



ADDVALUE TECHNOLOGIES LTD

Company Registration Number: 199603037H

Excluding Q1 FY2011's *ad hoc* and lumpy sales of US\$2.1 million worth of SABRE™ 1 BGAN Terminals in partially meeting the needs of the 10 May 2010 Philippines' National Elections, H1 FY2012's revenue decreased 18% to US\$5.6 million from H1 FY2011's adjusted US\$6.9 million

Q2 FY2012's performance sustained at Q1 FY2012's levels with turnover and net profit maintained at US\$2.8 million and US\$0.2 million respectively

- **Continued robust sales of wider range of Inmarsat-centric land and maritime BGAN-based products sustained performance in Q2 FY2012 and H1 FY2012**
 - **Gross profit margin recorded at 48.6% in Q2 FY2012 compared to 54.3% in Q2 FY2011 (chiefly as a result of sales of a proportionately higher volume of high yielding products in 2Q FY2011 compared to 2Q FY2012) while improved to 51.2% in H1 FY2012 compared to 48.8% in H1 FY2011 (due mainly to higher design income earned in H1 FY2012)**
 - **Working capital more than doubled from US\$2.5 million as at 31 March 2011 to US\$5.4 million as at 30 September 2011 while gearing continued to improved from 28.3% to 18.9%**
 - **Net tangible assets ("NTA") nearly doubled from US\$2.9 million as at 31 March 2011 to US\$5.7 million as at 30 September 2011**
 - **Net asset value ("NAV") increased 28.3% from US\$13.4 million as at 31 March 2011 to US\$17.2 million as at 30 September 2011**
 - **NAV per share increased 16.4% from 1.34 US cents as at 31 March 2011 to 1.56 US cents as at 30 September 2011**
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Singapore, 10 November 2011 – Singapore Exchange Mainboard-listed Addvalue Technologies Ltd ("Addvalue" or the "Company" and together with its subsidiaries,

the “Group”), a leading global developer and manufacturer of mobile satellite terminals supporting coverage provided by premier mobile satellite communication operators such as Inmarsat plc and Thuraya Telecommunications Company, announced its second financial quarter results for the three-month financial period (“Q2 FY2012”) and its half year financial results (“H1 FY2012”) ended 30 September 2011 in respect of the financial year ending 31 March 2012 (“FY2012”).

Results Review of Q2 FY2012 and H1 FY2012

The Group recorded a turnover of US\$2.8 million in Q2 FY2012 *vis-à-vis* that of US\$4.6 million achieved in Q2 FY2011, representing a decrease of US\$1.7 million or 37.5%. The lower turnover was mainly attributed to lower sales generated from maritime products, despite improved sales from land products and increased design income. On a half-yearly basis, excluding the *ad hoc* and lumpy sale of about US\$2.1 million worth of SABRE™ 1 BGAN Terminals for partially meeting the needs of the 10 May 2010 Philippines’ National Elections (the “Election SABRE™ 1 Sale”), the reduction in turnover in H1 FY2012 would have narrowed to about US\$1.2 million or 18.1%.

The decrease in revenue from the sales of the Group’s maritime products in Q2 FY2012 compared to Q2 FY2011 was attributed mainly to:

- (1) one of the maritime customers of the Group spreading its committed orders over a longer period of time to coincide with its scheduled plan in installing the new satellite equipment on board of all its vessels;
- (2) certain of the distributors of the Group holding back their stock-up of the terminals due to the many uncertainties prompted by the current Euro zone debt crisis, with its profound implications on the global scene; and
- (3) the fishery industry, the niche market targeted by the new maritime products of the Group, requiring some time to be cultivated and its fishermen to be educated on the switch from the to-be-gradually-phased-out older generation of satellite and radio communication equipment presently in pervasive use to the new generation of satellite equipment promoted by the Group (the “Migration”).

The improved performance of the Group's land terminals in Q2 FY2012 was attributed mainly to the receptive demand for its new land mobile product, the SAFARI™ Vehicular Terminal, launched in June 2011.

Although the gross profit margin of the Group decreased to 48.6% in Q2 FY2012 compared to 54.3% in Q2 FY2011, attributed mainly to a proportionately higher volume of high yielding products sold in Q2 FY2011 compared to Q2 FY2012, the gross profit margin in H1 FY2012 improved to 51.2% compared to 48.8% in H1 FY2011, due chiefly to the higher design income earned in H1 FY2012.

In preparation for the increased production and promotion activities of the wider range of products which the Group undertakes to deliver over the next 12 months and beyond, the Group incurred higher manpower costs as well as marketing expenses in Q2 FY2012 over that of Q2 FY2011.

Accordingly, the Group recorded a net profit after tax of US\$210,000 in Q2 FY2012 relative to that of US\$1.5 million in Q2 FY2011. On a half-yearly basis, the Group registered a net profit after tax of US\$417,000 in H1 FY2012 compared to that of US\$2.5 million achieved in H1 FY2011. The decrease of US\$2.1 million was in part due to the aforesaid and in part due to the Election SABRE™ 1 Sale, which was *ad hoc* and lumpy in nature, the occurrence of which is to a large extent dependent on demands prompted by an impromptu event, such as a natural disaster, or a massive project, such as an election. While the recurrence of such a revenue stream on an annual basis is anticipated (with the size of the sales of each recurrence varies according to the scale of the event or the size of the project), the recurrence may not occur on a quarterly basis.

