# Nera Telecommunications Ltd

## FY 2009
## Results Briefing

**Samuel Ang**
President & CEO

11th February 2010

# Content

- FY 2009 Performances
- Outlook

# Summary of FY 2009 Performances

| NeraTel | 2009 | 2008 | + / - |
|---|---|---|---|
| Turnover | 171,741 | 160,317 | 7.1% |
| GrossProfit | 33,311 | 35,289 | (5.6%) |
| PBT | 13,183 | 12,404 | 6.3% |
| PAT | 10,668 | 10,168 | 4.9% |

Nera Telecommunications Ltd

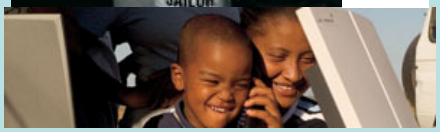
# Business Segment Performances





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 - Segmental

Compared to FY2008, the Group's turnover increased by 7.1%, from S$160.3m to S$171.7m, with higher turnover from both Telecom and Infocomm business segments.

**Telecommunications (Telecom)**

Turnover increased 11.0% from S$83.3m to S$92.5m due mainly to higher sales of microwave radio equipment. Turnover for the satellite business area decreased due to lower sales of satellite terminals.

**Infocomm**

Turnover increased by 3.0% from $77.0m to $79.3m due mainly to higher sales of point-of-sale terminals to the Financial Services and Retail market sector.

# Gross Profit & GM%

Compared to FY2008

- Gross Profit decreased by 5.6% from S$35.3m to S$33.3m due to both business segment registering lower GM%.

- Gross margin percentage (GM%) declined from 22.0% to 19.4% attributed to the competitive business environment, higher warranty provision and sales mix in product, project and services.

# Total Operating Expenses

Compared to FY2008,

- total opex declined by 4.0% from S$24.9m to S$23.9m.
- opex as a % of turnover declined, 13.9% compared to 15.5% in FY2008.

- Distribution and selling expenses increased by 2.2% mainly due to higher payroll and related costs and lower write-back of doubtful debts provision.
- Administrative expenses decreased slightly by 1.4% mainly due to lower payroll and related costs.
- Other operating expenses were higher in FY2008 mainly due to the foreign exchange loss of S$1.1 million which resulted from the steep appreciation of US$ against the Singapore dollar in FY2008.

# Profit Before Tax (PBT)

Compared to FY2008,

- PBT increased by 6.3% from S$12.4m to S$13.2m as a result of higher other operating income and lower operating expenses, partially offset by the lower gross margin.
- Other operating income was significantly higher than FY2008 mainly due to foreign exchange gain of S$1.2m (mainly due to the weakening of the US dollar against the Singapore dollar) and $0.5m received from the Singapore Government under the Jobs Credit Scheme.

- PBT as a % of turnover of 7.7% was similar for both financial years.

# Financial Positions

- strong balance sheet.
- warranty provision abt. S$4.4m.
- strong cash position, abt. S$29.4m.
  [+ cash generated from operation : S$22.6m]

# Dividend

**Our Directors are pleased to recommend a final dividend to be paid 18th May 2010 [subject to shareholders' approval]**

| | |
|---|---|
| **Name of Dividend** | **Final (one-tier)** |
| **Dividend Type** | **Cash** |
| **Dividend Amount per Share (in cents)** | **3 cents** |
| **Tax Rate** | **Tax exempt** |

