



REDKNEE

Looking Beyond

REDKNEE SOLUTIONS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SECOND QUARTER ENDED MARCH 31, 2014

DATED: May 7, 2014

SCOPE OF ANALYSIS

This Management's Discussion and Analysis (MD&A) covers the results of operations, financial condition and cash flows of Redknee Solutions Inc. (the "Company" or "Redknee") for the three and six-months ended March 31, 2014. This document is intended to assist the reader in better understanding operations and key financial results as they are, in our opinion, at the date of this report.

The MD&A should be read in conjunction with the Unaudited Condensed Consolidated Interim Financial Statements for the three and six-months ended March 31, 2014, which we prepared in accordance with International Financial Reporting Standards ("IFRS").

Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risks and Uncertainties". The condensed consolidated interim financial statements and the MD&A have been reviewed by Redknee's Audit Committee and approved by its Board of Directors.

Unless otherwise indicated, all dollar amounts are expressed in U.S. dollars. In this document, "we," "us," "our," "Company" and "Redknee" all refer to Redknee Solutions Inc. collectively with its subsidiaries.

FORWARD-LOOKING STATEMENTS

Certain statements in this document may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this document, such statements use such words as "may", "will", "expect", "continue", "believe", "plan", "intend", "would", "could", "should", "anticipate" and other similar terminology. These statements reflect current assumptions and expectations regarding future events and operating performance and speak only as of the date of this document. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under the "Risk Factors" section of the Company's the most recently filed Annual Information Form ("AIF") for the year ended September 30, 2013 available on www.sedar.com. Although the forward-looking statements contained in this document are based upon what we believe are reasonable assumptions, we cannot assure investors that our actual results will be consistent with these forward-looking statements. We assume no obligation to update or revise these forward-looking statements to reflect new events or circumstances, except as required by securities law.

OVERVIEW

Redknee is a leading global provider of innovative real-time monetization software products, solutions and services. Redknee's award-winning solutions enable telecommunications service providers to monetize new services, business models and content and to deliver a comprehensive customer experience. Redknee's revenue and subscriber management platform provides innovative converged billing, charging, policy and customer care solutions for voice, messaging and data service to over 200 service providers in over 90 countries. The Company's software products allow mobile, multi-play and other service providers to extend and enhance their capabilities and service offerings, enabling them to introduce new revenue streams and improve customer satisfaction through the introduction of innovative tariffs and loyalty programs, data services, and advanced customer care and subscriber self-care. This is provided by the Company's software products which manage and analyze, in real time, complex and critical network operations, such as service provisioning, network management and customer care, and provide real-time rating, charging and billing. In addition to its deep technical expertise and customer footprint in the telecommunications space, Redknee's highly scalable solutions are also being leveraged in additional verticals, including railways. Established in 1999, Redknee Solutions Inc. (TSX: RKN) is the parent of the wholly-owned operating subsidiary Redknee Inc. and its various subsidiaries.

Redknee provides innovative converged billing, charging, policy and customer care solutions for voice, messaging and data services. The Company derives its revenue from three main geographic areas namely:

1. APAC – Asia and Pacific Rim
2. Americas – North America, South America and Caribbean
3. EMEA – Europe, Middle East and Africa

Redknee's award-winning solutions enable service providers to monetize new services, business models and content and to deliver a comprehensive customer experience. Available on-premise, via the cloud or as a Software-as-a-Service offering, Redknee's highly scalable and agile, end-to-end platform supports the following market solutions:

Converged Billing and Customer Care – Redknee's award-winning cloud-enabled real-time converged billing and customer care platform delivers the benefits of a flexible, end-to-end platform, including real-time converged billing, rating and charging for the operator's data, voice, and messaging services. Today, Redknee's highly scalable solution is supporting more than 100 million subscribers at a single customer and is enabling operators to launch and monetize their 3G and LTE networks and deliver advanced services, including voice-over-LTE (VoLTE), cloud-services and Over the Top offerings. In addition, the fully integrated solution provides advanced customer care and self-care capabilities with the Microsoft Dynamics CRM framework; real-time subscriber promotions and loyalty programs; and transparent and flexible self-care options for prepaid, postpaid and hybrid subscribers.

Policy Management – Redknee's Policy Management solution provides a single solution that enables service providers to take control of network resource usage, assure quality of experience for key users, and offer personalized services and differentiated, service-specific charging. Serving more than 55 operators with a combined customer base of 1.2 billion subscribers, Redknee's Policy Management solution is critical to supporting operator data monetization strategies for real-time applications such as video streaming, interactive gaming and VoLTE. Highlighted by analyst firm Infonetics Research for its

pre-integration with Redknee's real-time charging engine and its Tier 1 customer base, Redknee's Policy Management solution is regarded as one of the industry's leading solutions in the market.

Brand Challenger – Redknee's Brand Challenger solution provides a cloud-based end-to-end converged billing solution for Mobile Network Operators ("MNOs"), Mobile Virtual Network Enablers ("MVNEs") and Mobile Virtual Network Operators ("MVNOs") to launch quickly to the market. Redknee's out-of-the-box solution offers a low risk business model that enables MNOs to launch a second brand, MVNEs to accelerate their growth strategies and MVNOs to improve their differentiation in the market. Redknee launched the Redknee Cloud in the US as part of its strategy to offer Software-as-a-Service and a fully managed service to Tier 1 operators, MVNOs and service providers that want to launch to the market quickly.

Wholesale Settlement – Redknee's Wholesale Settlement is a cloud-based solution that provides operators with greater visibility into network transactions in order to achieve converged settlement and accurate interconnect billing. Redknee's solution helps service providers maximize the value of their network with a comprehensive and cost-effective interconnect, wholesale, roaming, MVNO, franchise management and content settlement software solution.

GSM-R Intelligent Network Solution – Redknee's Intelligent Network solution for GSM-Railway (GSM-R) networks enables Railway Network Operators ("RNOs") to deliver better operational support, increased reliability and higher quality railway communications system for their GSM-R networks. Redknee is the core provider of optimized communication services supporting more than 50 percent of the world's GSM-railway networks, providing advanced functionality to progress their infrastructure, enhance their operational requirements and improve the customer experience they deliver.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets out selected consolidated financial information of Redknee for the periods indicated. Each investor should read the following information in conjunction with those financial statements and related notes. The operating results for any past period are not necessarily indicative of results for any future period. The selected financial information set out below has been derived from the interim consolidated financial statements.

