

SAF Tehnika
Consolidated Interim Report
for Q1
of financial year 2014/15
(July 1, 2014 – September 30, 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%

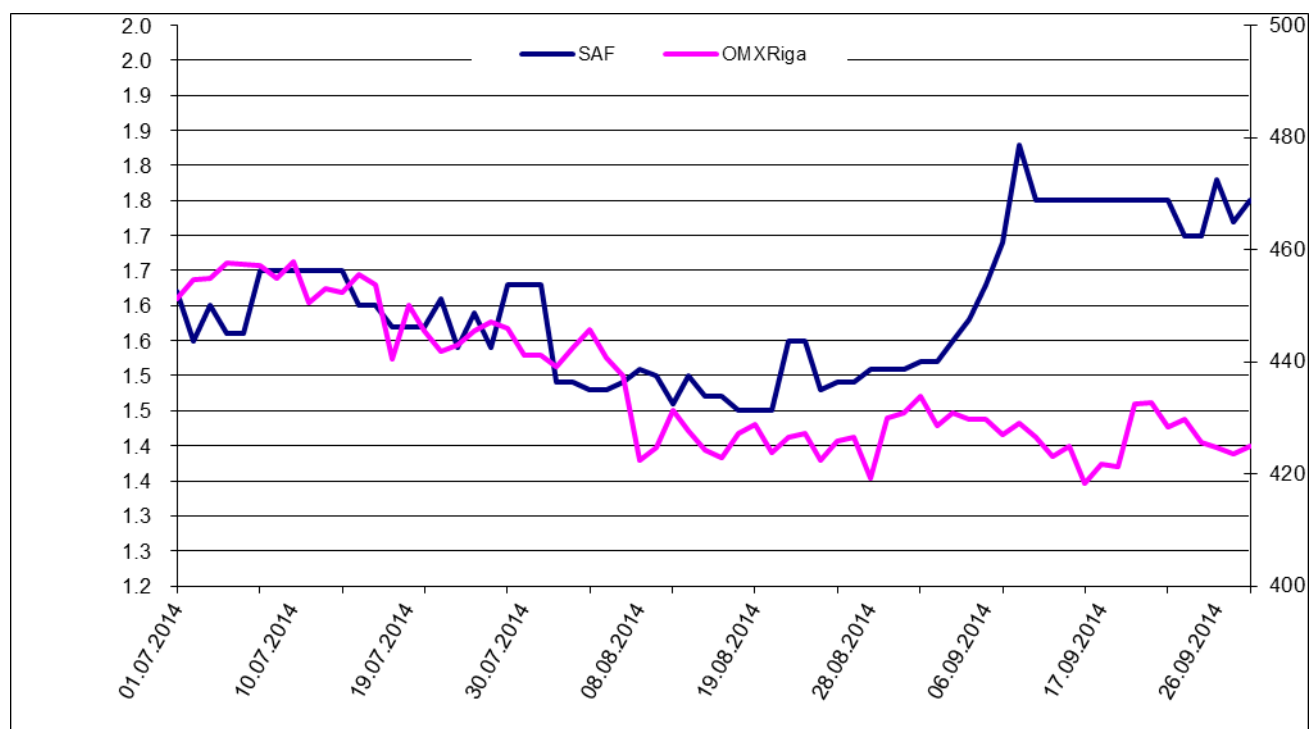
SAF Tehnika share price and OMX Riga index development for the reporting period

SAF Tehnika (SAF1R)

Period: July 1, 2014 – September 30, 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 Zieme,

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

Andrejs Grišāns

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

Ivars Šenbergs,

born in 1962, Member of the Supervisory Council, also Chairman of the Board of SIA Juridiskais Audits, 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 30 September 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, 2014.

