Nera Telecommunications Ltd

Nera Telecommunications Ltd

FY 2010
Results Briefing

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President & CEO

11th February 2011

Content

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- **Outlook**

Summary of FY 2010 Performances

NeraTel Gp	FY 2010	FY 2009	+ / -
Turnover	155,811	171,741	(9.3%)
Gross Profit	36,903	33,311	10.8%
PBT	14,640	13,183	11.1%
PAT	10,912	10,668	2.3%

Nera Telecommunications Ltd

Business Segment Performances







Satellite Gateways







Marine Land & Terminals and Handheld



Services

TELECOMMUNICATIONS (Telecom)











IP Networks

Optical Networks

Broadcast Networks

Network Infrastructure





POS terminals - Payment Infrastructure - Applications & Services

Payment Solutions

INFOCOMM (IF)

Turnover - Total

Compared to FY2009, the Group's turnover declined by 9.3% ($15.9 million), from $171.7 million to $155.8 million. This resulted from lower turnover from the Telecom business segment, partially offset by higher turnover from the Infocomm business segment.

Turnover - Segmental

Telecommunications (Telecom)

Turnover declined 48.0% ($44.4 million) from $92.5 million to $48.1 million, mainly due to lower sales of microwave radio equipment in the Transmission business area. In 2009, there were billings for two large projects in Thailand and Indonesia amounting to approximately $43 million.

Turnover - Segmental

Infocomm

Turnover increased by 35.9% ($28.5 million) from $79.3 million to $107.8 million.

The increase in turnover was mainly due to higher sales of network equipment to all three market sectors (Service Provider, Enterprise and Government, Transport and Utilities) and higher sales of point-of-sales terminals and services in the Financial Services and Retail market sector.

Gross Profit & GM%

Compared to FY2009, gross profit increased by 10.8% from $33.3 million to $36.9 million despite the lower turnover.

Gross margin percentage ('GM%') improved from 19.4% to 23.7%.

The improvement in the gross profit and the GM% can be attributed to the sales mix in product, project and services and lower warranty expenses following writeback of warranty provision from project closures.

Total Operating Expenses

Compared to FY2009, total operating expenses increased by 9.6% from $23.9 million to $26.2 million.

Total operating expenses as a percentage of turnover was 16.8% compared to 13.9% for FY2009.

Distribution and selling expenses increased by 6.7% ($1.1 million) mainly due to higher payroll and related costs and provision made for doubtful debts as compared to a write-back in 2009.

Administrative expenses increased by 15.7% ($1.1 million) mainly due to higher payroll and related costs and general increase in operating expenses.

Profit Before Tax (PBT)

Compared to FY2009, PBT increased by 11.1% from $13.2 million to $14.6 million as a result of the improvement in gross margin and better financial performance from the associate. PBT as a percentage of turnover (“PBT %”) improved to 9.4% as compared to 7.7% for 2009.

Profit After Tax (PAT)

Compared to FY2009, PAT increased by 2.3% from $10.7 million to $10.9 million as a result of higher PBT partially offset by the higher tax provision.

Financial Positions

- **Strong balance sheet**
- **Warranty provision, abt. S$5m**
- **Strong cash position, abt. S$40m**

  + cash generated from operation S$27m
  - dividend paid out in Q2 10 abt. S$10.9m

Nera Telecommunications Ltd

Dividend

The directors is pleased to recommend a final dividend as follow :

Name of Dividend	Final (one-tier)
Dividend Type	Cash
Dividend Amount per Share (in cents)	4 cent
Tax Rate	Tax exempt

