

BUSINESS UPDATE FOR THE THIRD QUARTER/NINE MONTHS ENDED 30 SEPTEMBER 2020

“The effects of the COVID-19 pandemic are expected to last a few more quarters and the risk of multiple waves of infections and lockdowns in a lot of countries are high. This will likely continue to create uncertainties in terms of the Group’s business outlook. Nonetheless, we are encouraged to have seen a gradual improvement in our Group’s 3Q 2020 revenue from the same period last year, well-supported by growing contributions from the Government, Transport and Utilities as well as the Enterprise segments.”

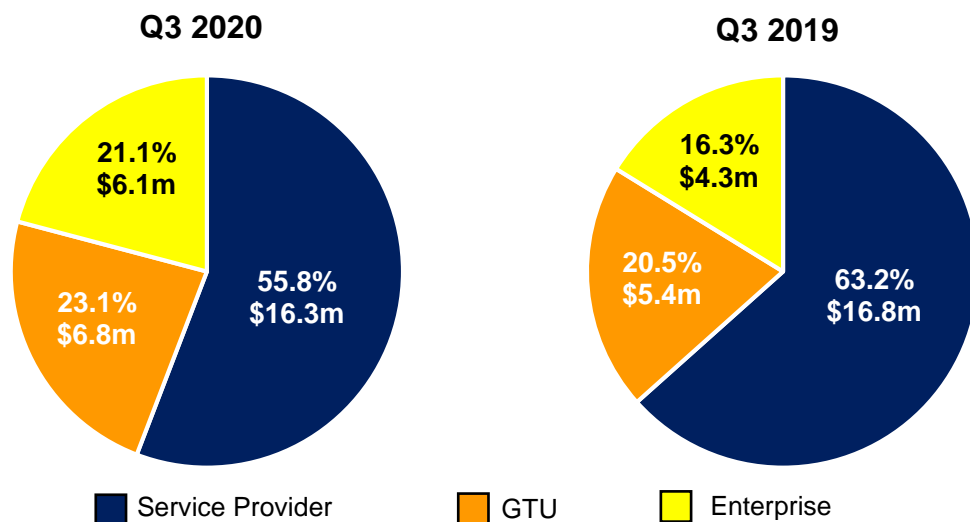
“Leveraging on our foundation in providing multi-domain technological solutions built-up over the years, we will continue to tap on opportunities and leads from the various business segments, albeit with a conservative approach in the selection of projects, to minimise risks. Extending beyond cybersecurity, the Group will also explore opportunities in network solutions, where demand is expected to be supported by the 5G rollout in Singapore and the region.”

Mr. Beck Tong Hong (麦东宏), CEO of Nera Telecommunications Ltd

Financial Highlights

Revenue Contribution by Customer Segment

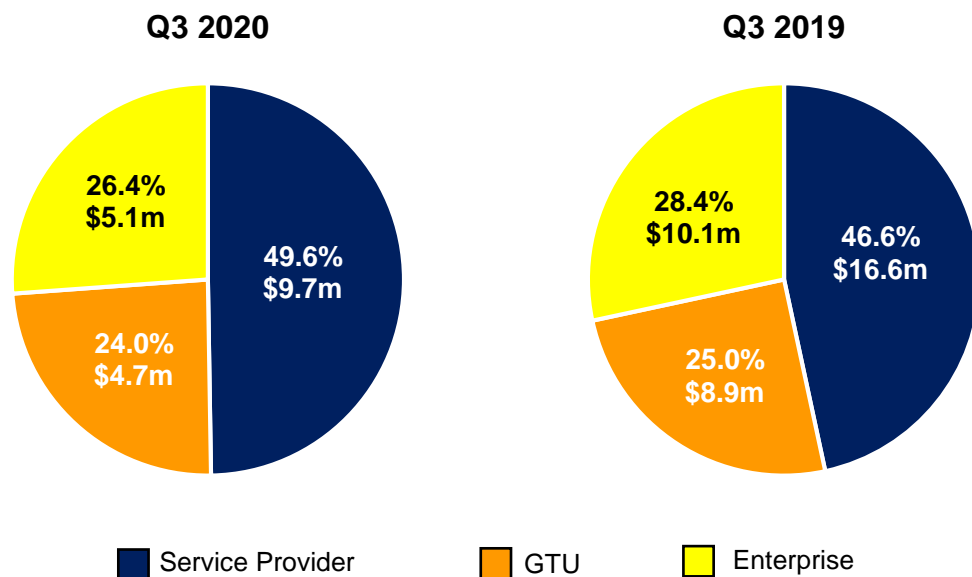
S\$(million)	Q3 2020	Q3 2019	% Change	9M 2020	9M 2019	% Change
Group Revenue	29.2	26.5	10.2	95.6	96.7	(1.1)
<i>Government, Transport and Utilities (“GTU”)</i>	6.8	5.4	25.9	23.7	13.8	71.7
<i>Service Provider</i>	16.3	16.8	(3.0)	58.3	68.0	(14.3)
<i>Enterprise</i>	6.1	4.3	41.9	13.6	14.9	(8.7)