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

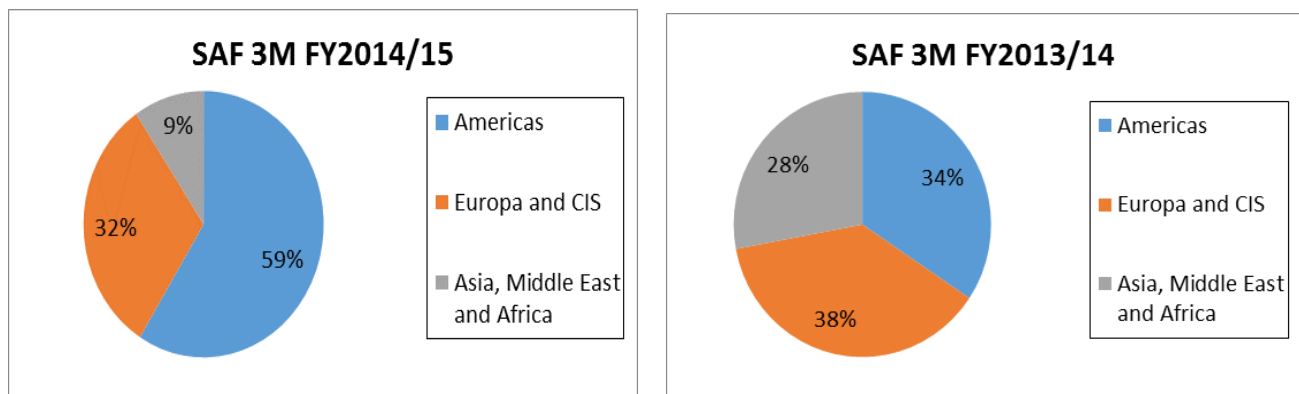
Management Report

The Group's non-audited net sales for the first quarter of financial year 2014/15 were 3.2 million EUR, decreasing by 6.3% or 0.2 million EUR compared to the first quarter of the previous financial year and being by 7.6% less than sales in the previous quarter – Q4 of FY 2013/2014.

Investments in marketing, regular participation in industry exhibitions, intense sales activities developing customer base and brand recognition, quick deliveries from a local warehouse had given substantial contribution increasing SAF's product sales in North America. Deliveries to Latin America countries were stabilizing due to expended cooperation with local partners. As a result sales in Americas, similarly as in the previous quarter, formed the largest part - 59% of the turnover in Q1, amounted to 1.88 million EUR. Sales in Europe and CIS region formed 32% from total sales, although the result was 21% worse comparing with 1th quarter of the previous financial year when Group made deliveries to a larger network building project in Europe. Sales in Asia Pacific, Middle East and Africa region substantially declined in the last 3 quarters. The Group continues to look for the most appropriate sales and marketing strategies for this region in order to regain previous sales levels.

SAF Tehnika exhibited in three exhibition – “Andicom 2014” in Cartagena, Colombia, “CTIA 2014 Super Mobility Week” in Las Vegas, USA, and “IBC 2014” show in Amsterdam, the Netherlands. The Groups product actual offerings were presented in all events, but during the exhibition „CTIA 2014” there were presented *Spectrum Compact* product series as well as company's newest product- the world's first pocket sized microwave *Signal Generator SG-* device essential for antenna alignment and testing, line-of-sight verification and different microwave system analysis and measurement applications. Besides “The Microwave Journal” has published a small but useful tech brief about our excellent *Spectrum Compact* in the September issue. Moreover a new variant of our next generation microwave radio platform Integra - Integra S has been released.

Chart 1. Quarter 1 revenue breakdown comparative charts:



The Group's products were sold in 59 countries during the reporting quarter.

The consolidated non-audited net profit of the Group for the first quarter of 2014/15 financial year was 285 thousand EUR, being by 155 thousand EUR more than for the quarter year before. The Group's result was positively impacted by favorable EUR/ USD exchange rate.

The Group's net cash flow for the 3 month period of the financial year was positive – 1.44 million EUR. As of September 30, 2014, the Group carried a net cash balance (excluding interest bearing liabilities) of 5.5 million EUR.