Date payable : 12 May 2011

Books closure date : 29 April 2011

Yield of 10.1% based on current share price of 39.5 cents

Outlook

Nera Telecommunications Ltd

TELECOMMUNICATIONS SEGMENT

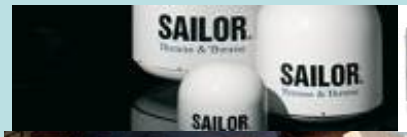


Transmission





Satellite Gateways







Marine Land & Terminals and Handheld

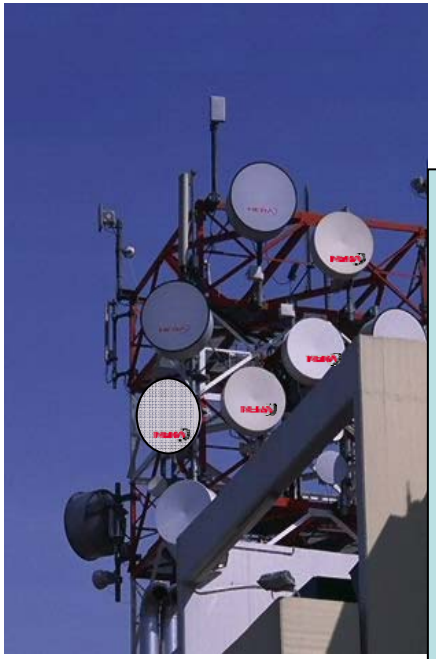


Services

Satellite Communications

TELECOMMUNICATIONS SEGMENT

Nera Telecommunications Ltd



Transmission





Satellite Gateways



Marine Land & Terminals and Handheld



Services

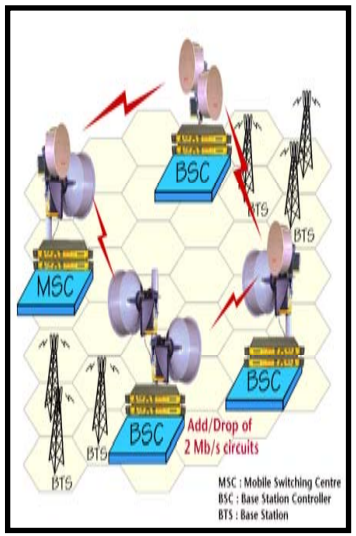
Satellite Communications

The Telecommunications business segment comprises of two main business areas : Transmission and Satellite Communications.

In 2010, the Group's Telecom business segment managed to secure about $48 million in order intake.

TELECOMMUNICATIONS SEGMENT : Transmission

Nera Telecommunications Ltd





Evolution Longhaul [SDH Trunk]



Evolution – SDH Access



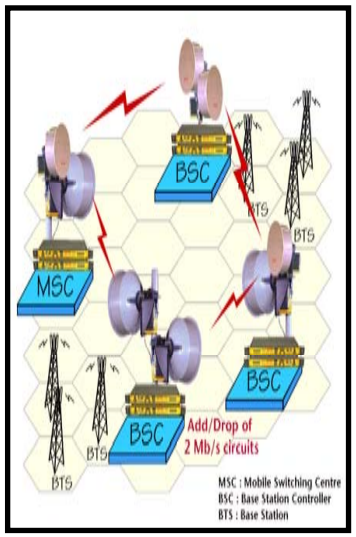
Evolution Edge [PDH]

In the Transmission business area, there was a global decline in the quantity of microwave radio equipment in the first half of 2010 and although the second half of 2010 showed a steady turnaround on the quantity of radios, the dollar value, however, remained stable due to continue price erosion and intense competition in the mobile market industry.

However, the Group believes that the demand for microwave radio products and services in the medium to long term will grow as a result of Mobile Operators' aggressive bundling of mobile broadband services to support consumers' usage of smartphones for multi-media services in the matured voice market and offering of basic voice and data services to markets where the mobile phone penetration is low. Mobile Operators will need to continue to expand their network coverage, capacity, bandwidth and network capabilities to meet various market needs, maintain or increase their market share and to stay ahead of competition.

TELECOMMUNICATIONS SEGMENT : Transmission

Nera Telecommunications Ltd





Evolution Longhaul [SDH Trunk]



Evolution – SDH Access



Evolution Edge [PDH]

The Group has recently announced the purchase of the Nera trademark and entered into a non-exclusive OEM agreement with Nera Networks AS Norway.

This will, in addition to the current Asia Pacific markets, expand the Group's territorial rights to the Middle East and North Africa markets.

The Group will continue to offer a complete range of Evolution series microwave radios under the Nera brand name. We believe that the Nera Evolution series products, based on a common product platform of long and short haul, low and high capacity radios, can provide capital and operational costs savings to Mobile Operators.

In addition, the Group intends to further develop its radio transmission business to customers in the Defence, Broadcast and Utilities market sectors.

TELECOMMUNICATIONS SEGMENT
Satellite Communications

Nera Telecommunications Ltd




Satellite Gateways






Marine Land & Terminals and Handheld



Services

In the Satellite business area, the Group will continue to focus on the sales of Inmarsat, Thuraya and other satellite communication products, solutions and services to the land and marine markets.

The Group will continue to develop the business opportunities in the maritime VSAT market, satellite TV market and broadband satellite networks to satellite operators, broadcasters and government organisations.

Nera Telecommunications Ltd

Products, Solutions & Technology	Market Sectors
 IP Networks Optical Networks Broadcast Networks Network Infrastructure	Service Providers [SP]
	Enterprise [ENT]
 Payment Solutions	Govt, Transport & Utilities [GTU]

INFOCOMM BUSINESS SEGMENT

The Group's Infocomm business focuses on the business opportunities of its two core product portfolio:

- **Network Infrastructure**
- **Payment Solutions**

to three key market sectors

- **Service Providers**
- **Enterprise**
- **Government, Transport and Utilities.**

INFOCOMM BUSINESS SEGMENT

Nera Telecommunications Ltd

Products, Solutions & Technology	Market Sectors
 IP Networks, Optical Networks, Broadcast Networks — Network Infrastructure	Service Providers [SP]
	Enterprise [ENT]
 Payment Solutions	Govt, Transport & Utilities [GTU]

The Infocomm industry remains highly competitive with many local and global players offering a wide range of both hardware and software products and services.

