

SAF Tehnika
Consolidated Interim Report
for 9 months and Q3
of financial year 2013/14
(July 1, 2013 – March 31, 2014)

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KEY DATA

SAF Tehnika (hereinafter – the Group) 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 more than 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 Ericsson, Huawei, Alcatel and NEC.

Currently the Group consists of SAF Tehnika JSC (hereinafter – the Parent) operating from Riga, Latvia, a wholly owned subsidiary “SAF North America” LLC and a joint-venture company “SAF Services” LLC where the Parent holds 50% of the company’s shares. Both of the mentioned companies are operating from Denver, CO serving North American market.

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 07.04.2014

Name	Ownership interest (%)
Didzis Liepkalns	17.05%
Andrejs Grišāns	10.03%
Normunds Bergs	9.74%
Juris Zieme	8.71%
Vents Lācars	6.08%
“Koka zirgs” SIA	5.27%
SWEDBANK AS clients account	5.02%

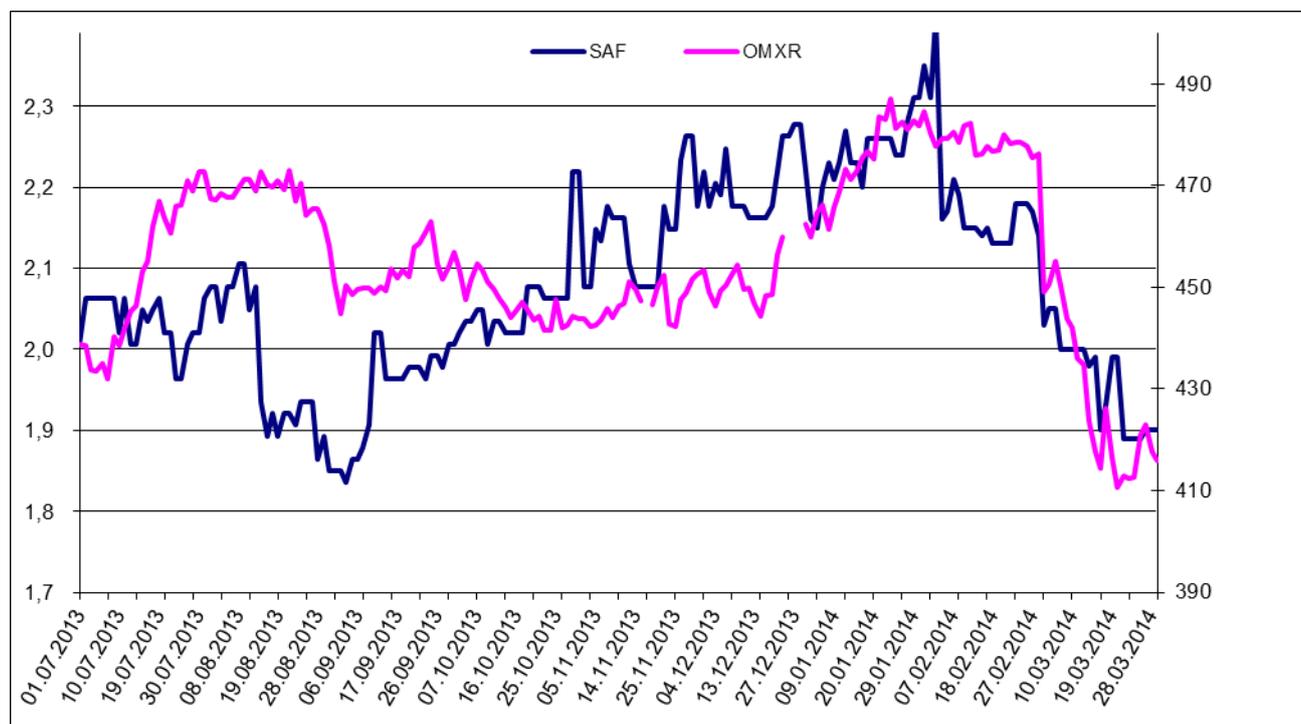
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2013 – March 31, 2014

Currency: EUR

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	Member	owns 17.05% of shares
Aira Loite	Member	owns 0.26% 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 2 shares
Aivis Olsteins	Member	owns no shares

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 Member 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.

Aira Loite

Aira Loite, born in 1965, Member of the Board and Chief Operating 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 in 1980.