Market overview

The microwave radio market as seen from SAF Tehnika point of view has not experienced any recent drastic changes not we want to predict any such happening in immediate future.

The trend to demand increasingly higher capacity is still present, that is guiding both new deployments and upgrades for existing networks.

Guidance

SAF Tehnika will continue development of new, excellent quality microwave data transmission equipment by offering not only standardized products for general market, but by providing modifications according to specific customer requirements and looking for innovative ideas for application of microwave data transmission competence. Low latency solutions, data transmission in specific climate conditions, spectrum analyzer *Spectrum Compact*, and newly announced spectrum generator are examples of latest innovations. The Group is financially stable. The goal is to regain sales levels which ensures positive net result in a long-term. Due to intense competitive pressure the Board of the SAF Tehnika cannot provide certain prognosis for sales figures and operational results despite positive results of the reporting quarter.

On September 30, 2014 the Group employed 162 people (163 people on September 30, 2013).

KEY indicators

	Q1 2014/15	Q1 2013/14	Q1 2012/13
	EUR	EUR	EUR
Net Sales	3 199 011	3 413 901	2 727 085
Earnings before interest, taxes and depreciation (EBITDA)	276 764	335 687	-20 210
<i>share of the turnover %</i>	9%	10%	-0.7%
Profit/loss before interest and taxes (EBIT)	187 229	233 924	-124 397
<i>share of the turnover %</i>	6%	7%	-5%
Net Profit	285 124	129 956	-171 139
<i>share of the turnover %</i>	9%	4%	-6%
Total assets	12 561 690	11 939 929	12 258 889
Total Owners equity	10 614 176	10 334 311	10 496 836
Return on equity (ROE) %	2.32%	1.09%	-1.40%
Return on assets (ROA) %	2.72%	1.26%	-1.63%
Liquidity ratio			
Quick ratio %	284%	143%	115%
Current ratio %	356%	325%	268%
Earnings per share	0.10	0.04	-0.06
Last share price at the end of period	1.75	2.01	2.29
P/E	18.23	45.85	-39.76
Number of employees at the end of reporting period	162	163	165

Consolidated Statement of Financial Position

As of September 30, 2014

	Note	30.09.2014	30.09.2013
CURRENT ASSETS		EUR	EUR
Cash and bank		5 526 629	2 555 529
Short-term investments	1	0	585 098
Customer receivables	2		
Accounts receivable		1 647 029	2 623 118
Due from joint venture		48 186	47 988
Allowance for uncollectible receivables		-380 296	-533 026
Total		1 314 919	2 138 080
Other receivables			
Other current receivables	3	89 317	83 548
Short-term loans	4	0	310 000
Total		89 317	393 548
Prepaid expenses			
Prepaid taxes		126 022	255 811
Other prepaid expenses		134 485	185 870
Total		260 507	441 681
Inventories	5		
Raw materials		1 023 304	1 126 532
Work-in-progress		1 944 742	1 749 276
Finished goods		1 487 544	1 798 908
Prepayments to suppliers		51 498	91 452
Total		4 507 088	4 766 168
TOTAL CURRENT ASSETS		11 698 460	10 880 104
NON-CURRENT ASSETS			
Long-term financial assets			
Equity-accounted investments		11 231	14 408
Investments in other companies		1 188	1 188
Long-term receivables	2	34 261	31 127
Deferred income tax		98 684	123 194
Total		145 364	169 917
NON-CURRENT physical assets	6		
Plant and equipment		3 257 054	3 262 151
Other equipment and fixtures		1 882 894	1 868 023
Accumulated depreciation		-4 614 444	-4 453 705
Other long-term assets		2 630	0
Total		528 134	676 469
Intangible assets	6		
Purchased licenses, trademarks etc.		189 234	124 691
Other long-term intangible assets		498	88 750
Total		189 732	213 441
TOTAL NON-CURRENT ASSETS		863 230	1 059 827
TOTAL ASSETS		12 561 690	11 939 930