Consolidated Statement of Operations (all amounts in thousands of US\$, except per share amounts) (unaudited)	Three Months Ended March 31		Six Months Ended March 31	
	2014	2013	2014	2013
Revenue				
Software, services and other	47,271	5,753	75,125	14,028
Support	25,162	6,000	57,711	11,962
	72,433	11,753	132,836	25,990
Cost of revenue	37,720	4,533	65,100	9,852
Gross profit	34,713	7,220	67,736	16,138
Operating expenses				
Sales and marketing	9,087	3,693	17,596	6,647
General and administrative	7,668	2,422	15,842	4,819
Research and development	15,953	3,407	30,838	6,606
Acquisition and related costs	2,396	5,903	3,268	8,182
	35,104	15,425	67,544	26,254
Loss from operations	(391)	(8,205)	192	(10,116)
Foreign exchange gain (loss)	583	(1,013)	(555)	(652)
Other income (expense)	6,952	11,797	5,801	11,797
Finance income	9	7	24	19
Finance costs	(812)	(119)	(1,396)	(233)
Income before income taxes	6,341	2,467	4,066	815
Income tax expense (recovery)	1,571	102	2,357	189
Net income for the period	4,770	2,365	1,709	626
Net income per common share				
Basic	\$ 0.05	\$ 0.03	\$ 0.02	\$ 0.01
Diluted	\$ 0.05	\$ 0.03	\$ 0.02	\$ 0.01
Weighted average number of common shares				
Basic (thousands)	98,362	79,841	97,015	77,661
Diluted (thousands)	101,797	83,505	100,465	80,686

Statement of Financial Position Data \$US Thousands (unaudited)	As at March 31,	As at September 30,	\$ Change	% Change
	2014	2013		
Cash, Cash Equivalents and Restricted Cash	115,982	80,066	35,916	45%
Trade Accounts, Other Receivables and Unbilled Revenue	143,859	105,815	38,044	36%
Goodwill and Intangible Assets	43,837	46,371	(2,534)	-5%
Total Assets	331,650	258,046	73,604	29%
Accounts Payable and Accrued Liabilities	77,467	75,240	2,227	3%
Deferred Revenue	15,452	19,085	(3,633)	-19%
Long-Term Debt and Other LT liabilities	62,830	62,142	688	1%
Shareholders' Equity	164,329	97,557	66,772	68%

CURRENT PERIOD OPERATING RESULTS

Revenue

The following tables set forth the Company's revenues by type and as a percentage of total revenue for the periods indicated:

\$US Thousands (unaudited)	Three Months Ended		Six Months Ended	
	March 31 2014	March 31 2013	March 31 2014	March 31 2013
Software & Services	38,818	5,646	61,335	13,103
Support	25,162	6,000	57,711	11,962
Third Party Software & Hardware	8,453	107	13,790	925
Total	72,433	11,753	132,836	25,990

Percentage of Total Revenue (unaudited)	Three Months Ended		Six Months Ended	
	March 31 2014	March 31 2013	March 31 2014	March 31 2013
Software & Services	53%	48%	46%	50%
Support	35%	51%	43%	46%
Third Party Software & Hardware	12%	1%	11%	4%
Total	100%	100%	100%	100%

The Company recognizes revenue from the sale of software licenses, including initial licenses, capacity increases and/or upgrades; professional services; third party hardware and software components and customer support contracts. For the three-month period ended March 31, 2014, with the addition of over 130 new service providers from the BSS acquisition, the Company's revenues have grown to \$72.4 million from \$11.8 million compared to the same period in fiscal 2013. The increase by revenue type for the quarter ended March 31, 2014 is mainly due to a \$33.2 million increase in software and services revenue, an increase of \$19.2 million in support revenue and \$8.3 million increase in third-party software and services revenue. For the six-month period ended March 31, 2014, the Company's revenue increased

to \$132.8 million from \$26.0 million in fiscal 2013. The increase is primarily attributable to the contribution of sales from customers attained through the BSS acquisition.

Software and Services Revenue

Software and services revenue consists of fees earned from the licensing and deployment of software products to our customers, as well as the revenues resulting from consulting and training service contracts related to the software products.

Software and services revenue for Q2 2014 increased to \$38.8 million, or 53% of total revenue, compared to \$5.6 million, or 48% of total revenue for the same period last year. For the six-month period ended March 31, 2014, the Company's software and services revenue increased to \$61.3 million, or 46% of total revenue, compared to \$13.1 million, or 50% of total revenue, for the same period last year. The increase in software and services revenue for the three and six months ended March 31, 2014, as compared to the comparable period in 2013, mainly relates to the impact of additional sales to acquired customers from the BSS acquisition.

Support Revenue

Support revenue consists of revenue from our customer support, subscription and maintenance contracts. These recurring revenue agreements allow customers to receive technical support and upgrades in the case of subscription agreements. Support revenue is generated from such agreements relative to current year sales and the renewal of existing agreements for software licenses sold in prior periods. Typically, support contracts commence for a period of one or more years upon completion of acceptance testing and then renew annually thereafter.

Support revenue for Q2 2014 increased to \$25.2 million, or 35% of total revenue, compared to \$6.0 million, or 51% of total revenue, for the same period last year. For the six-month period ended March 31, 2014, the Company's support and subscription revenue increased to \$57.7 million, or 43% of total revenue, compared to \$12.0 million, or 46% of total revenue, in fiscal 2013. Support revenue for the three and six months ended March 31, 2014, as compared to the comparable period in 2013, increased as a result of new customers acquired from the BSS acquisition.

Third Party Software and Hardware Revenue

Third-party software and hardware revenue consists of revenue from the sale of other vendor's hardware and software components as part of Redknee's solutions, including server platforms, database software and other ancillary components.

Third-party software and hardware revenue for Q2 2014 increased to \$8.5 million, or 12% of total revenue, compared to \$0.1 million, or 1% of total revenue, for the same period last year. For the six-month period ended March 31, 2014, the Company's support and subscription revenue increased to \$13.8 million, or 11% of total revenue, compared to \$0.9 million, or 4% of total revenue, in fiscal 2013. The increase in third party revenue for the three and six months ended March 31, 2014, as compared to the comparable period in 2013, is mainly due to fulfilment of third party hardware and software required for large capacity increases for customers in the APAC region.

Revenue by Geography

Revenue is attributed to geographic locations based on the location of the customer. The following tables set forth revenues by main geographic area and as a percentage of total revenue for the periods indicated:

\$US Thousands (unaudited)	Three Months Ended		Six Months Ended	
	March 31		March 31	
	2014	2013	2014	2013
Asia and Pacific Rim	20,344	3,127	41,949	7,084
North America, South America and Caribbean	6,512	5,207	13,777	10,587
Europe, the Middle East and Africa	45,577	3,419	77,110	8,319
Total	72,433	11,753	132,836	25,990

Percentage of Total Revenue (unaudited)	Three Months Ended		Six Months Ended	
	March 31		March 31	
	2014	2013	2014	2013
Asia and Pacific Rim	28%	27%	32%	27%
North America, South America and Caribbean	9%	44%	10%	41%
Europe, the Middle East and Africa	63%	29%	58%	32%
Total	100%	100%	100%	100%

For Q2 2014, revenue from the APAC region increased to \$20.3 million, or 28% for total revenue, compared to \$3.1 million, or 27% of total revenue for Q2 2013. For the six-month period ended March 31, 2014, revenue from the APAC region increased to \$41.9 million, or 32% of total revenue, compared to \$7.1 million, or 27% of total revenue, for the same period last year. The increase mainly relates to the impact of revenue in APAC from the BSS acquisition.

