet extremely reliable and feature rich radio is still required to deploy telecom networks in developing markets.

FreeMile product line is represented by 2 models covering unlicensed frequency bands in 17 and 24 GHz, which are made available for use in a growing number of countries around the globe.

As demand for CFQ products has decreased substantially, it has been decided to phase out the entire CFQ product line starting from summer 2011, providing the CFQ basic functionality with CFIP PhoeniX M split mount system. The clients' requirements will be covered by full spectrum of CFIP and CFM products. Information about phased out CFQ line is included in the other products unit in order to provide unequivocal information for comparison purpose.

This note provides information about division of the Group's turnover and balance items by structural units by product type for 3 month of the financial year 2011/12 and financial year 2010/11.

	CFM; CFIP; FreeMile		**Other**		**Total**	
	2011/12 LVL	**2010/11 LVL**	**2011/12 LVL**	**2010/11 LVL**	**2011/12 LVL**	**2010/11 LVL**
Segment assets	**4 526 625**	3 966 623	**2 037 038**	1 767 120	**6 563 663**	**5 733 743**
Undivided assets					**3 474 957**	**4 461 436**
Total assets					**10 038 620**	**10 195 179**
Segment liabilities	**1 042 150**	1 512 930	**360 367**	537 631	**1 402 517**	**2 050 561**
Undivided liabilities					**585 627**	**412 853**
Total liabilities					**1 988 144**	**2 463 414**
Net sales	2 186 695	2 463 279	705 872	695 247	2 892 567	3 158 526
Segment results	**763 739**	**1 227 056**	**277 304**	**267 583**	**1 041 043**	**1 494 639**
Undivided expenses					-613 785	-999 594
Profit from operations					**427 258**	**495 045**
Other income					13 071	2 593
Financial expenses, net					97 992	-127 373
Profit before taxes					**538 321**	**370 265**
Corporate income tax					-60 702	-93 665
Net profit					**477 619**	**276 600**
Other information						
intangible asets	28 551	11 801	2 359	83	30 910	11 884
Undivided additions					48 389	2 950
Total additions of property plant and equipment and intangible asets					**79 299**	**14 834**
Depreciation and amortization	27 488	24 010	2 601	2 785	30 089	26 795
Undivided depreciation					23 999	24 452
Total depreciation and amortization					**54 088**	**51 247**

	CFM; CFIP; FreeMile		Other		Total	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	EUR	EUR	EUR	EUR	EUR	EUR
Segment assets	6 440 807	5 643 996	2 898 443	2 514 385	9 339 249	8 158 381
Undivided assets					4 944 420	6 348 052
Total assets					**14 283 669**	**14 506 433**
Segment liabilities	1 482 846	2 152 705	512 756	764 980	1 995 602	2 917 685
Undivided liabilities					833 272	587 440
Total liabilities					**2 828 874**	**3 505 125**
Net sales	3 111 387	3 504 930	1 004 365	989 247	4 115 752	4 494 178
Segment results	**1 086 703**	**1 745 943**	**394 568**	**380 737**	**1 481 271**	**2 126 680**
Undivided expenses					-873 336	-1 422 294
Profit from operations					**607 933**	**704 386**
Other income					18 598	3 690
Financial expenses, net					139 430	-181 235
Profit before taxes					**765 962**	**526 840**
Corporate income tax					-86 371	-133 273
Net profit					**679 591**	**393 566**
Other information						
Additions of property plant and equipment and intangible asets	40 624	16 791	3 357	118	43 981	16 909
Undivided additions					68 851	4 197
Total additions of property plant and equipment and intangible asets					**112 832**	**21 106**
Depreciation and amortization	39 112	34 163	3 701	3 963	42 813	38 126
Undivided depreciation					34 147	34 792
Total depreciation and amortization					**76 960**	**72 918**

b) This note provides information about division of the Company's turnover and assets by geographical regions (customer location) for 3 month of the financial year 2011/12 and financial year 2010/11.

	Net sales		Assets		Net sales		Assets	
	2011/12	2010/11	30.09.2011	30.09.2010	2011/12	2010/11	30.09.2011	30.09.2010
	LVL	LVL	LVL	LVL	EUR	EUR	EUR	EUR
America	1 338 993	633 015	794 609	289 102	1 905 215	900 699	1 130 627	411 355
Europe, CIS	653 183	871 819	368 894	736 136	929 396	1 240 487	524 889	1 047 427
Asia, Africa, Middle East	900 391	1 653 692	1 197 754	1 425 350	1 281 141	2 352 992	1 704 251	2 028 090
	2 892 567	**3 158 526**	**2 361 257**	**2 450 588**	**4 115 752**	**4 494 178**	**3 359 767**	**3 486 872**
Unallocatted assets	-	-	7 677 363	7 744 703	-	-	10 923 902	11 019 720
	2 892 567	**3 158 526**	**10 038 620**	**10 195 291**	**4 115 752**	**4 494 178**	**14 283 669**	**14 506 592**

Note 11 Bad receivables

	30.09.2011 LVL	30.09.2010 LVL	30.09.2011 EUR	30.09.2010 EUR
Bad receivables	**61 411**	**(248 549)**	**87 380**	**(353 653)**

The Company records accruals based on its accrual policy for bad and doubtful debtors. The substantial part of accrued provisions for Africa customers, who delayed agreed payment terms substantially, were reversed as they made significant progress regarding debts payment fulfilling positive forecasts.

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

	30.09.2011 LVL	**30.09.2010 LVL**	**30.09.2011 EUR**	**30.09.2010 EUR**
Salaries and social expenses	(471 815)	(415 392)	(671 332)	(950 114)
Bonuses and social expenses	(195 930)	(181 798)	(278 783)	(258 675)
	(667 744)	**(597 190)**	**(950 114)**	**(1 208 789)**

Salaries and social expenses, in comparison with the 12 month period of the previous financial year increased by 14% due to increased headcount and changes in fixed salaries for some part of employees.

Bonuses for the Company's employees were accrued in October and paid in November, 2011 as financial targets for the reporting quarter were over exceeded.