Nera Telecommunications Ltd

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Q4 2012 / FY 2012
Results Briefing

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President & CEO

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Nera Telecommunications Ltd

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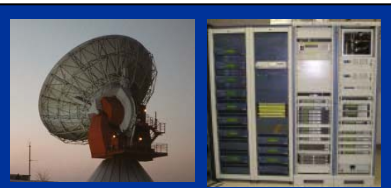
Summary of Q4 2012 / FY 2012 Performances

	Group 4th Quarter			Group Year ended 31 December		
	2012 S$'000	2011 S$'000	+ / - %	2012 S$'000	2011 S$'000	+ / - %
Turnover	45,374	47,929	-5.3%	178,839	156,238	14.5%
Gross profit	14,050	14,461	-2.8%	55,907	44,631	25.3%
Profit before taxation	4,764	6,702	-28.9%	23,642	16,226	45.7%
Profit after taxation	3,871	6,052	-36.0%	19,397	13,505	43.6%

NERA
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)

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Turnover - Group

On a Q on Q comparison
Turnover in Q4 2012 decreased 5.3% ($2.5m) from $47.9m to $45.4m.
The decease in turnover resulted from lower turnover from both the Telecom and Infocomm business segments.

Compared to FY 2011
Group's turnover increased 14.5% ($22.6m) from $156.2m to $178.8m.
The increase in turnover resulted from higher turnover from both the Telecom and Infocomm business segments.

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Turnover - Telecom

On a Q on Q comparison
Turnover in Q4 2011 decreased slightly by 2.7% ($0.6m) from $22.4m to $21.8m.
Compared to FY 2011, turnover increased by 24.4% ($13.6m) from $55.7m to $69.3m.

The increase for FY 2012 compared to FY 2011 resulted from higher sales in microwave radio equipment in the Wireless Infrastructure Network business area, with sales to the markets of Middle East and North Africa ('MENA') amounted to $46.1m (FY2011 : $20.2m).
The increase was partially offset by lower sales in the Asia Pacific market.

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Turnover - Infocomm

On a Q on Q comparison

Turnover in Q4 2012 decreased 7.8% ($2m) from $25.5m to $23.5m.

The decrease was mainly due to lower sales of network infrastructure equipment to the Service Provider business sector.

Compared to FY 2011

Turnover increased by 9.0% ($9.0m) from $100.5m to $109.5m.

The increase was mainly due to higher sales of point-of-sale terminals and services in the Enterprise market sector.

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Gross Profit & GM%

On a Q on Q comparison
Gross profit for Q4 2012 decreased slightly by 2.8% from $14.5m to $14.1m mainly due to lower turnover.
However, gross margin % (“GM%”) improved from 30.2% to 31.0%.

Compared to FY 2011
Gross profit increased by 25.3% from $44.6m to $55.9m.
GM% improved from 28.6% to 31.3%.

The improvement in gross profit and GM% for Q4 2012 and FY 2012 was mainly in Infocomm business segment and can be attributed to the sales mix in product, project and services.

Total Operating Expenses

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On a Q on Q comparison, total opex increased 15.6% from $9.0m to $10.4m. Compared to FY 2011, total opex increased 7.0% from $34.3m to $36.7m, mainly from administrative expenses.

Distribution and selling expenses increased 17.1% ($1.1m) for the qtr but only 0.7% ($0.2m) for FY 2012. The increase for the quarter is mainly due to higher payroll and operational costs.

Admin. expenses increased 25.0% ($0.6m) for the qtr mainly due to higher payroll related costs and cost incurred relating to the mandatory takeover by Asia Systems Ltd in Dec 2012. For FY 2012, admin. expenses increased 25.6% ($2.1m) mainly due to :
- costs incurred of $1.0m in relation to the Scheme of Arrangement announced on 10 Feb 2012 and the mandatory takeover by Asia Systems Ltd
- higher payroll related costs
- operating costs (other than payroll costs) incurred for the new subsidiaries in MENA of $0.6m.

The negative other operating expense of $0.3m for the qtr was due to exchange gain of $0.3m during Q4 2012. Included in other operating expenses for FY2012 was an exchange loss of $0.8m.