For Q2 2014, revenue from the Americas region increased by 25% to \$6.5 million, or 9% of total revenue, compared to \$5.2 million, or 44% of total revenue, for Q2 2013. For the six-month period ended March 31, 2014, revenue from the Americas region increased by 30% from \$10.6 million, or 41% of total revenue, in fiscal 2013 compared to \$13.8 million, or 10% of total revenue, in fiscal 2014. The acquisition of the BSS business unit added multiple Tier-1 operators from across the globe, the majority in Europe, the Middle East, Africa and Asia Pacific and did not significantly impact the Americas region.

For Q2 2014, revenue from the EMEA region increased to \$45.6 million, or 63% for total revenue, compared to \$3.4 million, or 29% of total revenue for Q2 2013. For the six-month period ended March 31, 2014, revenue from the EMEA region increased to \$77.1 million, or 58% of total revenue, compared to \$8.3 million, or 32% of total revenue, for the same period last year. The increase mainly relates to the impact of revenue in EMEA from the BSS acquisition.

Cost of Revenue and Gross Margin

Cost of revenue consists of the expense of personnel providing professional services to implement and provide post sales technical support for our solutions, and the costs of third party hardware and software components sold as part of Redknee's solution. In addition, it includes an allocation of certain direct and indirect costs attributable to these activities.

For the second quarter of fiscal 2014, cost of revenue increased to \$37.7 million, from \$4.5 million incurred for the same period in 2013. The increase in cost of sales reflects the increase in the Company's revenue related to the BSS acquisition.

The gross margin for the second quarter of fiscal 2014 was 48%, as compared to 61% for the second quarter of 2013. For the six-month period ended March 31, 2014, the gross margin was 51%, as compared to 62% for the same period in 2013. The decrease in gross margin for the periods presented is driven by the following factors: a change in revenue mix resulting in a higher percentage of third party hardware and software revenue which has lower margins, and lower margins on support contracts of the acquired BSS business.

Operating Expenses

Total operating expenses (excluding depreciation and amortization) in the second quarter of fiscal 2014 increased to \$31.9 million, as compared to \$15.2 million for the same period last year. This includes acquisition costs of \$2.4 million and \$5.9 million, respectively. Excluding depreciation, amortization, and acquisition costs, total operating costs in the second quarter of fiscal 2014 were \$29.5 million, or 41% of total revenue, compared to \$9.3 million, or 79% of total revenue, for the same period last year.

Total operating expenses (excluding depreciation and amortization) for the six-month period ended March 31, 2014 increased to \$61.1 million, as compared to \$25.7 million for the same period last year. This includes acquisition costs of \$3.3 million and \$8.2 million, respectively. Excluding depreciation, amortization, and acquisition costs, total operating costs in the six-month period ended March 31, 2014 were \$57.8 million, or 44% of total revenue, compared to \$17.6 million, or 68% of total revenue, for the same period last year.

The increase in overall operating expenses (excluding depreciation, amortization, and acquisition costs), is primarily due to the impact of additional headcount and other operational costs associated with the acquired BSS business.

The following tables set forth total operating expenses by function and as a percentage of total revenue for the periods indicated:

\$US Thousands (unaudited)	Three Months Ended		Six Months Ended	
	March 31		March 31	
	2014	2013	2014	2013
Sales and Marketing	9,087	3,693	17,596	6,647
General and Administrative	7,668	2,422	15,842	4,819
Research and Development	15,953	3,407	30,838	6,606
Acquisition and Related Costs	2,396	5,903	3,268	8,182
Total Operating Expenses	35,104	15,425	67,544	26,254
<i>Excluding Amortization</i>	<i>31,917</i>	<i>15,154</i>	<i>61,064</i>	<i>25,746</i>

Percentage of Total Revenue (unaudited)	Three Months Ended		Six Months Ended	
	March 31		March 31	
	2014	2013	2014	2013
Sales and Marketing	13%	31%	13%	26%
General and Administrative	11%	21%	12%	19%
Research and Development	21%	29%	24%	25%
Acquisition and Related Costs	3%	50%	2%	31%
Total Operating Expenses	48%	131%	51%	101%
<i>Excluding Amortization</i>	<i>44%</i>	<i>129%</i>	<i>46%</i>	<i>99%</i>

Sales and Marketing Expenses

Sales and Marketing (“S&M”) expenses consist primarily of salaries, variable compensation costs and other personnel costs, travel, advertising, marketing and conference costs plus the allocation of certain overhead costs to support the Company’s sales and marketing activities.

For the second quarter of fiscal 2014, S&M expenditures increased by \$5.4 million to \$9.1 million from the \$3.7 million incurred during the same period last year. As a percentage of total revenue, S&M expenses decreased to 13%, as compared to 31% for the same period last year. For the six-month period ended March 31, 2014, S&M expenditures increased to \$17.6 million, or 13% of total revenue, compared to \$6.6 million, or 26%, for the same period last year. This increase is primarily attributable to higher headcount costs as a result of the BSS acquisition and hiring to increase sales headcount.

General and Administrative Expenses

General and administrative (“G&A”) expenses consist of the Company’s corporate and support activities such as finance, human resources, information technology, and professional costs associated with tax, accounting, and legal expenditures. Certain overhead costs such as facilities, communications and computer costs are allocated to G&A and the other departments on a per headcount basis.

For the second quarter of fiscal 2014, G&A expenditures increased to \$7.7 million from \$2.4 million in 2013. As a percentage of total revenue, G&A decreased to 11% from 21%, compared to same period

last year. For the six-month period ended March 31, 2014, G&A expenditures increased to \$15.8 million, or 12% of total revenue, from \$4.8 million, or 19% of total revenue, in fiscal 2013. The increase in G&A is mostly due to higher operational costs as a result of the BSS acquisition, including increased intangible amortization costs.

