

## NETCOMM MARKET UPDATE: Appendix 4E Preliminary Final Report for Year Ending 30 June 2011

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**23 August 2011 (Sydney):** The Board of NetComm Limited (ASX:NTC) has today released its preliminary final report (Appendix 4E) for the full year ended 30 June 2011.

### Results

The Company's Revenue for the year ended 30 June 2011 was \$67,715,000 compared to \$55,264,000 in the corresponding period last year and compared to earnings guidance of \$67,000,000.

The Company's Earnings before Interest, Tax, Depreciation and Amortisation excluding One Off Significant Items for the year ended 30 June 2011 was \$5,141,000 compared to \$4,444,000 in the corresponding period last year and compared to earnings guidance of \$5,000,000.

The Company's Net Loss After Tax for the current year was (\$1,202,000) compared to a profit of \$1,625,000 in the corresponding period last year.

As previously announced to the market on 18 August 2011, the Company wrote down the carrying value of inventories relating to the Company's services business in Australia. This Significant One Off Item had an adverse impact on EBITDA of \$2,500,000 and Profit After Tax of \$2,230,000.

The services business has been a loss making unit within the Company's activities in both the current and prior years. The write down represents 76% of this inventory.

As the inventory was purchased in prior years, this write down has no adverse impact on the Company's cash flows.

Given other substantial growth opportunities available to the Company, notably the contract to supply fixed wireless LTE devices to connect premises to the NBN Co's LTE broadband network, which was announced on 18 August 2011, the Directors believe it is prudent to focus the services business on specific opportunities that will deliver longer term value and profits.

The current year results were also impacted by:

- higher depreciation and amortisation charges compared to last year (\$717,000).
- the recognition of a prior period non-tax deductible item which increased income tax expense by (\$244,000).
- the high Australian dollar compared to last year and
- a reduced margin on sales relating to the second half of the 2011 year mainly as a result of a planned clearance of lower margin products.

### Cash and Borrowings

The Company generated \$3,923,000 of Net Operating Cash Flows, reduced borrowings to \$4,946,000 and increased net cash on hand to \$4,755,000.

**Dividend**

The Directors have not recommended the payment of a dividend in order to preserve cash which will assist in funding new development activities, most notably the continued development of international sales and the new NBN fixed wireless project.

**Outlook**

The Company has continued to grow its international business in the past year increasing both revenue and the number of international carrier customers. With increased people and other resources focussed on the international carrier business, continued growth in that segment is forecast, mainly in the second half of the year.

The emergence of the "Machine to Machine" ("M2M") sector has seen this segment re-prioritised within NetComm. Additional resources are now focussed on this segment and while progress is planned to be made in the 2011/12 year, the benefits of this focus will be seen in future years.

The recent announcement that the Company has been selected by Ericsson to provide advanced fixed-wireless devices needed to connect rural and regional Australian households and businesses to the 2.3GHz fixed-wireless LTE broadband network for the NBN places NetComm in a strong position to play a leading role in the development of LTE broadband fixed wireless technology globally. This deal is expected to have a significant impact on NetComm's revenue from 2013 to 2015 financial years. The 2011/12 financial year will be one of investment into gearing up resources to successfully execute this important contract.

Enquiries to: Ken Sheridan, NetComm Finance Director

Phone: +61 (0)409 157 588 or email: [ken.sheridan@netcomm.com.au](mailto:ken.sheridan@netcomm.com.au)

**About NetComm Limited**

NetComm Limited (ASX: NTC) is a leading developer of innovative broadband products for telecommunications carriers and ISPs worldwide. Specialising in fixed and wireless broadband technologies, NetComm designs and produces products that are customized for world-leading carrier networks to successfully deliver the performance requirements of home, business and industrial applications. For 29 years NetComm has developed a solid portfolio of data communication products, including world first broadband HSPA+ and LTE routers and is today a respected global provider of HSPA+, LTE, machine-to-machine (M2M) wireless and fibre access devices. Headquartered in Sydney, Australia, NetComm has offices in New Zealand, North America and the Middle East. For more information about NetComm visit: [www.netcomm.com.au](http://www.netcomm.com.au)