



Software
Radio Technology

Interim Results Presentation for the six month period ending 30th September 2011

Published: Monday 28th November 2011



Highlights

SRT has continued to make excellent progress implementing its strategy to dominate the AIS based global marine market.

- Increase in revenues and gross profit margin.
- Increased pre-tax profits.
- Increase in product development activity.
- Multiple new product launches.
- Customer migration to new products.
- More mandates entering implementation phase.
- Global addressable market now estimated at £400 million over the next 4 years.



H1 - Results Summary

Revenue:



 +5.3%

Profit Before Tax:



 +9.3%

Cash:



 -4.6%

Note: Profit & Revenue figures stated are for the 6 month period ending 30th September 2011 and are compared to the same period during the previous financial year .

H1 - Results Summary

Revenues:

- Increased by 5% despite migration from old to new product ranges and announcement thereof by customers to their markets reduced demand as expected.
- Lumpy, with period end weighting as expected.
- Revenue spread relatively evenly across all core markets – leisure and commercial – with non mandated demand growing.
- As expected, demand from EU Inland waterway mandate reduced midway through implementation phase, expected to pick up towards final implementation deadline of middle 2012.

Gross Profit:

- Increased from 48% to 54.9% due to implementation of new core technology platform developed during 2010. Larger than expected first generation technology license payment increased GP by approximately 2%.

H1 - Results Summary

Overheads:

- 36.7% (£356,669) increase primarily due to H2 2010/11 restructuring to support expansion of product development and sales activity. Expect annual impact of re-org expansion is £500,000, with balance being increased sales and customer support activities.

Product Development:

- Comparative period increase in new product development of 144% to £979,000. New product development investment during H1 this year is already 8% ahead of whole of last financial year to support rapid broadening and renewal of the SRT product portfolio to meet expected and existing customer demand across all segments.

Cash, Debtors, Creditors:

- Net assets of £8,441,564. Despite heavy product investment, small 4.6% reduction in cash to £2,886,647.
- End of period sales weighting has resulted in a 34% decrease in inventories, 54% increase in receivables and 18% decrease in payables.
- No debt.

Product Developments

Strategic Objective: to provide a module & OEM product solution for every sea based AIS application.

- Old Class B, receiver and splitter products with a new range of core modules and multiple OEM black box solutions.
- Modules started shipping in September, OEM products will commence from December 2011
- Class A encryption module completed for use by coastal security forces
- Class A display now available in over ten languages including Korean and Mandarin
- Variety of new products in specification and evaluation phase – MOB and applications



AIS Class B OEM
'NEON2'



AIS Class B Module
'Cobalt'

Product Developments

IDENTIFIER	SART	ATON
		
<p>World's lowest cost AIS vessel tracking device able to be fitted to even the smallest fishing vessel.</p> <p>In final pre-production development testing and field trials. Shipping will commence in Q4 this financial year.</p>	<p>High performance SART designed to offer better and lower cost alternative to radar SART's.</p> <p>Mandatory on most commercial vessels. In development, expected to commence shipping during H1 next financial year.</p>	<p>Complex AIS device for buoys. Integral element of growing AIS mesh network.</p> <p>In development and expected to start shipping in H1 next financial year.</p>

Target Markets - overview

Strategic Objective: any AIS device sold into target market has SRT inside.

- Known mandates and projects effecting an estimated 1.1 million vessels over next four years
- Every mandate has different requirements, start dates, end dates, routes to market and demand patterns
- Most announced mandates are now entering their implementation phase which will generate significant demand for AIS products
- More mandates are under discussions but not yet formally announced

Target Market – next 12 to 18 months

SE Asia	Multiple mandates either now in implementation phase or expected to enter within next 6 months. Customers targeting addressable market of approximately 600,000 vessels. New mandates expected to be announced in the future
Asia	India is expected to enter the implementation phase sometime in the next 6 months. New and as yet unquantified opportunities in Thailand, Vietnam, Malaysia and Indonesia being addressed by customers.
Middle East	Variety of opportunities being pursued which may create an addressable market of up to 100,000 vessels. One specific opportunity may create demand for up to 10,000 OEM Class B's in next 3 to 9 months.
Africa	Embryonic market with limited coastal infrastructure as yet. Customers have highlighted some interesting new opportunities. No significant demand is expected from this region until 2013 at the earliest.