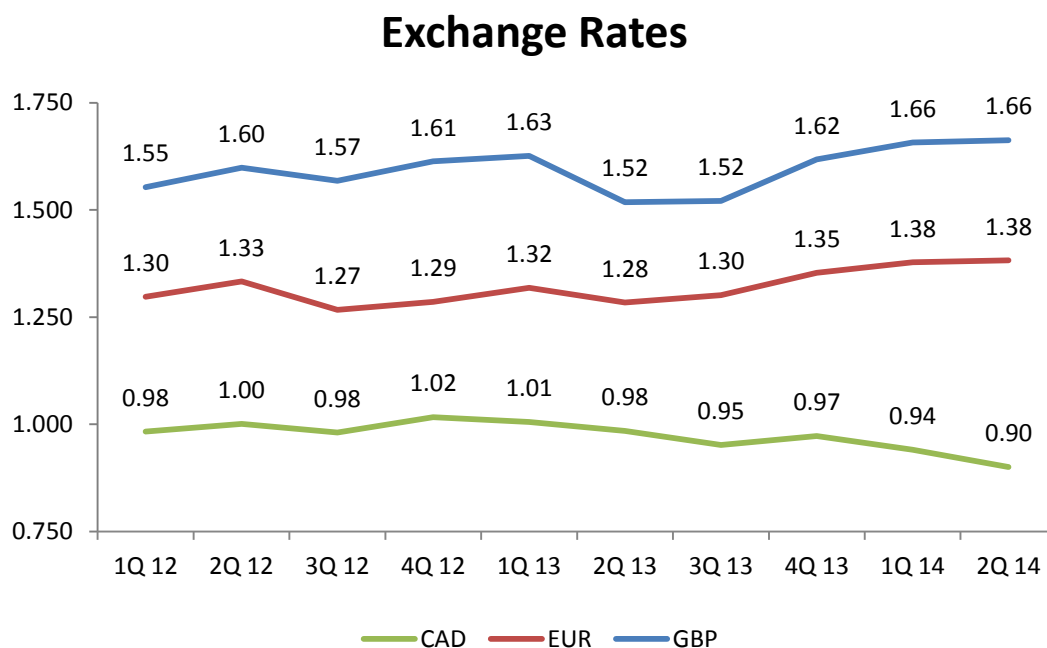
Research and Development Expenses

Research and development expenses consist primarily of personnel costs associated with product management and the development and testing of new products plus the allocation of certain overhead costs.

For the second quarter of fiscal 2014, R&D expenditures increased to \$16.0 million, as compared to \$3.4 million for the same period last year. As a percentage of total revenue, R&D expenditures decreased to 21% for Q2 2014 from 29% in Q2 2013. For the six-month period ended March 31, 2014, R&D expenditures increased to \$30.8 million, as compared to \$6.6 million for the same period last year. As a percentage of total revenue, R&D expenditures decreased slightly to 24% from 25% in the same period last year. The increase in fiscal 2014 is mainly due to the increase in full time and contractor headcount and associated costs as a result of the BSS acquisition to accelerate the integration of the product portfolios.

Foreign Exchange Gain/Loss

We operate internationally and have foreign currency risks related to our revenue, operating expenses, assets and liabilities denominated in currencies other than the U.S. dollar. Consequently, movements in the foreign currencies in which we transact could significantly affect future net earnings. Currently, we do not use hedging techniques to mitigate such currency risks. The graph below displays the change in rates relative to the U.S. dollar.



Source: Bank of Canada

For the quarter ended March 31, 2014, the Company recognized a foreign currency exchange gain of \$0.6 million, compared to a foreign currency exchange loss of \$1.0 million in the same period of fiscal 2013.

For the six-month period ended March 31, 2014, the Company recognized a foreign currency exchange loss of \$0.6 million, compared to a foreign currency exchange loss of \$0.7 million in the same period of fiscal 2013. The loss for the six-month period ended March 31, 2014 was primarily due to the Canadian dollar weakening relative the U.S. dollar, partially offset by the Euro and GBP strengthening relative to the U.S. dollar.

Finance Costs

On April 1, 2013, the Company entered into an amended and restated credit agreement with Wells Fargo to add to its existing senior secured credit facility with two new term loan facilities in the amount of \$15.0 million each, for a total credit facility of \$50.0 million. As at March 31, 2014, \$49.4 million (September 30, 2013 – \$35.9 million) is outstanding and interest is payable monthly over the term of five years. The Company incurred \$2.0 million of transaction costs and has recorded these costs as deferred costs that are being amortized over the expected five-year term of the loans using the effective

interest rate method. During the three and six months ended March 31, 2014, \$0.2 million and \$0.3 million was amortized, respectively (three and six months ended March 31, 2013 - nil and nil, respectively).

The Company uses the credit facilities for working capital, general corporate purposes and capital expenditures. The credit facilities are secured by the assets of Redknee Inc., Redknee Solutions (UK) Limited ("Redknee UK") and Redknee Germany GmbH ("Redknee Germany"). The Company, Redknee UK, and Redknee Germany have guaranteed the obligations of Redknee Inc. The Company's guarantee is secured by a pledge of all of its shares in Redknee Inc.

Share-Based Compensation

Stock options granted during the second quarter ended March 31, 2014 totaled nil (2013 – nil). Stock options granted during six months ended March 31, 2014 totaled 973,751 (2013 – 325,000). The share-based compensation relating to the Company's stock options, deferred share unit plan and restricted shares under the restricted share plan during the second quarter of fiscal 2014 was \$0.5 million compared to \$0.5 million in the same period last year. The share-based compensation relating to the Company's stock options, deferred share unit plan and restricted shares under the restricted share plan during the six months ended March 31, 2014 was \$1.2 million compared to \$0.9 million in the same period last year.

Income Taxes

The current income tax provision is management's estimate of current taxes owing by the Company's foreign subsidiaries. Income tax expense has increased as a result of the BSS acquisition and expansion of the business in the foreign subsidiaries.

The Company's income tax expense for the six-month period ended March 31, 2014 includes \$1.5 million (2013 - \$0.1 million) of corporate tax expense incurred by foreign subsidiaries generating taxable profits and \$0.8 million (2013 - \$0.1 million) of foreign withholding taxes.

SUMMARY OF RESULTS

All financial results are in thousands, unless otherwise stated, with the exception of per share amounts. The table below provides summarized information for our eight most recently completed quarters:

\$ Thousands (unaudited)	2Q 14	1Q 14	4Q 13	3Q 13	2Q 13	1Q 13	4Q 12	3Q 12
Revenue	\$72,433	\$60,403	\$57,437	\$58,620	\$11,753	\$14,237	\$14,536	\$14,847
Net Income (Loss)	\$ 4,770	\$(3,061)	\$(970)	\$ 80	\$ 2,365	\$(1,739)	\$ 1,873	\$ 1,739
Basic Income (Loss) per Share	\$ 0.05	\$(0.03)	\$(0.01)	\$ -	\$ 0.03	\$(0.02)	\$ 0.03	\$ 0.03
Diluted Income (Loss) per Share	\$ 0.05	\$(0.03)	\$(0.01)	\$ -	\$ 0.03	\$(0.02)	\$ 0.03	\$ 0.03
Weighted average shares outstanding – Basic	98,362	95,529	95,030	80,728	79,841	75,446	64,790	64,142
Weighted average shares outstanding - Diluted	101,797	95,529	95,030	84,548	83,505	75,446	65,949	65,104

TRADE ACCOUNTS AND OTHER RECEIVABLES

The Company's Days Sales Outstanding in Accounts Receivable ("DSO") is 101 days as at March 31, 2014 compared to normalized 100 days as of September 30, 2013. Redknee calculates its DSO based on the annualized revenue and the trailing four quarterly average accounts receivable balances. In order to minimize the risk of loss for trade receivables, the Company's extension of credit to customers involves review and approval by senior management, as well as progress payments as contracts are performed. Credit reviews take into account the counterparty's financial position, past experience and other factors. Management regularly monitors customer credit limits. The Company believes that the concentration of credit risk from trade receivables is limited, as they are widely distributed among customers in various countries.