# Outlook

Nera Telecommunications Ltd

# TELECOMMUNICATIONS SEGMENT



**Transmission**





**Satellite Gateways**








**Marine Land & Terminals and Handheld**

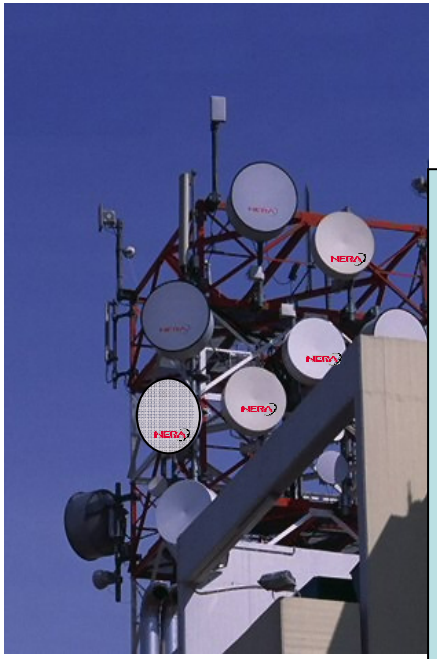


**Services**

**Satellite Communications**

Nera Telecommunications Ltd

# TELECOMMUNICATIONS SEGMENT



Transmission



Satellite Gateways




Marine Land & Terminals and Handheld



Services

Satellite Communications

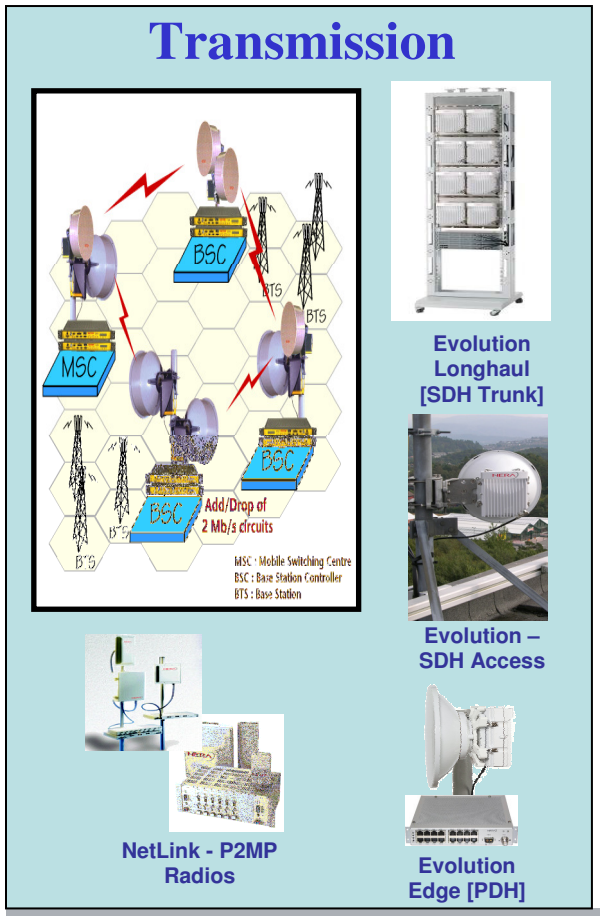
In 2009, the Group's Telecom business segment secured about $42m in order intake.

Competition in the telecommunication industry remains intense. The global economic downturn in 2008 / 2009 have resulted in many Mobile Operators and Service Providers re-aligning their growth strategies in line with their revenues and exercising caution in their capital and operational expenses.

Going forward we believe Mobile Operators and Service Providers will compete aggressively in securing market share and invest in new growth areas. Customers will likely re-visit their growth strategies and seek partnership with suppliers to help them lower their operating and capital expenditure and deploy new products and services.

Nera Telecommunications Ltd

# TELECOMMUNICATIONS SEGMENT : Transmission




We believe the demand for our radio transmission products and services will be driven by Mobile Operators

- bundled services using smart-phones i.e. with voice, data, video and broadband multimedia services to mature markets and
- voice and low data in emerging markets with low mobile phone penetration.

Mobile Operators will need to expand their network coverage, capacity, bandwidth and network capabilities to meet various market needs and to stay ahead of competition.

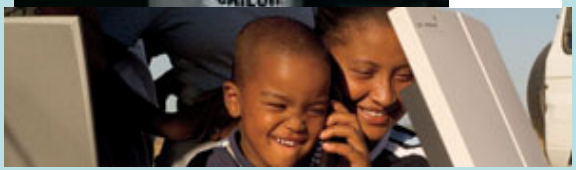
The Group offers a complete range of Evolution Series microwave radio under a common product platform which can give significant savings in both deployment and operation across mobile networks. Evolution Series transport both Ethernet and TDM traffic in the same radio, scalability and software-defined will enable mobile network operators to invest and operate their network at lower cost and a smooth transition from a traditional network to an all IP network.

The Group intends to further develop its radio transmission business opportunities from the Defence, Broadcast and Utilities market sectors.