For the third quarter ended 30 September 2020 (“**Q3 2020**”), Nera Telecommunications Ltd’s (“**NeraTel**”) revenue increased by 10.2% to S\$29.2 million, from S\$26.5 million for the third quarter ended 30 September 2019 (“**Q3 2019**”) as the Group made some progress in the Government, Transport and Utilities (“**GTU**”) as well as the Enterprise customer segments. For Q3 2020, revenue rose 25.9% to S\$6.8 million for the GTU segment and 41.9% to S\$6.1 million for the Enterprise division.

Order In-take by Customer Segment

S\$(million)	Q3 2020	Q3 2019	(%)	9M 2020	9M 2019	(%)
Total Order In-take	19.5	35.6	(45.2)	98.9	113.8	(13.1)
<i>Government, Transport and Utilities (“GTU”)</i>	<i>4.7</i>	<i>8.9</i>	<i>(47.2)</i>	<i>26.8</i>	<i>36.8</i>	<i>(27.2)</i>
<i>Service Provider</i>	<i>9.7</i>	<i>16.6</i>	<i>(41.6)</i>	<i>54.7</i>	<i>58.1</i>	<i>(5.9)</i>
<i>Enterprise</i>	<i>5.1</i>	<i>10.1</i>	<i>(49.5)</i>	<i>17.4</i>	<i>18.9</i>	<i>(7.9)</i>



NeraTel recorded total order in-take of S\$19.5 million in Q3 2020, a decrease of 45.2% from S\$35.6 million in Q3 2019, in line with the general slowdown in Southeast Asian markets and also as a result of the Group’s conservative approach towards new projects amid the COVID-19 pandemic.

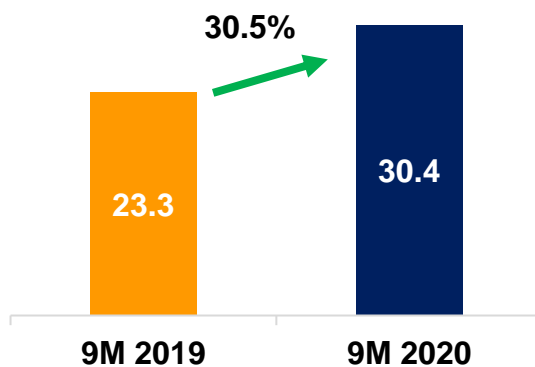
Cybersecurity growth

By business line, the Group's Security business continued to gain traction, registering revenue growth of 20.0% to S\$7.8 million in Q3 2020, from S\$6.5 million in Q3 2019.

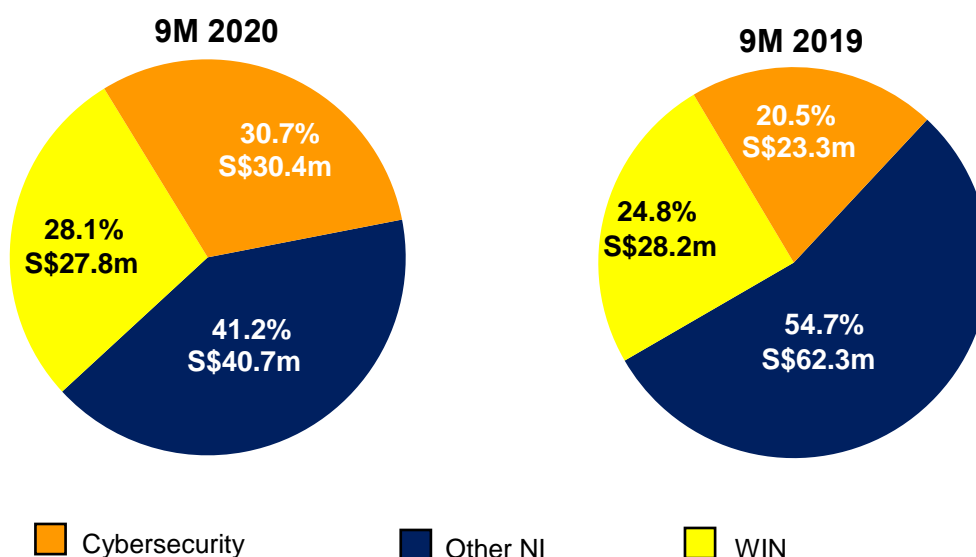
As for the nine months ended 30 September 2020 ("9M 2020"), NeraTel's Security business also registered a strong 26.3% increase in revenue, from S\$21.3 million for the nine months ended 30 September 2019 ("9M 2019") to S\$26.9 million, in 9M 2020.