While the Company's credit controls and processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk and there can be no assurance that these controls will continue to be effective or that the Company's low credit loss experience will continue. Most sales are invoiced with payment terms in the range of 30 to 90 days. The Company reviews its trade receivable accounts regularly and reduces amounts to their expected realizable values by making an allowance for doubtful accounts, as soon as the account is perceived not to be fully collectible.

The Company's trade and other receivables had a carrying value of \$97.1 million as at March 31, 2014 comprised of \$88.5 million for Trade receivables, net of allowance for doubtful accounts, and \$8.6 million for other receivables mainly relating to receivables acquired as part of the BSS business. Subsequent to March 31, 2014, the Company has collected \$35.2 million against the trade receivables.

The allowance for doubtful accounts as at March 31, 2014 was \$2.6 million, compared to \$2.1 million as at September 30, 2013. Bad debt is charged to general and administrative expense. Estimates for allowance for doubtful accounts are determined by a customer-by-customer evaluation of collectability at each consolidated statements of financial position reporting date, taking into account the amounts that are past due and any available relevant information on the customers' liquidity and ability to pay.

UNBILLED REVENUE

Unbilled revenue represents revenue that has been earned but not billed. Redknee operates in an industry where contract prices are fixed and payments are often based on billing milestones. All services provided from inception are due and payable under the contract terms. Differences between the timing of billings, based upon billing milestones or other contractual terms, and the recognition of revenue are recognized as either unbilled revenue or deferred revenue. Revenue recognized in advance of contractual billings is recorded as unbilled revenue.

A typical implementation project recognizes revenue on a percentage of completion basis. This revenue results in unbilled revenue until the customer is invoiced. Based on Redknee's contracts, the customer is invoiced upon the completion of defined milestones, and/or required customer acceptance. Delays in the completion of a billing milestone does not indicate that the contract is on hold or that the customer is unwilling to pay its contracted fee. Historically, Redknee has not written-off any unbilled revenue balances, and its bad debt write-offs on accounts receivable remain low.

Unbilled revenue increased to \$46.8 million at March 31, 2014, as compared to \$39.4 million as at September 30, 2013. The increase is mainly attributable to higher revenue in Q2 2014 and certain arrangements that have a longer implementation period, compared to previous quarters.

OTHER ASSETS

Other assets decreased to \$3.4 million at March 31, 2014 from \$4.0 million at September 30, 2013. The Company recognized upfront direct costs related to future activity on three customer contracts as an asset as it is probable that these assets will be recovered through future minimum contractual payment terms. The costs are being amortized over the pattern of recognition of the related contract revenues. During the three and six months ended March 31, 2014, \$0.3 million and \$0.6 million was amortized, respectively (three and six months ended March 31, 2013 - \$0.1 million and \$0.1 million, respectively).

INTANGIBLE ASSETS

The Company allocated an amount of \$38.3 million to intangible assets acquired in the BSS acquisition, including customer relationships and developed technology, based on their fair values at the date of purchase. These intangible assets will be amortized over their estimated useful lives which is in the range of five to ten years. The useful lives of the intangible assets are determined as the period of time over which the assets are anticipated to contribute to the Company's future cash flows. It is expected that the intangible assets will be deductible for tax purposes.

DEFERRED REVENUE

Deferred revenue represents revenue that has been billed in accordance with the terms of the contract but where the criteria for revenue recognition has not been met. Redknee operates in an industry where contract prices are fixed and payments are based on billing milestones. All services provided from inception are due and payable under the contract terms. Differences between the timing of billings, based upon billing milestones or other contractual terms, and the recognition of revenue are recognized as either unbilled revenue or deferred revenue.

Deferred revenue decreased to \$15.5 million at March 31, 2014, as compared to \$19.1 million at September 30, 2013.

LIQUIDITY AND CAPITAL RESOURCES

The Company's objective in managing capital is to ensure sufficient liquidity to drive its organic growth, fund operations and undertake selective acquisitions, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company currently funds its operations, changes in non-cash working capital and capital expenditures from internally generated cash flows and cash on hand.

The table below outlines a summary of cash inflows and outflows by activity.

Statement of Cash Flows Summary (\$ US Thousands) (Unaudited)	Three Months Ended		Six months ended	
	March 31, 2014	2013	March 31, 2014	2013
Cash inflows and (outflows) by activity:				
Operating activities	(22,332)	(5,602)	(38,979)	(9,492)
Investing activities	(1,706)	(4,896)	(2,950)	(5,308)
Financing activities	67,851	545	77,882	19,459
Effect of foreign currency exchange rate changes on cash and cash equivalents	(158)	(489)	(204)	(555)
Net cash inflows (outflows)	43,655	(10,442)	35,749	4,103
Cash and cash equivalents, beginning of period	71,149	31,424	79,055	16,879
Cash and cash equivalents, end of period	114,804	20,982	114,804	20,982

Cash from Operating Activities

Cash used by operating activities was \$22.3 million in the three months ended March 31, 2014, compared to \$5.6 million for the same period last year. Cash used by operating activities was \$39.0 million in the six months ended March 31, 2014, compared to \$9.5 million for the same period last year. The use of cash in both periods is mostly attributed to an increase in accounts receivables and unbilled revenue, partially offset by an increase in accounts payable.

Working capital represents the Company's current assets less its current liabilities. The Company's working capital balance increased to \$170.4 million as at March 31, 2014, as compared to \$100.1 million at September 30, 2013. This increase is mainly attributed to an increase in cash, trade and other receivables.

Cash from Financing Activities

In the second quarter of fiscal 2014, cash provided by financing activities was \$67.9 million, compared to \$0.5 million in Q2 2013. The source of cash relates to bought deal common share financing and the proceeds of the term loan in the second quarter of 2014.

For the six months ended March 31, 2014, cash provided by financing activities was \$77.9 million, compared \$19.5 million during the same period in 2013. The source of cash relates to bought deal

financing in the second quarter of 2014, and the proceeds of the term loan in the first and second quarter of 2014.

Cash from Investing Activities

Cash used for investing activities during the quarter ended March 31, 2014 was \$1.7 million, compared to \$4.9 million in 2013. For the six months ended March 31, 2014, cash used for investing activities was \$3.0 million, compared to \$5.3 million in 2013. The use of cash in the first two quarters of 2014 relates to the purchase of property and equipment and software. The use of cash in 2013 primarily relates to \$4.6 million paid for the acquisition of the BSS business and the purchase of property, equipment and software.