Against the backdrop of the current Euro zone debt crisis, the Group's exposure to Euro is expected to continue to be minimal and mitigated as its revenues and purchases have been and are expected to continue to be predominantly denominated in US\$ and to a much lesser extent in Euro, while its overhead expenses (comprising mainly staff costs and administration expenses) and prevailing loans from banks and financial institutions have been and are expected to continue to be denominated in S\$. Besides, in respect of the revenues denominated in US\$ or

Euro, a price adjustment mechanism is always built into the relevant supply contract to make up for any material undue foreign exchange movements.

Commenting on the performance of the Group, Dr Colin Chan, Chairman & CEO of Addvalue, remarked that “notwithstanding the lower net profit, which the Group aims to pick up the slack in the second half of FY2012, the Group has continued to enhance its balance sheet with improvement made in its cash position from US\$0.6 million as at 31 March 2011 to US\$1.6 million as at 30 September 2011 and its working capital position more than doubled from US\$2.5 million to US\$5.4 million, its NTA nearly doubled from US\$2.9 million to US\$5.7 million and its gearing significantly reduced from 28.3% to 18.9% over the same periods under consideration”.

Prospects

Akin to the Election SABRE™¹ Sale, subsequent to 30 September 2011, the Group secured a purchase commitment for about US\$1.0 million worth of its SABRE™ 1 Terminals in support of a political election to be held in an African country by end of the calendar year. Coupled with the expected continued receptive demand for its newly launched SAFARI™ Vehicular Terminals, the Group expects its Inmarsat-centric land based BGAN products to continue to generate significant sales for the second half of FY2012 and for the next 12 months.

As regards the sales of its current range of maritime terminals, be it the Inmarsat-centric FleetBroadband Terminals or the Thuraya-centric Seagull Terminals, the Group believes that, with the anticipated imminent implementation of vast improved air-time packages by the satellite infrastructure operators, the Migration, which has been retarded by the present relatively more expensive air-time charges, is expected to be accelerated. With regard to the sales of the Group’s newly launched Seagull 5000i Terminals, which operate on Thuraya’s satellite network, these terminals continue to gain traction in East Asia and South East Asia, and are expected to generate pick-up sales in the second half of FY2012. As to the Group’s customized low cost Thuraya-centric Seagull Terminal targeting the very cost conscious users in South East Asia for a new customer, the development is on target and the Group expects the prototype units, which are currently being tested, to be completed with

the first batch of the terminals to be made available for sale by the last financial quarter of FY2012.

Additionally, the Group has successfully added another new OEM (Original Equipment Manufacturer) customer, namely SeaTel, to its clientele for the design and supply of a range of customized Inmarsat-centric FleetBroadband terminals (the “New OEM Terminals”). Shipment of the first model of the New OEM Terminal is expected to commence by the first quarter of the next financial year.

“We are optimistic about our performance for the remaining period of FY2012, and, barring any unforeseen circumstances, we expect the second half of FY2012 to outperform that of the first half,” added Dr Colin Chan.

Notes:

1. The functional currency and reporting currency of the Company and its subsidiaries have been changed from Singapore dollars (“S\$”) to United States dollars (“US\$”) with effect from 1 April 2011 as US\$ best reflects the current and prospective economic substance of the underlying transactions and circumstances of the Group.
2. This press release should be read in conjunction with Addvalue’s results announcement for the second financial quarter and half year ended 30 September 2011 posted on the Singapore Exchange on 10 November 2011.

About Addvalue (www.addvaluetech.com)

Headquartered and founded in Singapore in 1996, Addvalue Technologies Ltd is a world renowned one-stop digital, wireless and broadband communications technology products innovator, which provides state-of-the-art satellite-based communication terminals and solutions for a wide variety of voice and IP-based data applications. Addvalue has established itself as a key partner to many major players in the satellite communication industry, counting amongst its customer base internationally-renowned leaders such as Inmarsat, Thuraya, Stratos, Vizada, SingTel, Globe Wireless and Satlink.

Through the recent years of progressive business transformation, Addvalue has emerged to be a leading global developer and manufacturer of mobile satellite terminals supporting coverage provided by premier mobile satellite communication operators such as Inmarsat and Thuraya. These terminals are ideal choices for

communications in areas around the world where terrestrial networks are non-existent, inept or ineffective. This is particularly so for maritime communications which rely almost entirely on satellite communications, and Addvalue's products are well poised to address these needs.

About BGAN

The Broadband Global Area Network (BGAN), is a mobile communications that offers highspeed data (up to 492Kbps) and voice telephony –simultaneously through one device. The terminals are normally used to connect a laptop computer to broadband Internet in remote locations, although as long as line-of-sight to the satellite exists, the terminal can be used anywhere. The value of BGAN terminals is that unlike other satellite Internet services which require bulky and heavy satellite dishes to connect, a BGAN terminal is about the size of a laptop and thus can be carried easily. The network is provided by Inmarsat and uses three geostationary satellites called I-4 to provide almost global coverage.

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