Ivars Šenbergs,

born in 1962, Member of the Supervisory Council, also Chairman of the Board of SIA Juridiskais Audits, SIA Namipasumu parvalde, SIA Synergy Consulting, SIA IŠMU, SIA Dzirnava centrs and Member of the Supervisory Council of AS MFS bookkeeping. From 1999 until 2000 he worked as Finance and Administrative Director at SIA Fortech. I. Senbergs has graduated Faculty of Law, University of Latvia in 1986..

Aivis Olsteins,

born in 1968. A.Olsteins has 20 years of experience in telecommunications. He is CEO of a company "DataTechLabs" since year 2000. The company provides software development and support services for telecommunication operators. From 1992 till 1999 he worked in Baltcom TV, initially as a system engineer in Cable TV operations department, from 1994 till June 1996 as a CTO, but from July 1996 till the end of 1999 as technical advisor to General Manager. A. Olsteins is studying in University of Latvia in Faculty of Physics and Mathematics, bachelor of Physics program.

Statement of Board's Responsibilities

The Board of SAF Tehnika JSC (hereinafter – the Parent) is responsible for preparing the consolidated financial statements of the Parent and its subsidiaries (hereinafter - the Group).

The consolidated financial statements are prepared in accordance with the source documents and present fairly the consolidated financial position of the Group as of 31 March 2014 and the consolidated results of its financial performance and cash flows for the quarter then ended.

The above mentioned financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and are prepared on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. The consolidated interim financial statements have been prepared based on the same accounting principles applied in the Consolidated Financial Statements for the year ended on June 30, 2013.

Prudent and reasonable judgments and estimates have been made by the management in the preparation of the financial statements.

The Board of SAF Tehnika JSC is responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets and the prevention and detection of fraud and other irregularities in the Group. The Board is responsible for compliance with the requirements of normative acts of the countries the Group operates in (Latvia and United States of America).

The interim financial statements have been prepared in Euro.



Aira Loite

COO, Member of the Management Board

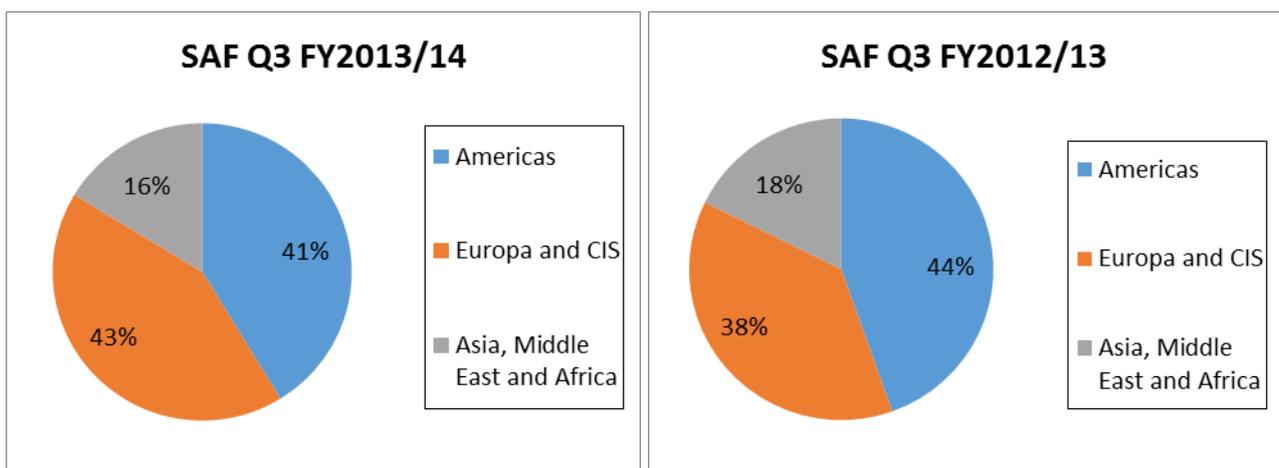
Management Report

The Group’s non-audited net sales for the third quarter of financial year 2013/14 were 2.3 million EUR, decreasing by 37% or 1.35 million EUR compared to the third quarter of the previous financial year and being by 19% lower than sales in the previous quarter – Q2 of FY 2013/2014. Not all expected deliveries happened in Q3, mostly due to the fact as agreed prepayments were not received. Besides the Group was forced to cancel some large orders as a customer repeatedly postponed agreed delivery times and agreed price levels turned unprofitable due to unfavorable USD/EUR rate.