BUSINESS ACQUISITION

On March 29, 2013, the Company acquired Nokia Networks' BSS business. Nokia Networks' BSS business provided real-time charging, rating, policy and customer care solutions to more than 130 communication service providers. The completion of this acquisition marks a significant milestone in Redknee's long-term growth strategy by adding strong long-standing relationships with multiple Tier-1 operators from across the globe.

The acquisition involved the purchase of certain assets and obligations, which include Nokia Networks' BSS customer and supplier contracts, intellectual property rights, tangible assets and associated liabilities, along with the transfer of BSS employees. The acquisition has been accounted for as a business combination under the purchase method. The results of operations of the BSS business since the date of acquisition have been consolidated.

The Company completed the purchase price allocation as at September 30, 2013. The details of the acquisition are disclosed in note 5 of the 2013 financial statements.

(a) Contingent consideration:

Redknee financed the transaction through a combination of cash and debt facilities. The consideration for the BSS business was €15.0 million base amount; plus the net working capital balance, as defined; less an adjustment for non-German pension liabilities.

In addition to the purchase price, the Company agreed to pay additional consideration of up to a maximum of €25.0 million for certain performance-based cash earn-outs over the next 12 to 48 months post-closing.

The fair value of the contingent consideration has been calculated by using probabilities-based outcomes. Subsequent changes in the estimated fair value are recorded in the statement of comprehensive income. The fair value of the contingent consideration liability was \$19.0 million as at March 31, 2014 (\$24.8 million as at September 30, 2013). For the three and six months ended March 31, 2014, the re-measurement benefit of \$7.0 million and \$5.8 million, respectively, (three and six months ended March 31, 2013 – \$nil and \$nil, respectively) was recorded as Other income to reflect changes in the fair value.

(b) Other items:

During the three and six months ended March 31, 2014, the Company incurred acquisition and related costs of \$2.4 million and \$3.3 million, respectively, (three and six months ended March 31, 2013 – \$5.9 million and \$8.2 million, respectively), which included expenses for legal, professional, restructuring and other costs. These costs have been presented separately as acquisition and related costs in the consolidated statements of comprehensive income.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Long Term Debt and Credit Facilities

The Company previously had a senior secured credit facility with Wells Fargo Capital Finance, part of Wells Fargo & Company (“Wells Fargo”) which provided for a revolving line of credit for up to \$20.0 million.

On April 1, 2013, the Company entered into an amended and restated credit agreement with Wells Fargo to add to its existing senior secured credit facility with two new term loan facilities in the amount of \$15.0 million each, for a total credit facility of \$50.0 million.

The Company uses the credit facilities for working capital, general corporate purposes, and capital expenditures and for potential acquisitions. The credit facilities are secured by the assets of Redknee Inc., Redknee Solutions (UK) Limited ("Redknee UK") and Redknee Germany GmbH ("Redknee Germany"). The Company, Redknee UK, and Redknee Germany have guaranteed the obligations of Redknee Inc. The Company's guarantee is secured by a pledge of all of its shares in Redknee Inc.

As at March 31, 2014, \$49.4 million (September 30, 2013 – \$35.9 million) is outstanding and interest is payable monthly over the term of five years. The Company incurred \$2.0 million of transaction costs and has recorded these costs as deferred costs that are being amortized over the expected five-year term of the loans using the effective interest rate method. During the three and six months ended March 31, 2014, \$0.2 million and \$0.3 million was amortized, respectively (three and six months ended March 31, 2013 - nil and nil, respectively).

Interest is at LIBOR plus an applicable margin which was 4.5% at March 31, 2014 and September 30, 2013.

LIBOR is defined to have a floor of no less than 1.25% which has been determined to be an embedded derivative. The fair value of the embedded derivative liability is estimated at \$1.0 million at March 31, 2014 (September 30, 2013 - \$0.9 million), using the assumption that the expected repayment of revolver will be at maturity and repayment of the term loan is per the repayment terms. The change in fair value of \$0.1 million and \$0.2 million for the three months and six months ended March 31, 2014 (three and six months ended March 31, 2013 - \$nil and \$nil, respectively) was recorded to the finance costs in the condensed consolidated interim statements of comprehensive income. The embedded derivative liability was included in other liabilities in the condensed consolidated interim statement of financial position.

The Company is required to comply with certain financial and non-financial covenants that exist under the agreement, which, if violated, could result in the amounts borrowed being due and payable to the

lender on demand. The Company has assessed its debt covenants as at March 31, 2014 and determined it is in compliance.

For the three and six months ended March 31, 2014, interest expense in connection with loans payable of \$0.7 million and \$1.3 million, respectively, (three and six months ended March 31, 2013 - \$0.1 million and \$0.2 million, respectively) has been recognized in the condensed consolidated interim statements of comprehensive income.

MANAGEMENT OF CAPITAL

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its growth strategy, fund research and development and undertake selective acquisitions, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is composed of share capital and credit used plus credit available under certain credit facilities, which assist in financing (i) acquisitions and/or (ii) working capital requirements. The Company's primary uses of capital are financing its operations, increases in non-cash working capital, capital expenditures, debt repayments and acquisitions. The Company currently funds these requirements from cash flows from operations, cash raised through past share issuances, and lines available under certain credit facilities. The Company's objectives when managing capital are to ensure that the Company will continue to have enough liquidity so it can provide services to its customers and increase shareholder value. Management monitors its compliance with financial and non-financial covenants imposed by loan agreements on a quarterly basis. The Company has complied with all externally imposed capital requirements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures within the Company have been designed to provide reasonable assurance that all relevant information is identified and passed to its Disclosure Committee to ensure appropriate and timely decisions are made regarding public disclosure.

Internal controls over financial reporting have been designed by management, with the participation of the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), to provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparation of financial statements for external purposes in accordance with IFRS.

Changes in Internal Controls over Financial Reporting

The Company has substantially integrated the operations of the acquired BSS business, which involved, amongst other things, transitioning of employees in various countries to Redknee subsidiaries and branches, finalization of customer contract delivery arrangements and assumption of key facilities and infrastructure. Consequently, management has designed and implemented internal controls over financial reporting that have been impacted by this acquisition. Other than the foregoing, there have been no changes to the Company's internal controls over financial reporting during the three and six months ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

ACCOUNTING CHANGES AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

(a) New standards and interpretations adopted

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IAS 27 (2008) survives as IAS 27 (2011) Separate Financial Statements, only to carry forward the existing accounting requirements for separate financial statements.

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008).

The Company adopted IFRS 10 for the annual period beginning on October 1, 2013. IFRS 10 did not have a material impact on the condensed consolidated interim financial statements.