Target Market – next 12 to 18 months

Russia	Large inland waterway and coastal fleet opportunity. New AIS requirement just announced which could effect up to 60,000 vessels during calendar year 2012.
EU	Inland waterway market will finish during 2012. Estimated 5,000 to 7,000 vessels left to fit. EU fishing mandate will start to create demand during H2 of this financial year – ultimately create demand for up to 40,000 AIS devices.
N. America	USCG has published the mandate which it would like to become a legal requirement – effecting +20,000 vessels. Recently indicated start date would be Dec 2011 – no confirmation as yet. SRT expects sometime in first 6 months of 2012.
S. America	Multiple opportunities, large and small being addressed by customers. One specific opportunity could have an initial requirement of 10,000 to 30,000 units before May 2012.

Customers

- Global network of over 40 customers each with their own established dealer/sales networks.
- SRT's product development program is enabling each customer to significantly expand and customise their AIS product portfolio thus creating multiple new revenue streams for SRT and customers.
- SRT is investing in customer products to enable a high level of specific customer driven customisation around SRT's core products.
- SRT has implemented a dedicated customer service function to ensure a consistently high level of service and support.
- SRT is pro-actively supporting customers to address and open new and existing markets.
- SRT expects to continue to evolve its customer base to ensure appropriate target market penetration.

Future Outlook

Second Half:

- Multiple significant opportunities now at point of generating orders. Exact timing is not known and difficult for customers to predict – hence forecast revenue spread of £10m to £16m.
- SRT is carefully planning component purchasing and product production to enable us to support customer and market requirements.

Next 6 to 18 months:

- Expect multiple mandates to enter implementation phase and generate significant and sustained demand.
- Much broader product portfolio will open new markets and revenue streams.
- Expect leisure market will start to recover from end 2012.

Summary

- Excellent financial performance during H1.
- Profitable with no debt.
- New products now being rapidly brought to market through a global network of established customers.
- New products such as Identifier and AtoN are opening and creating new market segments.
- Mandates are in place and now entering implementation phase which will generate significant demand for AIS products.
- SRT has positioned itself with best in class products and customers to benefit from global demand for AIS products.

