

NEWS RELEASE

NERATEL ACHIEVES 119.8% GROWTH IN NET PROFIT TO S\$8.5 MILLION; SURPASSES 19.0% GROWTH IN TURNOVER TO S\$196.2 MILLION IN FY2017

- ***NI segment achieves total 12.5% growth in order in-take, makes up over 63% of total order in-take***
 - ***Network security and digitisation to continue to be key growth drivers***
- ***Focuses on vertical extension of value chain and strengthening of end-to-end turnkey solutions for growth***
- ***Proposes final dividend of 1.5 cents per share, translating to total dividends of 2.5 cents per share for FY2017***

Singapore, February 27, 2018 – Mainboard-listed Nera Telecommunications Ltd (“**NeraTel**”, 挪拉电讯, or the “**Group**”), a leading Communications and Network Solutions Provider, announced today a 119.8% year-on-year surge in net profit to S\$8.5 million, outpacing a 19.0% growth in turnover to S\$196.2 million for the full year ended December 31, 2017 (“**FY2017**”), boosted mainly by a strong performance from both the Network Infrastructure (“**NI**”) and Wireless Infrastructure Network (“**WIN**”) segments.

Similarly, turnover rose 20.2% to S\$59.6 million for the three-month period ended December 31, 2017 (“**Q4 FY2017**”) compared to S\$49.6 million a year ago (“**Q4 FY2016**”). Q4 FY2017 net profit jumped 145.1% to S\$2.3 million from a net profit of \$0.9 million in Q4 FY2016.

Mr. Beck Tong Hong (麦东宏), CEO of NeraTel, said, “We have continued to see strong, double-digit growth for both the NI and WIN segments. Notably our order in-take was driven by higher orders from the NI segment, which we have identified as our key growth domain. We will continue to capitalise on growth opportunities through a vertical extension of our value chain and strengthening of our end-to-end turnkey solutions.

“We are pleased to see a recent repeat contract from our tier-one customer in Singapore, signifying confidence in our NI offerings as we seek to grow our new verticals, such as security, data centre/cloud and software define networking-related solutions. Geographically, our recent contract secured in Malaysia represented a breakthrough for us, a headstart with key telcos where we can provide multi-domain technological solutions.”

Earlier this month, NeraTel announced two NI contract wins worth a combined S\$3.2 million. The first contract of S\$2.2 million was awarded by a top-tier repeat customer, a major telecommunications service provider in Singapore, whilst a second contract worth S\$1.0 million, representing a first win with a key telco in Malaysia, relates to the design, supply, delivery, installation, maintenance and management of internet service.

Financial Performance

The higher topline registered in FY2017 was lifted by a 18.9% growth in turnover from the NI segment to S\$122.1 million from S\$102.7 million in FY2016, driven by Service Provider markets in Singapore, the Philippines and Australia. The Group’s WIN segment rose 19.1% to S\$74.1 million from S\$62.2 million, buoyed mainly by higher turnover in the Middle East and Africa markets. NI continues to be the Group’s largest turnover contributor at 62.2%.

In tandem with the higher turnover, the Group's FY2017 gross profit rose 16.1% to S\$49.0 million. Gross profit margin held relatively steady at 25.0% from 25.6% over the same corresponding period, notwithstanding lower gross profit margin from equipment turnover.

Overall, total operating expenses decreased 9.6% to S\$11.1 million in FY2017 from S\$12.2 million in FY2016 as a result of lower distribution, selling and administrative expenses, namely, with recovery of doubtful debts, absence of remuneration accruals and claims as well as lower foreign exchange losses. Correspondingly, the Group's operating profit rose 139.6% to S\$13.1 million, from S\$5.5 million over the same period.

In view of the above, NeraTel recorded a 119.8% surge in net profit in FY2017 to S\$8.5 million from S\$3.9 million in the corresponding period a year ago.

Basic and fully diluted earnings per share was 2.36 Singapore cents in FY2017, compared to 1.07 Singapore cents recorded in FY2016. Net asset value per share as at December 31, 2017 increased to 19.29 Singapore cents compared to 18.31 Singapore cents recorded a year ago.