IFRS 11 Joint Arrangements

Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

The Company adopted IFRS 11 for the annual period beginning on October 1, 2013. IFRS 11 did not have a material impact on the condensed consolidated interim financial statements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows.

The Company adopted IFRS 12 for the annual period beginning on October 1, 2013. The amendments did not have a material impact on the condensed consolidated interim financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other.

The Company adopted IFRS 13 prospectively in its interim and annual financial statements beginning on October 1, 2013. IFRS 13 did not have a material impact on the condensed consolidated interim financial statements other than the inclusion of certain fair value disclosures which were previously applicable to annual financial statements only as included in note 12

Amendments to IAS 19 Employee Benefits

The amendments require the following:

- Recognition of actuarial gains and losses immediately in other comprehensive income
- Full recognition of past service costs immediately in profit or loss
- Recognition of expected return on plan assets in profit or loss to be calculated based on the rate used to discount the defined benefit obligation
- Additional disclosures that explain the characteristics of the entity's defined benefit plans and risks associated with the plans, as well as disclosures that describe how defined benefit plans may affect the amount, timing and uncertainty of future cash flows, and details of any asset-liability match strategies used to manage risks.

The amendments also impact termination benefits, which would now be recognized at the earlier of when the entity recognizes costs for a restructuring within the scope of IAS 37 Provisions, and when the entity can no longer withdraw the offer of the termination benefits.

The Company adopted the amendments in its financial statements for the annual period beginning on October 1, 2013. The amendments to IAS 19 did not have a material impact on the condensed consolidated interim financial statements.

Amendments to IFRS 7, Offsetting Financial Assets and Liabilities

IFRS 7 has been amended to include additional disclosure requirements for financial assets and liabilities that can be offset in the statement of financial position.

The Company adopted the amendments to IFRS 7 in its interim and annual financial statements beginning on October 1, 2013. The adoption did not have a material impact on the condensed consolidated interim financial statements.

PATENT PORTFOLIO

As part of Redknee's commitment to R&D to maintain its position as a key industry innovator in the real-time BSS software space, the Company currently has a portfolio of patents comprising over 55 filed and over 175 granted. To date we have not initiated any action with respect to assertions and/or claims of patent infringement.

OUTSTANDING SHARE DATA

The current number of common shares outstanding, including treasury stock of 23,524, as at March 31, 2014 is 108,879,109. In addition, there were 5,135,143 stock options outstanding with exercise prices ranging from \$0.23 CAD to \$6.30 CAD per share.

CAPITAL STOCK

(a) Bought Deal Financing

On March 13, 2014, the Company completed an offering of 12,820,520 common shares (the "Common Shares") of the Company at a price of Cdn. \$5.85 per Common Share (the "Offering Price") for aggregate gross proceeds of \$67.5 million (Cdn. \$75.0 million) (the "Offering").

The Offering was completed on a bought deal basis and was underwritten by a syndicate of underwriters led by GMP Securities L.P., and Canaccord Genuity Corp. (collectively, the "Underwriters").

The Common Shares were offered by way of a short form prospectus filed in all provinces of Canada.

Transaction costs directly associated with this issuance of shares of \$3.7 million (Cdn. \$3.8 million) have been recognized as a reduction of the proceeds.

(b) Treasury Stock

During the year ended September 30, 2013, the Company paid \$0.7 million to a trustee to purchase 568,906 of the Company's common shares in the open market to satisfy the delivery of common shares under its equity-based compensation plans. No additional purchases were made in six months ended March 31, 2014 (2013 – nil). The Company classifies these shares as treasury stock until they are delivered pursuant to the terms of the awards.

During the six months ended March 31, 2014, 81,602 shares with a cost of \$0.1 million have been issued (2013 – 71,845 shares with a cost of \$0.1 million). As at March 31, 2014, the remaining number of treasury shares held by the Company are 23,524, with a cost of \$0.0 million (September 30, 2013 – 138,793 with a cost of \$0.2 million).

RISK FACTORS

As previously discussed, many factors could cause the actual results of Redknee to differ materially from the results, performance, achievements or developments expressed or implied by such forward-looking statements, including, without limitation, each of the following factors, which are further discussed in the section of the Company's Annual Information Form (AIF) entitled Risk Factors:

- Currency fluctuations may adversely affect the Company
- Software Defects
- Customer Credit Risk
- Defects in components or design of the Company's solutions could result in significant costs to the Company and could impair its ability to sell its solutions
- The Company's lengthy and variable sales cycle makes it difficult for it to predict its operating results
- The Company relies on a small number of customers for a large percentage of its revenue
- Technological Change
- Economic and geopolitical uncertainty may negatively affect the Company
- Maintaining Business Relationships
- Product Liability
- System Failures and Breaches of Security
- Integration Risk

Furthermore, the BSS business acquired by Redknee is subject to the risk factors to which the current business of Redknee is subject, as discussed under the "Risk Factors" section of Redknee's most recently filed AIF. In addition to such risk factors, Redknee and the acquired BSS business is subject to the risk factors set forth in this section. If any of the risks set forth in Redknee's most recently filed AIF or set forth in this section actually occur, the Company's business including the acquired BSS business may be harmed and its financial condition and results of operations may suffer significantly. In that event, the trading price of its common shares could decline, and an investor may lose all or part of his, her or its investment.

The extent of operations of the acquired BSS business conducted in foreign countries may expose Redknee to significant risks.

Redknee's current business is operated in numerous foreign countries that, as indicated in Redknee's most recently filed Annual Information Form, expose it to a number of risks. The BSS business acquired by Redknee is conducted in approximately 90 countries, and significantly increases the extent to which Redknee's aggregate business is exposed to such risks, which could materially adversely affect Redknee's business or operating results.

Post-closing events contemplated by the Agreement may not happen in a timely manner, or at all.

It is contemplated that the remaining assets and employee contracts are to be transferred to Redknee by Nokia Networks by March 2015. While Redknee expects such transfers to occur within this timeframe, there can be no guarantee that such transfers will occur by March 2015, or at all. If such transfers do not occur, Redknee may not achieve the expected financial and other benefits of the Acquisition and may be required to hire other qualified personnel, who may not be available or available on employment terms commensurate with the employee contracts that were to have been transferred.

In addition, pursuant to the terms of the Agreement, Nokia Networks is entitled to terminate any contract that has not been transferred, or in the case of Shared Contracts, replaced with a new contract between the customer or supplier and Redknee by March 2015. If Nokia Networks were to terminate any of these contracts, there is no guarantee that Redknee would be able to enter into an agreement with any of these customers or suppliers, which could have a material adverse effect on Redknee's revenues, and consequently Redknee's business, operating results and financial condition.

Redknee may have difficulties maintaining or growing the BSS business.