Comparing sales results with the third quarter of the financial year 2012/2013, sales were lower in all regions, where the Group delivers. Sales in Europe and CIS formed 42% of turnover amounting to 0.98 million EUR and was by 3% less than in the previous quarter of the current financial year. Sales in Americas formed almost similar portion of turnover. The weakest results were in Asia Pacific, Africa, and Middle East region - 0.38 million EUR decreasing by 42% comparing with the third quarter of previous financial year.

During reporting quarter SAF Tehnika participated at NATE UNITE show (San Diego, USA) where presented our handheld spectrum analyzer and got a lot of positive feedback on the device, exhibited in one of the largest telecom industry events in Europe – CeBit show in Hanover, Germany and at Animal Farm event in Salt Lake City, USA. New next generation high performance point-to-point licensed microwave radio platform *Integra* product line and microwave spectrum analyzer *Spectrum Compact* as well as other products, applications and video tutorials were presented.

Chart 1. Quarter 3 revenue breakdown comparative charts:



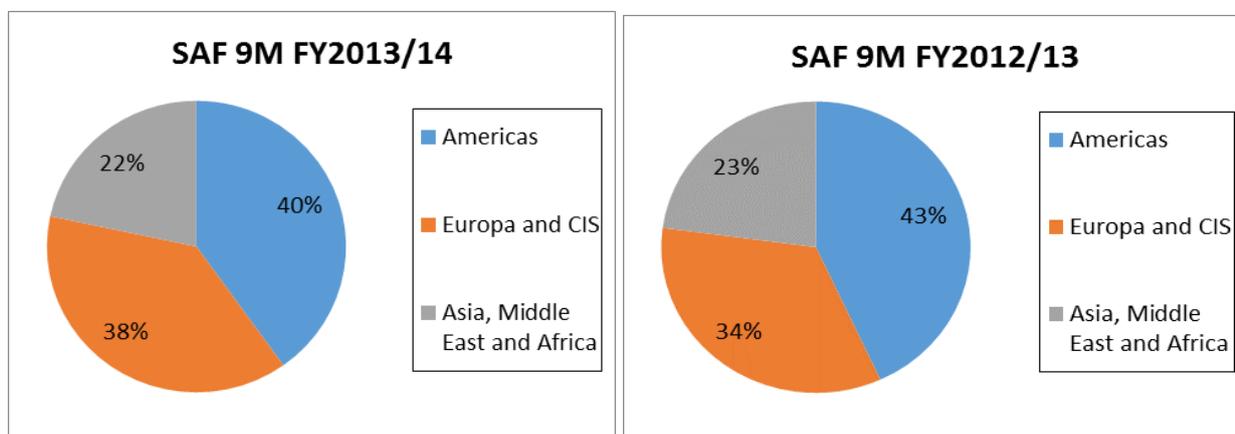
The Group’s products were sold in 57 countries during the reporting quarter.

The largest part of sales represented CFIP products where *FreeMile* and *Lumina* were sold the most. The Group received ever more orders for *Marathon*, *Spectrum compact*, low latency

repeaters and new *Integra* products. The Group continued to develop *Integra* product line by widening frequency range and adding new features with reference to market demands and technology developments.

The Group's consolidated non-audited net sales for the 9 months of the financial year 2013/14 were 8.56 million EUR representing a year-on-year decrease of 16%. As reasons for the decrease were fierce competition and requirement for ever lower price levels, worsen sales results in all regions - in particular in AsiaPasific, Africa, MiddleEast where sales of 9 months of this financial year were 1.85 million EUR or by 21% lower than in the first 9 months of FY 2012/13, decrease by 22% in sales in Americas. The results in Europe, CIS were more stable due to established customer base and the Groups ability to offer complex solutions especially for low latency data transmission.

Chart 2. 9 months revenue breakdown comparative charts:



The Group's expenses were in budget limits. The Group is constantly looking for options to decrease production and other costs with the aim increase competitiveness in the market. Declining USD/ EUR exchange rate impacted negatively the Group's bottom line.