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Profit Before Tax (PBT)

On a Q to Q basis
PBT for Q4 2012 decreased 28.9% mainly due to lower turnover and higher operating cost.
PBT as a percentage of turnover (“PBT %”) declined from 14.0% to 10.5% for the quarter.

Compared to FY 2011
PBT increased 45.7% mainly due to higher revenue, improvement in gross margin and higher contribution from the associate, partially offset by higher operating cost and lower other operating income (resulted from lower accounts receivable collection fee).
PBT% as a percentage of turnover (“PBT %”) improved from 10.4% to 13.2% for FY 2012.

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Dividends

The Directors are pleased to recommend a final dividend as follow :

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

Financial Positions

- **Strong balance sheet**
- **Warranty provision, abt. S$5.5m**
- **Strong cash position, abt. S$43.7m**

  + cash generated from operations, S$19.2m in 2012.
  - dividend paid in August 2012 abt. S$14.5m

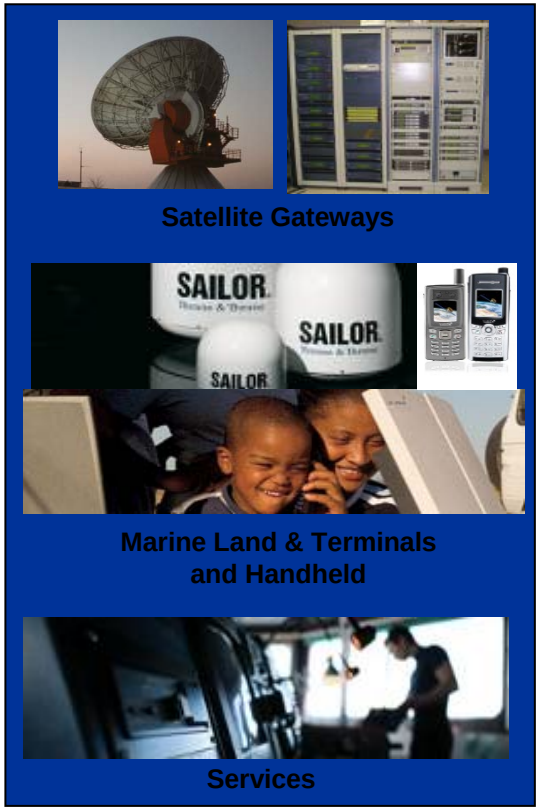
Outlook

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TELECOMMUNICATIONS SEGMENT



Wireless Infrastructure Networks



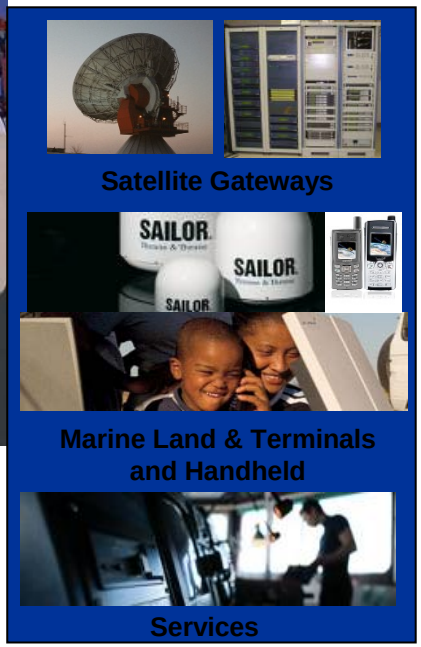
Satellite Communications

TELECOMMUNICATIONS SEGMENT

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Wireless Infrastructure Networks