The BSS business may sell products or provide services that Redknee has limited experience operating or managing. Redknee may experience unanticipated challenges or difficulties maintaining the BSS businesses at their current levels or growing the BSS business. Factors that may impair Redknee's ability to maintain or grow the BSS business, its customers and personnel may include, but are not limited to:

- Challenges in integrating the BSS business with Redknee's business;
- Risks relating to any default by Nokia Networks of its obligations under the Agreement and agreements entered into pursuant to the Agreement, and the Shared Contracts, whether pursuant to financial difficulty, unforeseen external events or otherwise;
- Loss of customers of, and/or suppliers to, the BSS business;
- Risk relating to infringement of third party intellectual property rights by software of the BSS business;
- Non-compatible business cultures;
- Difficulties in gaining necessary approvals in international markets to expand the BSS business as contemplated;
- Additional demands on resources, systems, procedures and controls; and
- Dealing with unfamiliar laws, customs and practices in foreign jurisdictions.

In addition, Redknee may not have identified all risks or have fully assessed risks identified with the Acquisition. There is also a risk that the expected benefits of the Acquisition may not be achieved in the expected timeframe or to the extent expected. The individual or combined effect of these risks could have a material adverse effect on Redknee's business, operating results and financial condition.

Issues relating to employees of the BSS business may adversely affect Redknee.

Certain of the employees of the BSS business whose employment agreements are contemplated by the Agreement to be assumed by Redknee may refuse to accept employment by Redknee or its subsidiary in the jurisdiction in which the employee provides services to the BSS business, and otherwise may be entitled under applicable laws governing the transfer of employment relationships to object to such transfer. If an employee does not accept employment by Redknee or its applicable subsidiary, or objects to the transfer of their employment, Redknee and its subsidiaries may not receive the benefit of such employee's services. To the extent that Redknee does not receive the benefit of the services of a significant number of employees in any one jurisdiction, or the services of certain personnel from the BSS business such as former executive officers or key technical personnel, the expected benefits of the Acquisition may not be achieved by Redknee and such event could have a material adverse effect on Redknee's business, operating results and financial condition.

Certain of the employees of the BSS business are represented by trade unions, works councils and other employee representative bodies. To the extent that Redknee is not able to develop and maintain an effective working relationship with such representative bodies and negotiate appropriate employment arrangements in accordance with applicable laws governing employees represented by such bodies, Redknee may experience work stoppages or slowdowns or other labour disputes, which could materially adversely affect its reputation, business, operating results and financial condition.

Increased Dependence upon Suppliers.

As indicated in Redknee's most recently filed Annual Information Form, Redknee's dependence upon suppliers exposes it to a number of risks. As a result of the Acquisition, Redknee is now dependent on a greater number of suppliers, significantly increasing the extent to which Redknee's aggregate business is exposed to such risks, which could materially adversely affect Redknee's business or operating results.

Changes to earnings resulting from the Acquisition may adversely affect Redknee.

Under IFRS 3, Business Combinations, the accounting standard for business combinations, the total purchase price of the BSS business assets and intangible assets acquired and liabilities assumed are allocated based on their values as of the date of the acquisition (including certain assets and liabilities that are recorded at fair value) and record the excess of these values over the purchase price as bargain purchase gain. Management's estimates of fair value are based upon assumptions believed to be reasonable but which are inherently uncertain. Subsequent to the completion of the Acquisition, the following factors, among others, may result in material changes that would materially adversely affect Redknee's operating results, cash flows and financial condition:

- Impairment of goodwill or intangible assets;
- A reduction in the useful lives of intangible assets acquired;

- Identification of assumed contingent consideration and contingent liabilities after Redknee finalizes the purchase price allocation period; or
- Charges to Redknee's operating results resulting from revised estimates relating to the allocation of the purchase price, valuation of intangible assets, valuation of contingent consideration and other valuations used in the Acquisition, such as deferred revenue.

Routine charges to Redknee's operating results associated with the Acquisition include amortization of intangible assets, as well as other Acquisition related charges. Charges to Redknee's operating results in any given period could differ substantially from other periods based on the timing and size of Redknee's future acquisitions and the extent of integration activities.

Redknee expects to continue to incur additional costs associated with combining the operations of the BSS business unit, which may be substantial. Additional costs may include costs of employee redeployment, relocation and retention, including salary increases or bonuses, severance payments, taxes, and termination of contracts that provide redundant or conflicting services. These costs would be accounted for as expenses and would decrease Redknee's net income and earnings per share for the periods in which those adjustments are made.

Redknee has acquired contingent liabilities through the Acquisition that could adversely affect Redknee.

Redknee has acquired contingent liabilities in connection with the Acquisition. Although Redknee's management uses its best efforts to estimate the risks associated with these contingent liabilities and the likelihood that they will materialize, their estimates could differ materially from the liabilities actually incurred. For example, Redknee acquired certain long-term contracts that contain contingent liabilities associated with the BSS business. The contingent liabilities represent the difference between the maximum financial liabilities potentially due to customers less the estimated liability amounts recorded in connection with the contracts assumed on acquisition. Such maximum financial liabilities potentially due to customers under these acquired contracts may significantly exceed the maximum financial liabilities potentially due to customers pursuant to customer contracts entered into by Redknee in the course of its business prior to the acquisition of the BSS business. Among the BSS business' contingent liabilities are liquidated damages contractually available to customers for breaches of contracts by Nokia Networks/Redknee and for estimated damages available to customers for breaches of such contracts by Nokia Networks/Redknee where such contracts did not contain specified penalties.

In addition, as the acquirer of the BSS business, Redknee may acquire contingent liabilities in addition to liabilities assumed pursuant to the Agreement, such as statutory liabilities imposed on the acquirer of a business pursuant to applicable laws such as bulk sales and other creditor protection legislation related to the sale of assets other than in the ordinary course of business, legislation relating to the protection of personal information, and anti-bribery legislation.

Any of the contingent liabilities referred to above may be material and could materially adversely affect Redknee's operating results, cash flows and financial condition.

Risks associated with the Credit Agreement.

Redknee is exposed to interest rate risk from fluctuations in interest rates on advances under the Credit Agreement that bear interest at an annual rate of interest determined in accordance with the Credit

Agreement. Redknee manages its interest rate risk by monitoring its respective mix of fixed and floating rate debt net of cash and cash equivalents and short term investments. Despite these steps, changes in interest rates could negatively affect the Company's financial performance.

The Credit Agreement contains restrictive covenants relating to Redknee's capital-raising activities and other financial and operational matters, which may limit Redknee's ability to obtain additional capital and pursue business opportunities, including potential acquisitions. We caution that period-to period comparison of results of operations is not necessarily meaningful and should not be relied upon as any indication of future performance.

ADDITIONAL INFORMATION

Additional information, including the quarterly and annual consolidated financial statements, annual information form, management proxy circular and other disclosure documents may be examined by accessing the SEDAR website at www.sedar.com.