LIABILITIES AND OWNERS' EQUITY	Note	30.09.2014	30.09.2013
CURRENT LIABILITIES		EUR	EUR
Debt obligations			
Short-term loans from financial institutions		8 686	7 255
Customer prepayments for goods and services		272 004	114 551
Accounts payable	7	1 069 914	978 290
Tax liabilities	8	167 450	114 264
Salary-related accrued expenses	9	337 350	350 549
Provisions for guarantees		14 643	16 692
Deferred income		77 467	20 727
Prepaid revenue		0	3 291
TOTAL CURRENT LIABILITIES		1 947 514	1 605 619
OWNERS' EQUITY			
Share capital		4 226 185	4 226 185
Paid in capital over par		2 851 726	2 851 726
Retained earnings		3 252 648	3 125 600
Net profit for the financial year		285 124	129 955
Currency translation reserve		-1 507	845
TOTAL OWNERS' EQUITY		10 614 176	10 334 311
TOTAL LIABILITIES AND OWNERS' EQUITY		12 561 690	11 939 930

Consolidated Statement of Profit or Loss for 3 month of the financial year 2014/2015

	Note	30.09.2014	30.09.2013
		EUR	EUR
Net sales	10	3 199 011	3 413 901
Other operating income		5 455	3 186
Total income		3 204 466	3 417 087
Direct cost of goods sold or services rendered		-1 723 684	-1 913 016
Marketing, advertising and public relations expenses		-118 661	-96 464
Bad receivables	11	-11 009	-26 437
Operating expenses		-240 313	-258 022
Salaries and social expenses	12	-777 252	-744 256
Bonuses and social expenses	12	-37 674	-19 957
Depreciation expense		-89 535	-101 762
Other expenses		-19 109	-23 248
Operating expenses		-3 017 237	-3 183 162
EBIT		187 229	233 925
Financial income (except ForEx rate difference)		556	4 740
Foreign exchange +gain/(loss)		155 598	-96 260
Financial items		156 154	-91 521
Share of profit/(loss) of equity-accounted investees		-573	-6 592
EBT		342 810	135 812
Corporate income tax		-57 686	-5 857
Profit after taxes		285 124	129 955
Net profit		285 124	129 955

*Earnings per share

EPS 30.09.2014. = 0.10 EUR

EPS 30.09.2013. = 0.04 EUR

Consolidated cash flow statement for 3 months of the financial year 2014/2015

	30.09.2014	30.09.2013
	EUR	EUR
CASH GENERATED FROM OPERATIONS (of which)	1 173 461	-270 534
Cash received from customers	4 262 234	3 656 568
Cash paid to suppliers and employees	-3 078 884	-3 956 380
Paid/Received VAT, corporate income tax	-9 889	29 278
NET CASH USED IN INVESTING ACTIVITIES (of which)	-67 542	-73 712
Investment in equity-accounted investees	0	-6 503
Cash paid/received for short-term investments	0	5 484
Cash paid for purchasing non-current physical assets	-67 554	-74 971
Interest received	12	2 278
NET CASH USED IN FINANCING ACTIVITIES (of which)	330 105	93 497
Repayment of short-term loans	178 095	50 000
Cash received from EU funds	152 010	43 497
Effects of exchange rate changes	8 049	-3 019
TOTAL CASH FLOW:	1 444 074	-253 768
Cash and cash equivalents as at the beginning of period	4 082 555	2 809 297
Cash and cash equivalents as at the end of period	5 526 629	2 555 529
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	1 444 074	-253 768

Statement of changes in consolidated equity for the 3 months period ended September 30 2014