The consolidated net loss of the Group for the third quarter of 2013/14 financial year was - 353 thousand EUR. The consolidated net loss of the Group for the 9 months of 2013/14 financial year was -580 thousand EUR.

The Group's net cash flow for the 9 month period of the financial year was positive – 736 thousand EUR. As of March 31, 2014, the Group carried a net cash balance (excluding interest bearing liabilities) of 3.53 million EUR. It has to be noted that SAF Tehnika received a compensation in March 2014 from the State Guarantee Agency according to an export credit guarantee agreement. Compensation (520 thousand USD) was paid for equipment delivered for Brazilian partner, who purchased SAF's equipment for implementation of the Brazilian TV broadcast network building project and has not paid for it. SAF's equipment was purchased in December 2012.

Market overview

Even though there is clear slowdown on the market in terms of microwave radios consumed to backhaul traffic in mobile/cellular networks - in SAF's opinion other segments on the market do continue to enjoy period steady development. The trend of growing capacity demands is expanding from developed markets in Europe and USA into other regions at increasing pace. Thus the Group cautiously optimistic about growth near to midterm prospects on the radio market.

Guidance

The main task for the Group is to regain previous sales levels and positive net result. The Group will continue to develop Integra product line and will focus on specific niche products and solutions with the goal to satisfy ever increasing demand for efficient, qualitative, price attractive, high capacity data transmission products in the wide frequency range. Notwithstanding the financial results of the reporting period, the Group remains financially stable and confident to withstand periods of lower business activity. Due to intense competitive pressures, the Board of the Group does not assume any specific predictions of sales and financial results of the next reporting periods.

On March 31, 2014 the Group employed 169 people (163 people on March 31, 2013).

KEY indicators

	Q3 2013/14	Q3 2012/13	Q3 2011/12
	EUR	EUR	EUR
Net Sales	2 311 882	3 659 219	3 051 000
Earnings before interest, taxes and depreciation (EBITDA)	-209 213	173 745	12 533
<i>share of the turnover %</i>	-9%	4,7%	0,4%
Profit/loss before interest and taxes (EBIT)	-317 313	276 895	106 091
<i>share of the turnover %</i>	-14%	8%	3%
Net Profit	-352 558	384 208	35 545
<i>share of the turnover %</i>	-15%	10%	1%
Total assets	11 271 163	12 364 669	12 876 990
Total Owners equity	9 624 778	10 225 034	10 614 400
Return on equity (ROE) %	-3,13%	3,11%	0,28%
Return on assets (ROA) %	-3,66%	3,76%	0,33%
Liquidity ratio			
Quick ratio %	215%	108%	110%
Current ratio %	313%	308%	294%
Earnings per share	-0,12	0,13	0,01
Last share price at the end of period	1,90	1,47	2,27
P/E	-16,01	11,33	189,40
Number of employees at the end of reporting period	169	163	163

Consolidated Statement of Financial Position

As of March 31, 2014

	Note	31.03.2014	31.03.2013
CURRENT ASSETS		EUR	EUR
Cash and bank		3 545 001	2 309 264
Short-term investments	1	0	1 031 982
Customer receivables	2		
Accounts receivable		1 824 464	3 254 109
Due from joint venture		45 063	0
Allowance for uncollectible receivables		-461 377	-559 573
Total		1 408 150	2 694 536
Other receivables			
Other current receivables	3	164	184 996
Short-term loans	4	200 000	370 800
Total		200 164	555 796
Prepaid expenses			
Prepaid taxes		80 657	204 606
Other prepaid expenses		109 757	121 805
Total		190 414	326 411
Inventories	5		
Raw materials		1 205 387	851 617
Work-in-progress		1 867 642	2 010 744
Finished goods		1 878 439	1 320 207
Prepayments to suppliers		26 739	87 640
Total		4 978 207	4 270 209
TOTAL CURRENT ASSETS		10 321 936	11 188 199
NON-CURRENT ASSETS			
Long-term financial assets			
Equity-accounted investments		26 725	0
Investments in other companies		1 188	1 188
Long-term receivables	2	0	76 013
Deffered income tax		123 194	131 700
Total		151 107	208 900
NON-CURRENT physical assets	6		
Plant and equipment		3 246 537	3 239 774
Other equipment and fixtures		1 878 410	1 847 976
Accumulated depreciation		-4 558 524	-4 322 009
Other long-term assets		324	92 926
Total		566 747	858 668
Intangible assets	6		
Purchased licenses, trademarks etc.		223 349	108 902
Other long-term intangible assets		8 024	0
Total		231 373	108 902
TOTAL NON-CURRENT ASSETS		949 227	1 176 470
TOTAL ASSETS		11 271 163	12 364 669