Satellite Gateways



Marine Land & Terminals
and Handheld



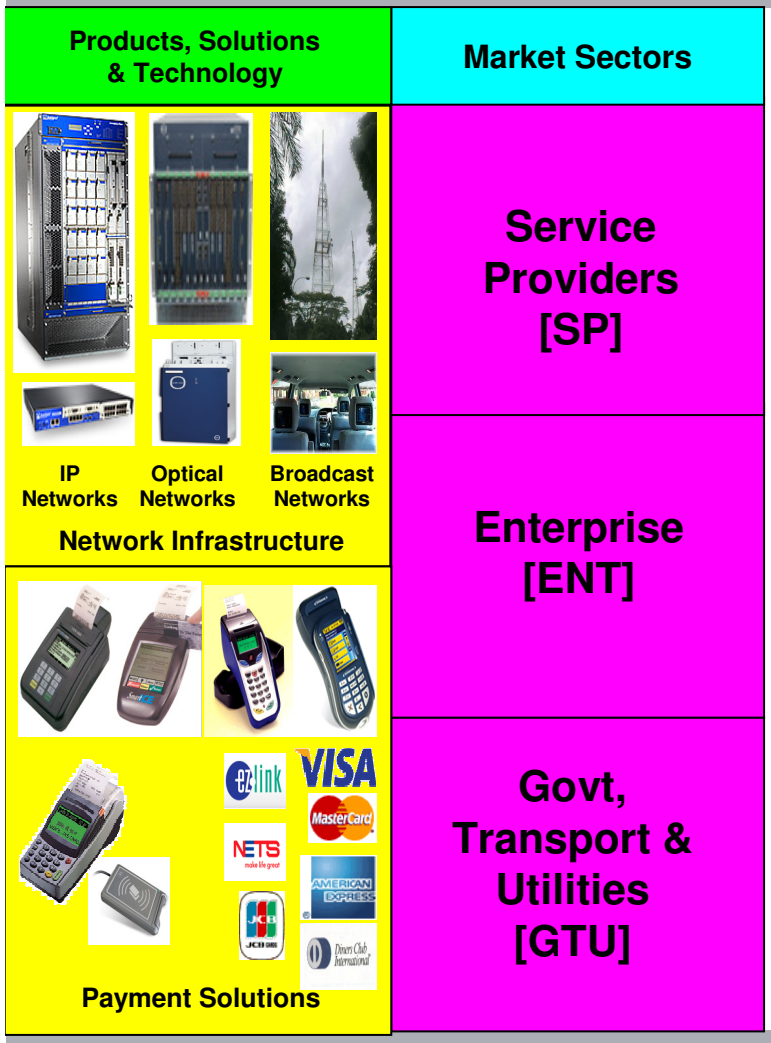
Services

# TELECOMMUNICATIONS SEGMENT
## Satellite Communications

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

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

Nera Telecommunications Ltd




# 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.**

Nera Telecommunications Ltd

# INFOCOMM BUSINESS SEGMENT

## Service Providers

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

The demand for network infrastructure products and services is driven by the growth in Internet traffic, web services and broadband deployment. Service Providers will continue to seek new growth areas and offer more innovative services and multi-media to their customers.

Service Providers will need to develop a robust and dynamic IP, optical or broadcast network infrastructure that will enable them to meet traffic growth with scalability, service growth with service platform agility and margin pressure with lower cost of ownership.

The Group will continue to focus on providing cost effective, high performance IP, optical and broadcast network infrastructure products and solutions to enable Service Providers, Broadcaster, ISPs and Operators to scale and secure their network and service infrastructure as well as having the ability to rapidly deploy new services.