	Share capital	Share premium	Currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
As at 30 June 2013	4 226 185	2 851 725	-50	3 125 599	10 203 459
Currency translation difference	-	-	-512	-	-512
Loss for the year	-	-	-	127 049	127 049
As at 30 June 2014	4 226 185	2 851 725	-562	3 252 648	10 329 996
Currency translation difference	-	-	-945	-	-945
Profit for the period	-	-	-	285 124	285 124
As at 30 September 2014	4 226 185	2 851 725	-1 507	3 537 772	10 614 175

Notes for interim report

Note 1 Short-term investments

	30.09.2014	30.09.2013
	EUR	EUR
Short-term investments	<u>-</u>	<u>585 098</u>

Short-term investments consist of deposits with a maturity period of more than 90 days. The Group had no deposits on September 30, 2014.

Note 2 Customer receivables

	30.09.2014	30.09.2013
	EUR	EUR
Long-term receivables	34 261	31 127
Accounts receivable	1 647 029	2 623 118
Due from joint venture	48 186	47 988
Provisions for bad and doubtful accounts receivable	(380 296)	(533 026)
Total accounts receivable	<u>1 314 919</u>	<u>2 138 080</u>
Total receivables	<u>1 349 180</u>	<u>2 169 207</u>

Total receivables decreased by 37% comparing with the previous year reflecting decreased sales volumes. Provisions for doubtful accounts receivable decreased by 28% or 152 thousand EUR as bad debts were regained. Calculations of provisions for bad and doubtful accounts were done according to the Group's provision calculation policy.

Note 3 Other current receivables

	30.09.2014	30.09.2013
	EUR	EUR
Other current receivables	<u>89 317</u>	<u>83 548</u>

Other current receivables include the amounts of calculated co-financing from EU funds for ongoing product development projects. Co-financing is assigned via competence center "LEO pētījumu centrs"(LEO) and will be received when project documentation and results are reviewed and accepted by project sponsor.

Note 4 Loans

	30.09.2014	30.09.2013
	EUR	EUR
Short-term loans	<u>-</u>	<u>310 000</u>

The Parent granted a loan to related party SIA Namīpašumu pārvalde based on a loan agreement. The loan was repaid in full on maturity on July 31, 2014.

Note 5 Inventories

	30.09.2014	30.09.2013
	EUR	EUR
Raw materials	1 582 672	1 689 914
Allowance for slow-moving items	(559 368)	(563 382)
Work-in- progress	1 944 742	1 749 276
Finished goods	1 487 544	1 798 908
Prepayments to suppliers	51 498	91 452
	4 507 088	4 766 168

Inventories in comparison with June 30, 2013 decreased by 5.4%. The main decrease is in finished goods stock as postponed deliveries from previous quarters were executed.

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

	30.09.2014	30.09.2013
	EUR	EUR
Plant and equipment	3 257 054	3 262 151
Other equipment and fixtures	1 880 894	1 868 023
Accumulated depreciation	(4 614 444)	(4 453 705)
Other long term assets	2 630	-
	528 134	676 469
Purchased licenses, trademarks etc.	189 234	124 691
Other long term intangible assets	498	88 750
	189 732	213 441

The Group invested 64 thousand EUR in 3 months of FY 2014/2015 – mainly in testing equipment and IT.

Note 7 Accounts payable

	30.09.2014	30.09.2013
	EUR	EUR
Accounts payable	1 069 914	978 290

Accounts payable has increased by 9.4%.

Note 8 Tax liabilities

	30.09.2014	30.09.2013
	EUR	EUR
Tax liabilities	167 450	114 264

As the Group's financial result was profit the respective Corporate Income liability was accrued.

Note 9 Salary-related accrued expenses

	30.09.2014 EUR	30.09.2013 EUR
Salary-related accrued expenses	337 350	350 549

Salary related accrued expenses decreased by 13 thousand EUR comparing September 30, 2014 and September 30, 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 - CFIP and Freemile (Ethernet/Hybrid/ superPDH systems), *Integra* (Integrated carrier-grade Ethernet microwave radio), *Spectrum Compact* (measurement tools for radio engineers) as the first structural unit and 3rd party products for resale, like Antennas, cables, some OEMed products and accessories as the second unit.