LIABILITIES AND OWNERS' EQUITY	Note	31.03.2014	31.03.2013
CURRENT LIABILITIES		EUR	EUR
Debt obligations			
Short-term loans from financial institutons		14 919	10 737
Customer prepayments for goods and services		328 758	131 337
Accounts payable	7	797 813	1 394 223
Tax liabilities	8	111 301	133 525
Salary-related accrued expenses	9	355 596	429 864
Provisions for guarantees		36 603	30 974
Prepaid revenue		1 395	8 976
TOTAL CURRENT LIABILITIES		1 646 385	2 139 636
OWNERS' EQUITY			
Share capital		4 226 185	4 226 185
Paid in capital over par		2 851 726	2 851 726
Retained earnings		3 125 599	3 167 593
Net profit for the financial year		-580 478	-29 526
Currency translation reserve		1 746	9 057
TOTAL OWNERS' EQUITY		9 624 778	10 225 033
TOTAL LIABILITIES AND OWNERS' EQUITY		11 271 163	12 364 669

Consolidated Statement of Profit or Loss for 9 month of the financial year 2013/2014

	Note	31.03.2014	31.03.2013
		EUR	EUR
Net sales	10	8 565 412	10 211 930
Other operating income		17 577	27 634
Total income		8 582 989	10 239 564
Direct cost of goods sold or services rendered		-4 798 487	-5 808 383
Marketing, advertising and public relations expenses		-371 619	-580 288
Bad receivables	11	45 213	-139 568
Operating expenses		-909 010	-910 360
Salaries and social expenses	12	-2 411 464	-2 302 917
Bonuses and social expenses	12	-104 460	-184 655
Depreciation expense		-316 416	-307 993
Other expenses		-132 601	-40 156
Operating expenses		-8 998 844	-10 274 320
EBIT		-415 855	-34 756
Financial income (except ForEx rate difference)		19 271	45 559
Foreign exchange +gain/(loss)		-168 651	-53 594
Financial items		-149 380	-8 036
Share of profit/(loss) of equity-accounted investees		-15 243	17 173
EBT		-580 478	-25 619
Corporate income tax		0	-3 907
Profit after taxes		-580 478	-29 526
Net profit		-580 478	-29 526

*Earnings per share

EPS 31.03.2014. = -0.20 EUR

EPS 31.03.2013. = -0.01 EUR

Consolidated Statement of Profit or Loss for Q3 of the financial year 2013/2014

	31.03.2014	31.03.2013
	EUR	EUR
Net sales	2 311 882	3 659 219
Other operating income	6 318	-20 256
Total income	2 318 200	3 638 963
Direct cost of goods sold or services rendered	-1 269 689	-1 893 219
Marketing, advertising and public relations expenses	-103 782	-122 938
Bad receivables	71 370	-22 678
Operating expenses	-301 617	-299 160
Salaries and social expenses	-835 363	-785 902
Bonuses and social expenses	-10 314	-116 327
Depreciation expense	-108 100	-103 150
Other expenses	-78 018	-18 695
Operating expenses	-2 635 513	-3 362 068
EBIT	-317 313	276 895
Financial income (except ForEx rate difference)	11 323	22 244
Foreign exchange +gain/(loss)	-40 300	74 657
Financial items	-28 977	96 900
Share of profit/(loss) of equity-accounted investees	-6 268	10 437
EBT	-352 558	384 232
Corporate income tax	0	-24
Net profit	-352 558	384 208