NeraTel's balance sheet remained strong with cash and bank balances of S\$20.7 million as at December 31, 2017 and net cash of S\$9.4 million. Shareholders' equity stood at S\$69.8 million at the end of the reporting period.

Proposed Dividend

In line with NeraTel's commitment to enhance shareholder value while preserving sufficient resources to pursue long-term sustainable growth, the Group has proposed a final one-tier tax exempt dividend of 1.5 Singapore cents per share, which will be paid on May 25, 2018.

Including the interim one-tier tax exempt cash dividend of 1.0 Singapore cent per share paid on September 8, 2017, the collective dividends amounted to 2.5 Singapore cents per share for FY2017. The proposed final dividend will be subject to shareholders' approval at NeraTel's upcoming FY2017 Annual General Meeting.

Outlook and Growth Strategies

Overall, NeraTel's order in-take stood at approximately S\$196.1 million for FY2017, a 5.9% increase from S\$185.2 million in FY2016. The NI segment reported total order in-take of about S\$124.0 million, a 12.5% increase from S\$110.2 million over the same corresponding period, representing about 63% of total orders. During the same period, the WIN segment secured approximately S\$72.1 million of order in-take, a 3.9% decline from the S\$75.0 million achieved a year ago.

On NeraTel's forward strategies, Mr Beck commented, "Looking ahead, we continue to look into new synergistic business verticals that will accelerate our growth in existing and new markets and pursue higher-margin services contracts and maintenance contracts that will strengthen our recurring income streams."

With global mobile data traffic expected to increase at a CAGR of 42% between 2017 and 2023¹, the Group expects its Service Provider, Enterprise, and Government, Transport and Utilities customers to continue upgrading their ICT network infrastructure to meet increasing demand driven by digitisation, to tighten cyber security and to be compliant with regulatory requirements.

With regards to the Group's identified growth verticals in the areas of cybersecurity and cloud, cybersecurity spending is expected to exceed US\$1 trillion, growing at a CAGR of 7.8% between 2017 and 2021². Cloud computing spending is expected to reach US\$178 billion in 2018, growing at a CAGR of 22%³.

¹ Ericsson, November 2017 – Mobile data traffic growth outlook

² CSO (From IDG), January 23, 2018 – Top 5 cybersecurity facts, figures and statistics for 2018

³ Forbes, November 7, 2017 – Forrester's 10 cloud computing predictions for 2018

In Singapore, the government is leading the country's digital transformation, which is expected to add US\$10 billion to Singapore's GDP and increase GDP growth by 0.6% CAGR annually by 2021⁴. With the aid of government grants to incentivise firms to develop digital capabilities, such as the SMEs Go Digital Programme⁵, 98% of organisations in Singapore have already identified digital transformation strategies with increased awareness amongst business leaders on cybersecurity⁵.

Some other favourable developments that will drive demand for NeraTel's solutions and products include the Smart Nation programme, the expected rollout for the fourth telco by end 2018 and an anticipated move towards 5G mobile technology.

About Nera Telecommunications Ltd

Established in October 1978 and listed on the SGX Mainboard since July 1, 1999, Nera Telecommunications Ltd ("**NeraTel**") is a leading Communications and Network Solutions Provider. With over 38 years of established track record, the Singapore-headquartered NeraTel has a diversified geographical presence in over 16 countries in Asia-Pacific and the Middle East and North Africa regions.

NeraTel provides a full suite of turnkey network and wireless solutions. Its two business segments work seamlessly to deliver cutting-edge services for the digital world:

- Network Infrastructure ("**NI**") offers a wide range of solutions, services and products to steer secure digital transformation including cloud network infrastructure, network security solutions, IP networks, optical networks and broadcast networks;
- Wireless Infrastructure Networks ("**WIN**") provides integrated wireless network services for Service Providers, ISPs, Broadcasters, Enterprises, Government organisations, as well as the Offshore and Utilities sectors.

⁴ Microsoft, February 21, 2018 – Digital transformation to contribute US\$10 billion to Singapore GDP by 2021

⁵ Ministry of Finance – Budget 2018 – Together, A Better Future

With its comprehensive range of customisable solutions, NeraTel empowers its customers to enhance their business processes and deliver new innovative services and business models.

For more details, please visit: <http://www.nera.net/>

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