

NEWS RELEASE

NERATEL REPORTS NET PROFIT OF S\$6.3 MILLION AND REVENUE OF S\$121.1 MILLION FOR 9M 2018

- *NI and WIN segments secure S\$105.6 million and S\$37.6 million of order in-take respectively*
- *Clinches NI contract worth approximately S\$7.8 million from a new customer – a major Government entity in Southeast Asia*
- *Network security and digitisation continue to be key drivers for growth*

Singapore, November 9, 2018 – Mainboard-listed Nera Telecommunications Ltd (“NeraTel”, 挪拉电讯, or the “Group”), a leading Communications and Network Solutions Provider, announced today that the Group’s net profit has held steady at S\$6.3 million, notwithstanding a 11.3% decline in turnover to S\$121.1 million for the nine-month period ended September 30, 2018 (“**9M 2018**”), from S\$136.6 million for the nine-month period ended September 30, 2017 (“**9M 2017**”). The lower turnover was mainly due to lower order in-take from the Middle East and Africa markets and delays in project completion.

Mr. Beck Tong Hong (麦东宏), CEO of NeraTel, said, “Although we are seeing a weakening of our WIN business in the Middle East and Africa markets, we are encouraged by the series of contracts worth S\$31.3 million that we have secured for both segments from July to-date, with a majority from the NI segment, which we have identified as our key growth area.

“We have seen repeat contracts from prominent customers and key telecommunications service providers in Southeast Asia, a testament of our competitiveness and ability to deliver effective and tailored solutions for our customers.”

The Group also announced today that it has secured a contract worth approximately S\$7.8 million to supply, install, commission, and managed services for a Wi-Fi Infrastructure Network for a new customer – a major Government entity in Southeast Asia.

This follows closely after a separate series of NI and WIN contracts secured in July and August this year totalling S\$23.5 million, in relation to services provided for a Government entity in the Middle East, leading Southeast Asia service providers, including a key telecommunications service provider in Malaysia.

“We will continue to leverage on our vertically-integrated value chain to provide comprehensive end-to-end solutions through our two complementary segments. At the same time, we will accelerate our search for new synergistic business verticals that will further sharpen our competitive niche and drive our sustainable long-term growth,” added Mr Beck.

Financial Performance

The lower topline registered in 9M 2018 was due to a 6.3% decline in turnover from the NI segment to S\$80.8 million from S\$86.2 million in 9M 2017, as well as a 20.0% decrease in turnover from the WIN segment to S\$40.3 million from S\$50.4 million.

The NI segment, which continues to be the Group’s largest turnover contributor at 66.7%, saw lower turnover from Australia and the Philippines, partially offset by higher turnover in Myanmar and Pakistan. Meanwhile, the WIN segment experienced a dip in sales from the Middle East and Africa markets, partially offset by higher turnover from Singapore and the Philippines.

Consequently, both segments registered weaker turnover for the three-month period ended September 30, 2018 (“**Q3 2018**”), with NI recording a 12.5% decrease in turnover to S\$21.7 million while WIN booked turnover of S\$10.4 million, reflecting a 40.2% decline.

In tandem with the lower turnover, the Group's 9M 2018 gross profit decreased 7.4% to S\$32.5 million whilst Q3 2018 gross profit dipped 21.2% to S\$9.5 million. Despite the dip in gross profit, gross profit margin improved to 26.8% and 29.6% for 9M 2018 and Q3 2018, respectively.

Total operating expenses decreased by 5.5% to S\$24.2 million in 9M 2018 from S\$25.6 million in 9M 2017, mainly due to lower distribution and selling and administrative expenses, partially offset by higher other operating expenses. Correspondingly, operating profit decreased 16.8% to S\$8.4 million in 9M 2018 from S\$10.1 million in 9M 2017. For Q3 2018, the Group reported an operating profit of S\$2.3 million compared to the operating profit of S\$3.0 million recorded in the equivalent period a year ago ("**Q3 2017**").

Correspondingly, NeraTel recorded a marginal 1.0% improvement in net profit in 9M 2018 to S\$6.3 million. Q3 2018 net profit stood at S\$1.5 million compared to S\$2.0 million in Q3 2017.

NeraTel's balance sheet remained strong with cash and bank balances of S\$17.9 million as at September 30, 2018 and net cash of S\$11.5 million. Shareholders' equity stood at S\$65.5 million at the end of the reporting period.

Outlook and Growth Strategies

The Group has identified new growth verticals within the NI segment as key growth drivers – namely, Network Security and Digitisation, data centre/cloud and software defined networking.

Notably, of the S\$143.2 million of order in-take secured in 9M 2018, S\$105.6 million, or 73.7%, was contributed by the NI segment while S\$37.6 million, or 26.3%, was contributed by the WIN segment.

The Group will continue to capitalise on growth opportunities brought about by the digitisation wave through the vertical extension of its value chain.

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.

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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