*Earnings per share

EPS 31.03.2014. = -0.12 EUR

EPS 31.03.2013. = 0.13 EUR

Consolidated cash flow statement for 9 months of the financial year 2013/14

	31.03.2014	31.03.2013
	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	402 968	-307 080
Cash received from customers	9 986 070	9 257 128
Cash paid to suppliers and employees	-9 734 857	-9 564 611
Paid/Received VAT, corporate income tax	151 755	403
NET CASH USED IN INVESTING ACTIVITIES (of which)	125 070	1 416 182
Investment in equity-accounted investees	-27 589	-2 871
Cash paid/received for short-term investments	415 063	1 612 273
Cash paid for purchasing non-current physical assets	-272 544	-239 330
Interest received	10 140	46 110
NET CASH USED IN FINANCING ACTIVITIES (of which)	212 294	-689 911
Repayment of short-term loans	165 023	2 931
Repayment of long-term loans	0	24 305
Cash paid of short-term loans	0	-360 000
Cash received from EU funds	47 271	65 472
Dividends paid	0	-422 619
Effects of exchange rate changes	-4 629	-596
TOTAL CASH FLOW:	735 704	418 595
Cash and cash equivalents as at the beginning of period	2 809 297	1 890 669
Cash and cash equivalents as at the end of period	3 545 001	2 309 264
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	735 704	418 595

Statement of changes in consolidated equity for the 9 months period ended March 31 2014

	Share capital	Share premium	Currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
As at 30 June 2012	4 226 185	2 851 725	-	3 590 211	10 668 195
Dividend relating to 2010/2011	-	-	-	-422 619	-422 619
Currency translation difference	-	-	-122	-	-122
Loss for the year	-	-	-	-41 994	-41 994
As at 30 June 2013	4 226 185	2 851 725	-50	3 125 599	10 203 460
Currency translation difference	-	-	1 796	0	1 796
Profit for the period	-	-	-	-580 478	-580 478
As at 31 March 2014	4 226 185	2 851 725	1746	2 545 121	9 624 778

Notes for interim report

Note 1 Short-term investments

	31.03.2014	31.03.2013
	EUR	EUR
Short-term investments	-	<u>1 031 982</u>

Short-term investments consist of deposits with a maturity period of more than 90 days. The Group had not deposits on March 31, 2014.

Note 2 Customer receivables

	31.03.2014	31.03.2013
	EUR	EUR
Long-term receivables	-	76 013
Accounts receivable	1 824 464	3 254 109
Due from joint venture	45 063	-
Provisions for bad and doubtful accounts receivable	(461 377)	(559 573)
Total accounts receivable	1 408 150	2 694 536
Total receivables	1 408 150	2 770 549

Total receivables decreased by 49% comparing with the previous year reflecting decreased sales volumes. Provisions for doubtful accounts receivable decreased by 98 thousand EUR. Calculations of provisions for bad and doubtful accounts were done according to the Group's provision calculation policy.

Note 3 Other current receivables

	31.03.2014	31.03.2013
	EUR	EUR
Other current receivables	<u>164</u>	<u>184 996</u>

The deposit for execution of projects realized in competence center "LEO pētījumu centrs"(LEO) has been returned in Q2 of FY 2013/14.

Note 4 Loans

	31.03.2014	31.03.2013
	EUR	EUR
Short-term loans	<u>200 000</u>	<u>370 800</u>

The Parent has lent EUR 200 000 to related party SIA Namīpašumu pārvalde based on a loan agreement. The initial loan repayment date was prolonged till July 31, 2014.

Note 5 Inventories

	31.03.2014	31.03.2013
	EUR	EUR
Raw materials	1 799 155	1 520 462
Allowance for slow-moving items	(593 768)	(668 845)
Work-in- progress	1 867 642	2 010 744
Finished goods	1 878 439	1 320 207
Prepayments to suppliers	26 739	87 640
	<u>4 978 207</u>	<u>4 270 209</u>

Inventories in comparison with March 31, 2013 increased by 17%. The main increase is in component stock as previously bought components has been consumed, and finished goods stock as some deliveries were postponed on customers' request and some large orders cancelled. The finished goods are liquid.

The Group is keeping inventory reserves in order to be able to produce orders in competitive terms for products currently being in the Group's product list. Group also keeps components for previously produced and sold product types for repair and maintenance purpose.

Note 6 Non-current assets

	31.03.2014	31.03.2013
	EUR	EUR
Plant and equipment	3 246 537	3 239 774
Other equipment and fixtures	1 878 410	1 847 976
Accumulated depreciation	(4 558 524)	(4 322 009)
Other long term assets	324	92 926
	566 747	858 668
Purchased licenses, trademarks etc.	223 349	108 902
Other long term intangible assets	8 024	-
	231 373	108 902

The Group invested 302 thousand EUR in 9 months of FY 2013/2014 – mainly in IT HW and certification.