S\$(million)	9M 2020	9M 2019	(%)
Total Order In-take	98.9	113.8	(13.1)
Security	30.4	23.3	30.5

Cybersecurity Order Intake (S\$m)



Order Intake (By Nature)



For 9M 2020, NeraTel's Security business continued to gain traction, registering a strong 30.5% increase in order in-take from S\$23.3 million in 9M 2019 to S\$30.4 million in 9M 2020. The Group will also continue to focus on growing the Cybersecurity business and widening its range of products and services in this domain.

Navigating the COVID-19 Crisis

While NeraTel saw a slight improvement in revenue in Q3 2020 compared to a year ago, the impact of COVID-19 has not abated due to the uncertain economic outlook. Navigating through the pandemic, the Group has implemented precautionary measures and will continue to seek out opportunities brought on by accelerated digitalisation:

Leverage on Opportunities brought about by Accelerated Digitalisation – As work-from-home arrangements have become widespread amid the COVID-19 outbreak, it has become clear that a hybrid work arrangement will likely be a long-term option for many. As such, the Group has rolled out IT solutions to enable customers to implement their business continuity plan during this COVID-19 outbreak, and to facilitate the shift towards a hybrid work model. NeraTel also continues to see enquiries from Operators to upgrade and protect their networks.

5G Deployment – Singapore remains on track to deploy two nationwide 5G standalone (SA) networks by 2025, with 5G SA capabilities covering at least half of Singapore by end-2022, according to IMDA. The Group is actively positioning itself appropriately to pursue 5G-related opportunities with Service Providers. These opportunities include the upgrading of existing IP infrastructure, fronthaul and backhaul networks; providing cybersecurity products as well as offering network planning, consultancy, RF benchmarking and optimisation services to operators and main contractors.

However, the uncertainty in business climate as a result of COVID-19 pandemic may cause the telco operators to re-strategise their 5G deployment – such as rolling out Non-standalone networks first – and this may have some impact on NeraTel's order book in the near term.

Build Competencies – The Group continues to hire judiciously only for strategic positions. Staff are encouraged to participate in online training especially in new business areas such as Cybersecurity and Automation.

Contain Costs – NeraTel's group-wide efficiency and cost reduction initiatives have borne fruit, with lowered staff related costs. Additionally, lower priority capex is either deferred or cancelled as part of the Group's broader cost containment initiatives.

Capital Management – Optimisation of working capital and improving NeraTel's cash flow through better management of accounts receivables and account payables.

Outlook

The Group's full year financial period ended 31 December 2020 ("FY2020") will likely be impacted by COVID-19 to an extent, partially mitigated by the support measures from the government. The overall financial performance for FY2020 is also likely to be affected by the following:

Economic Downturn – According to the International Monetary Fund ("IMF"), the global economy is projected to contract sharply by 4.4% in 2020, a slight improvement from the previous GDP growth forecast of -4.9%, due to better-than-expected second quarter GDP figures. However, COVID-19 continues to weigh heavily on the economy.

Growing Macroeconomic Uncertainties – US-China trade tensions are expected to persist regardless of the outcome of the US elections. In addition, a sudden spike in COVID-19 cases across US & Europe and the region has created an uncertain outlook.

About Nera Telecommunications Ltd

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

Supported by one of the largest team of certified engineers in Asia, NeraTel provides a full suite of turnkey network and wireless solutions – ranging from network security solutions, cloud network infrastructure to wireless network services – delivering cutting-edge services for the digital world. NeraTel serves a wide range of industries including telecommunications, enterprises, government organisations, transportation and utilities, amongst many others.

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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