Orders received for the Infocomm business segment in 2010 were about $106 million and a satisfactory closing order backlog.

INFOCOMM BUSINESS SEGMENT

Service Providers ("SP")

Nera Telecommunications Ltd

Products, Solutions & Technology	Market Sectors
 IP Networks Optical Networks Broadcast Networks Network Infrastructure	Service Providers [SP]
 Payment Solutions	Enterprise [ENT]
	Govt, Transport & Utilities [GTU]

In the SP market sector, the robust growth in the internet traffic and the convergence of fixed and mobile services from both consumer and corporate have driven SP to invest in their network infrastructure and seek new growth areas, in particular richer content, multi-media and bundled (voice, data and video) broadband services.

The Group will focus on providing cost effective, robust, high performance IP, optical and broadcast network infrastructure products and solutions to enable SP, Broadcasters, ISPs and Operators the agility to scale and secure their network and service infrastructure and rapidly deploy new services.

INFOCOMM BUSINESS SEGMENT
Enterprise (ENT")

Nera Telecommunications Ltd

Products, Solutions & Technology	Market Sectors
 IP Networks Optical Networks Broadcast Networks Network Infrastructure	**Service Providers [SP]**
Enterprise [ENT]	
 Payment Solutions	**Govt, Transport & Utilities [GTU]**

In the ENT market sector, investment in IT infrastructure appears to have improved and there are various network upgrades, new networks deployment and outsourcing opportunities by ENT customers to save costs and improve productivity.

The Group will focus on providing cost effective enterprise-class network infrastructure product and services such as routers, switches, security devices and threat management, optimization, aggregation appliances to help enterprises improves productivity and deploy secured and cost effective networks.

INFOCOMM BUSINESS SEGMENT
Enterprise ("ENT")

Nera Telecommunications Ltd

Products, Solutions & Technology	Market Sectors
 IP Networks, Optical Networks, Broadcast Networks — Network Infrastructure	**Service Providers [SP]**
	Enterprise [ENT]
 Payment Solutions	**Govt, Transport & Utilities [GTU]**

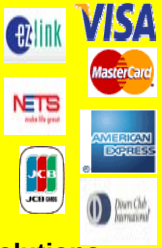
In the ENT Banking, Finance and Retail market sector, the trend continues for customers to outsource pos infrastructure to lower their capital and operating expenses so that they can focus on their core business activities.

The Group has managed to secure new customers and as well as repeat orders from existing customers and will continue to develop and strengthen our point-of-sale terminal sales, applications, rental, leasing and maintenance business to the financial institutions and retailers.

INFOCOMM BUSINESS SEGMENT

Government, Transport & Utilities ("GTU")

Nera Telecommunications Ltd

Products, Solutions & Technology	Market Sectors
      IP Networks Optical Networks Broadcast Networks Network Infrastructure	**Service Providers [SP]**
	Enterprise [ENT]
    Payment Solutions	**Govt, Transport & Utilities [GTU]**

In the GTU market sector, the Group successfully deployed a number of network infrastructure projects to customers from the Government and Education sectors. The opportunities in providing network infrastructure and e-payment solutions to the GTU market sector remain positive.

The Group will continue to develop these markets and focus on providing IP and optical network infrastructure, integrated communication solutions, dedicated networks and payment solutions to customers in these sectors.

Other information

On 30 July 2010, the Group announced that its wholly-owned subsidiary, Nera Infocom (M) Sdn Bhd ('Nera Infocom'), received a claim from MBF Cards (M'sia) Sdn Bhd ('MBF') for losses and damages amounting in aggregate of RM10.7m (abt. S$4.5m in relation to a Maintenance and Service Agreement dated 4 April 2005 between Nera Infocom and MBF. Nera Infocom strongly disputes the amount of claim and currently are in the process of legal proceedings.

On 19 January 2011, the Group announced that its wholly-owned subsidiary, Nera Networks (S) Pte Ltd ('NNS'), and Nera Networks AS ('Networks') signed an OEM agreement whereby NNS shall have the non-exclusive right to sell certain specified products to certain specified territories. Under the OEM agreement, NNS is liable to indemnify Networks up to a maximum amount of US$4m under the terms of an agreed liability sharing arrangement.

These claims, if materialised, could affect the Group's profitability.

Although the current market sentiment is improving, governments are removing various incentives to help their economies during the downturn, there are still risks and challenges ahead that could slow the economic growth.

Thank You

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(1) Slide 10 : For Profit after tax, to amend to 'Compared to FY2009, PAT increased by 2.3% from $10.7 million to $10.9 million as a result of higher PBT partially offset by the higher tax provision.
(2) Slide 16 para 1 line 5 : to amend 'remains' to 'remained'
(3) Slide 22 last line : to amend 'costs' to 'cost'