Note 7 Accounts payable

	31.03.2014	31.03.2013
	EUR	EUR
Accounts payable	797 813	1 394 223

Note 8 Tax liabilities

	31.03.2014	31.03.2013
	EUR	EUR
Tax liabilities	111 301	133 525

Note 9 Salary-related accrued expenses

	31.03.2014	31.03.2013
	EUR	EUR
Salary-related accrued expenses	355 596	429 864

Salary related accrued expenses were decreased by 74 thousand EUR comparing March 31, 2014 and March 31, 2013.

Note 10 Segment information

a) The Group's operations are divided into two major structural units – SAF branded equipment designed and produced in-house – CFM (Hybrid/ PDH Radios), CFIP (Ethernet/Hybrid/ superPDH systems), FreeMile (Hybrid Radios for unlicensed frequency bands)

and **Integra** (Integrated carrier-grade microwave radio) 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 3 models covering unlicensed frequency bands in 5.8, 17 and 24 GHz, which are made available for use in a growing number of countries around the globe.

This note provides information about division of the Group's turnover and balance items by structural units by product type for 9 month of the financial year 2013/14 and financial year 2012/13.

	CFM; CFIP; FreeMile		Other		Total	
	2013/14 EUR	2012/13 EUR	2013/14 EUR	2012/13 EUR	2013/14 EUR	2012/13 EUR
Segment assets	5 425 708	6 112 041	1 795 110	2 103 117	7 220 818	8 215 158
Undivided assets					4 050 346	4 149 510
Total assets					11 271 164	12 364 668
Segment liabilities	1 107 628	1 388 747	335 335	383 490	1 442 963	1 772 237
Undivided liabilities					203 422	367 398
Total liabilities					1 646 385	2 139 635
Net sales	6 650 070	7 807 160	1 915 342	2 404 770	8 565 412	10 211 930
Segment results	1 593 857	1 773 265	557 836	1 003 388	2 151 693	2 776 653
Undivided expenses					-2 567 547	-3 021 344
Profit from operations					-415 854	-244 691
Other income					19 271	148 778
Financial income/expenses, net					-168 652	53 121
Share of profit/(loss) of equity-accounted investees					-15 243	17 173
Profit before taxes					-580 478	-25 619
Corporate income tax					0	-3 907
Profit after taxes					-580 478	-29 526
Net profit					-580 478	-29 526
Other information						
Additions of property plant and equipment and intangible assets	66 355	112 358	0	0	66 355	112 358
Undivided additions					164 573	246 015
Total additions of property plant and equipment and intangible assets					230 928	358 373
Depreciation and amortization	134 176	149 709	839	1 952	135 015	151 661
Undivided depreciation					181 401	156 331
Total depreciation and amortization					316 416	307 992

b) This note provides information about division of the Group's turnover and assets by geographical regions (customer location) for 9 month of the financial year 2013/14 and financial year 2012/13.

	Net sales		Assets	
	2013/14 EUR	2012/13 EUR	31.03.2014 EUR	31.03.2013 EUR
Americas	3 437 048	4 407 652	559 594	938 350
Europe, CIS	3 273 426	3 467 843	593 713	591 296
Asia, Africa, Middle East	1 854 939	2 336 434	254 843	734 755
	8 565 412	10 211 929	1 408 150	2 264 401
Unallocated assets	-	-	9 863 014	10 100 268
	8 565 412	10 211 929	11 271 164	12 364 669

Note 11 Bad receivables

	31.03.2014	31.03.2013
	EUR	EUR
Bad receivables	<u>45 213</u>	<u>(139 568)</u>

Provisions for doubtful and bad accounts receivable were calculated according to Group's provision calculation policy. The Group starts to calculate provisions for customers who delays payment terms more than 3 months. Additional provisions were calculated for debts where probability not to receive payment is high, although agreed payment term has not come yet.

Note 12 Salaries, bonuses and social expenses

	31.03.2014	31.03.2013
	EUR	EUR
Salaries and social expenses	(2 411 464)	(2 302 917)
Bonuses and social expenses	(104 460)	(184 655)
	<u>(2 515 924)</u>	<u>(2 487 572)</u>

Salaries and social expenses, in comparison with the 9 months period of the previous financial year were increased by 1% reflecting increase in fixed salaries for key specialists. Bonuses were paid as specific financial and development targets were reached.