CFIP –product line is represented by:

- 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 industrial applications and rural telecom use.

Freemile 17/24, an all outdoor hybrid radio system to be used in 17 and 24 GHz unlicensed frequency bands and providing Ethernet/E1 interfaces for user traffic

All CFIP radios are offered in most widely used frequency bands from 300MHz to 38 GHz, thus enabling the use of CFIP radios all across the globe. PhoeniX radio represents the type of microwave radio which is still dominating market share point of view.

Integra – is a next generation radio system employing latest modem technology on the market as well as radio technology in an innovative packaging.

Spectrum Compact is the latest product line in SAF's portfolio, it is a measurement tool for field engineers for telecom, broadcasting and other industries using radio technologies. It comprises of a number of units covering several frequency bands and proving various functionality.

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 2014/15 and financial year 2013/14.

	CFM; CFIP; FreeMile		Other		Total	
	2014/15 EUR	2013/14 EUR	2014/15 EUR	2013/14 EUR	2014/15 EUR	2013/14 EUR
Segment assets	4 901 567	5 409 571	1 797 445	2 586 944	6 699 012	7 996 515
Undivided assets					5 862 677	3 943 414
Total assets					12 561 689	11 939 929
Segment liabilities	1 169 240	946 251	444 700	409 013	1 613 940	1 355 264
Undivided liabilities					333 574	250 355
Total liabilities					1 947 514	1 605 619
Net sales	2 381 612	2 495 659	817 399	918 242	3 199 011	3 413 901
Segment results	647 265	709 509	269 342	305 286	916 607	1 014 795
Undivided expenses					-730 420	-827 258
Profit from operations					186 187	187 536
Other income					556	49 695
Financial income/expenses, net					156 640	-94 827
Share of profit/(loss) of equity-accounted investees					-573	-6 592
Profit before taxes					342 810	135 812
Corporate income tax					-57 686	-5 857
Profit after taxes					285 124	129 955
Net profit					285 124	129 955
Other information						
Additions of property plant and equipment and intangible assets	2 226	32 554	0	0	2 226	32 554
Undivided additions					63 938	78 099
Total additions of property plant and equipment and intangible assets					66 164	110 653
Depreciation and amortization	38 742	39 996	93	280	38 835	40 276
Undivided depreciation					50 700	61 486
Total depreciation and amortization					89 535	101 762

b) This note provides information about division of the Group's turnover and assets by geographical regions (customer location) for 3 month of the financial year 2014/15 and financial year 2013/14.

	Net sales		Assets	
	2014/15	2013/14	30.09.2014	30.09.2013
	EUR	EUR	EUR	EUR
Americas	1 883 994	1 173 719	735 913	962 739
Europe, CIS	1 011 709	1 285 454	392 108	413 367
Asia, Africa, Middle East	303 309	954 729	221 160	762 357
	3 199 011	3 413 902	1 349 180	2 138 463
Unallocated assets	-	-	11 212 509	9 801 466
	3 199 011	3 413 902	12 561 689	11 939 929

Note 11 Bad receivables

	30.09.2014	30.09.2013
	EUR	EUR
Bad receivables	11 009	26 437

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. The Group has managed to regain customer's debts who were substantially delayed thus decreasing calculated provisions.

Note 12 Salaries, bonuses and social expenses

	30.09.2014	30.09.2013
	EUR	EUR
Salaries and social expenses	777 252	744 256
Bonuses and social expenses	37 674	19 957
	814 926	764 213

Salaries and social expenses, in comparison with the 3 months period of the previous financial year were increased by 6.64% reflecting increase in fixed salaries for key specialists. Bonuses were paid as specific financial and development targets were reached.