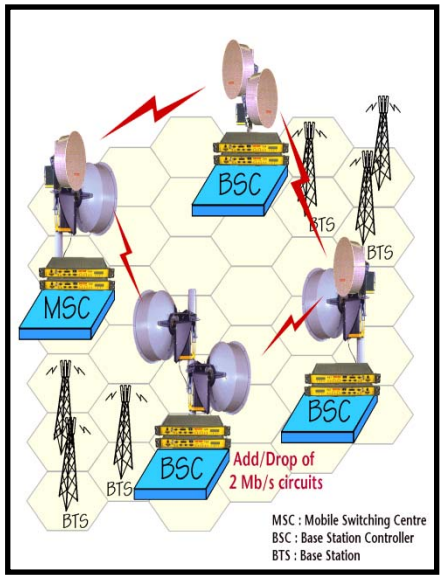
Satellite Communications

Although there are numerous opportunities in the Telecom market, competition in the industry remains intense with equipment vendors actively engaging with customers and resellers trying to gain market share. There is a continuous demand from customers for vendors to provide flexible networks and services that will lower their capital and operating expenditure. In the mobile market, the unclear spectrum, licensing and regulatory framework in some countries are causing some operators to take a cautious approach in their network build-up.

In 2012, the Group's Telecom business segment secured $73.2m in order in-take, an increase of 18.3% compared to $61.9m in 2011 as a result of point-to-point radio orders received from the MENA markets as well as orders for non point-to-point in-building coverage and wifi solutions from the Asia Pacific market.

TELECOMMUNICATIONS : Wireless Infrastructure Networks

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Evolution
Longhaul
[SDH Trunk]



Evolution –
SDH Access

In the WIN business area, the Group believes that the significant increase in use of mobile devices like smart phones and tablets, and the various applications, social media, rich content i.e. data, will put a huge strain on mobile networks.

This has led many mobile operators to introduce new data pricing plan (shifting away from unlimited data usage to capping) to generate additional revenues. We believe that part of these revenues will be used to increase network capacity, coverage and capabilities to provide better quality of experience to their customers.

The Group will continue to support mobile operators in their 3G/LTE (Long Term Evolution) network expansions and rollouts, and has expanded its product portfolio to provide an end-to-end wireless infrastructure networks and solutions, covering point-to-point radios networks, RAN (Radio Access Networks), in-building coverage solutions, wifi 3G data offload and performance networks.

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Satellite Gateways







Marine Land & Terminals
and Handheld



Services

TELECOMMUNICATIONS SEGMENT
Satellite Communications

The satellite business for land, mobile and handheld market remains very competitive.

The Group will continue to offer a comprehensive range of land, marine and handheld satellite terminals, as well as other satellite communication products, solutions and services to Satellite Operators, Broadcasters, Government, Oil / Gas / Maritime and Enterprises market sectors, and will continue to seek new products and business opportunities.

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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 is going through many changes and the proliferation of smart devices, data centers and cloud has created a whole new ecosystem of non-traditional operators aggressively competing with incumbents, driving down costs and increase productivity and competitiveness in enterprises and organisations. Competition remains intense and fragmented.

In 2012, the Group's Infocomm business segment managed to secure $101.2m in order intake, an increase of 7.8% compared to $93.9m in 2011.

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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

Service Providers ("SP")

In the Service Providers market sector, the Group believes that telecom operators will continue to build and expand their network capacity and coverage to meet the bandwidth demand and quality of services of both their consumer and enterprise customers.

The Group will focus on providing IP, optical, broadcast, security, data centers and cloud network infrastructure solutions and services to telecom operators.

INFOCOMM BUSINESS SEGMENT

Enterprise (ENT")

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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 Enterprise market sector, the Group believes that corporate IT infrastructure will gradually need to upgrade and migrate to new network infrastructure and security to support mobility and remote access by their workforce. The Group will focus on providing enterprise-class network infrastructure solutions and services to help enterprises address their concerns on security, capacities, capabilities and improve their competitiveness.

In the Enterprise's Banking, Finance and Retail market sector, the Group believes that demand for point-of-sale ("POS") terminals will be driven by the low POS terminal penetration rate in some countries and PCI compliances. The Group will focus on providing end-to-end payment solutions, security and value added services.

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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 ("GTU")

In the Government, Transport and Utilities market sector, the Group believes that government IT initiatives to lower costs and increase security will continue and this will lead to growth IT spending for network infrastructure products and solutions.

The Group will focus on providing network infrastructure, security solutions, integrated communication solutions and payment solutions to customers in these sectors.

Thank You

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