Nera Telecommunications Ltd

# INFOCOMM BUSINESS SEGMENT

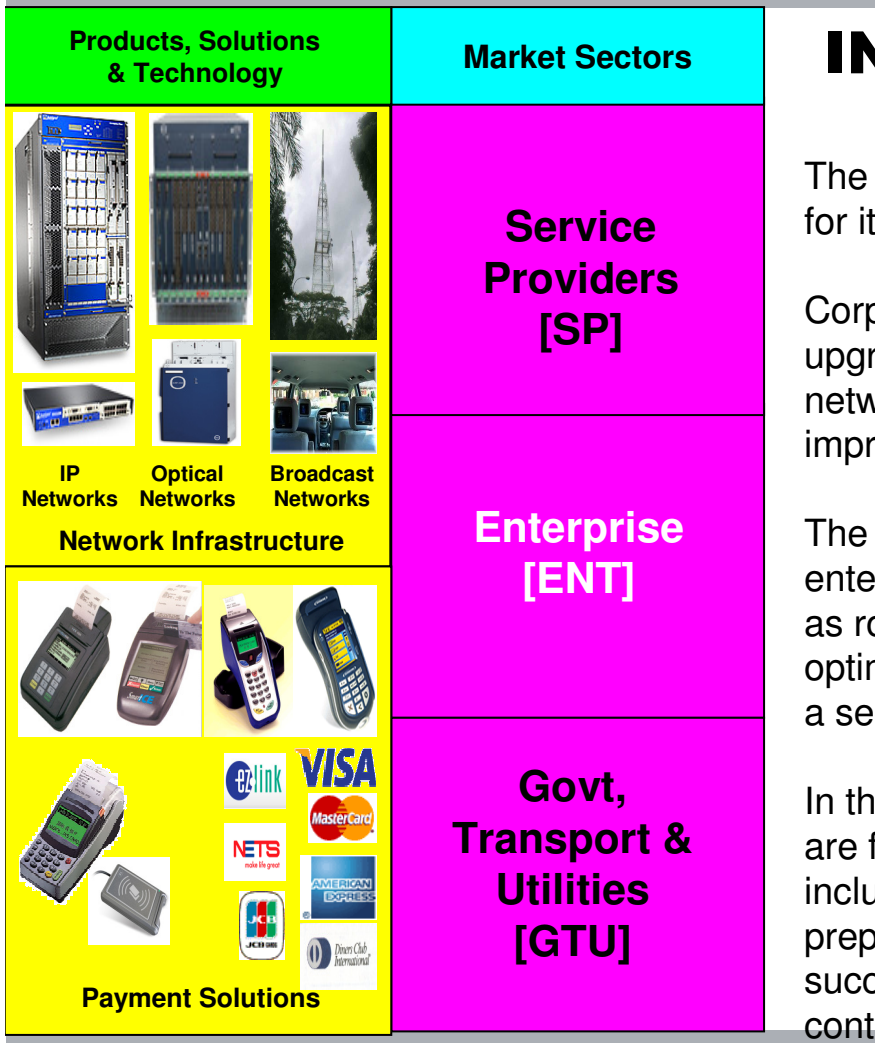
## Enterprise

The Group believes that there are various business opportunities for its network infrastructure and payment solutions products.

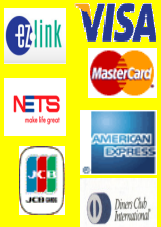
Corporate IT spending remains mixed with some enterprises upgrading their IT networks while others are deploying new networks or outsourcing their IT networks to save costs and improve productivity.

The Group will continue to focus on providing cost effective and enterprise-class network infrastructure product and services such as routers, switches, security equipment or threat management, optimization, aggregation appliances to help enterprises to deploy a secured network, save costs and improved productivity.

In the banking, finance and retail market sector, some customers are focusing on lowering their capital and operating expenses including outsourcing their POS payment infrastructure to be prepared when the market improves. The Group has been successful in securing a number of new customers and will continue to develop and strengthen its POS terminal sales, applications, rental, leasing and maintenance business to the banks, financial institutions and retailers.



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

## Government, Transport & Utilities

Opportunities in the Government sector remains positive as IT spending in these various sectors such as education, healthcare, defence, transportation and utilities are accelerated to help boost the economy.

The Group has successfully deployed a few network infrastructure projects to the government and education sector and will continue to develop this market and focus on providing IP and optical networks, integrated communication solutions, dedicated communication networks and payment solutions to customers in these sectors.

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

# INFOCOMM BUSINESS SEGMENT

Orders received for the Infocomm business segment in 2009 were about S$87 million and the closing order backlog is at a satisfactory level.

Competition in the Infocomm industry is keen and the market continued to be dominated by a few major local and large global industry players.

The Group believes that although the current market sentiment appears to have improved and many countries are out of the recession and government assistance is also expected to be reduced. There are still numerous risks that could de-stablised the economic recovery.

The Group will continue to adopt a cautious approach in cost-related activities, periodically review its business options and balanced its short term investment risks and opportunities against its long term business positions.

# Thank You

www.neratel.com.sg