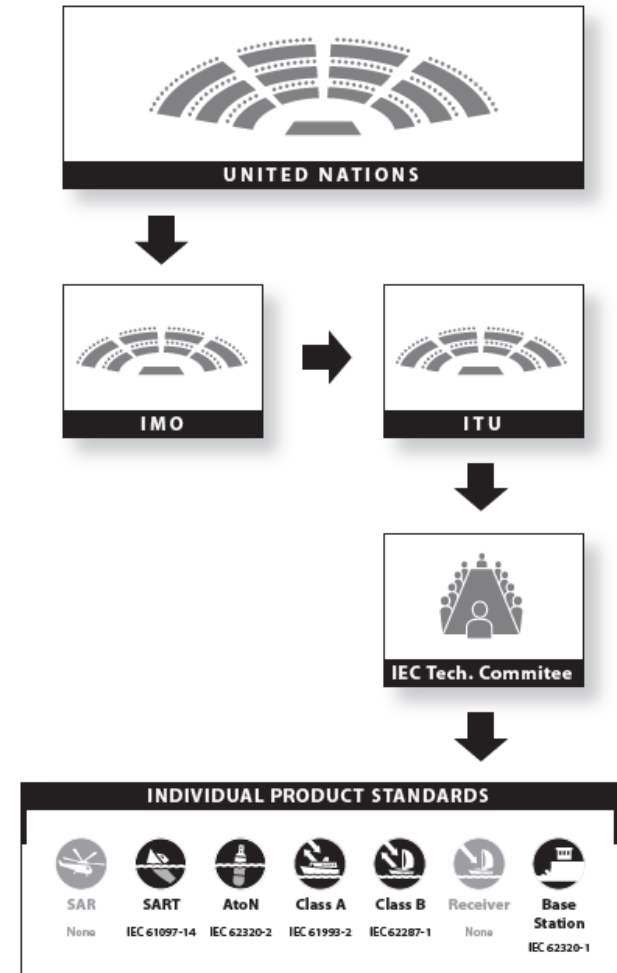


General reference information about Software Radio Technology plc



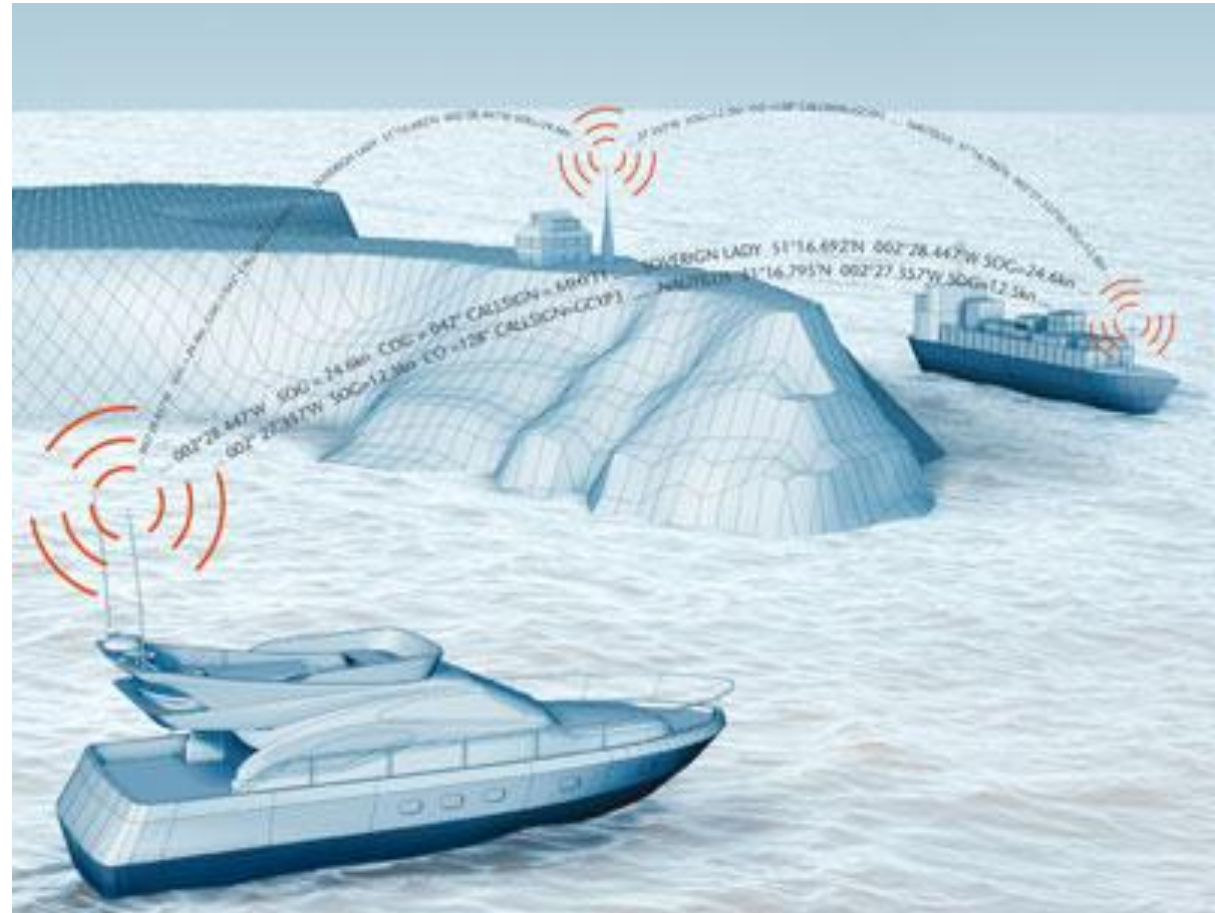
The Market – What is AIS?

- AIS = Automatic Identification System
- AIS is an open Radio Communications '**Standard**' instigated, developed and maintained by the IMO
- There are various sub 'types' of standard within the overall AIS standard: Class A, Class B, AtoN, SART each for a specific purpose
- Original driver for the creation of AIS in 1990's was anti-collision at sea.
- 2002 IMO SOLAS mandate for Class A AIS on all vessels over 300GT made AIS an instant globally accepted standard
- AIS has become an established technology standard / system for vessel tracking worldwide

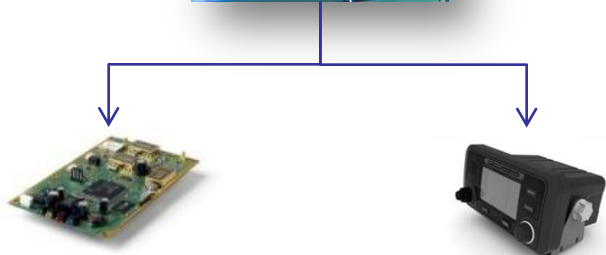


The Market - How does AIS work?

- AIS simultaneously **transmits** and **receives** dynamic and static data specifically related to the vessel on which it is located
- **Static data** - identifies the name of the boat (MMSI Nb) and is hard programmed by the owner/user
- **Dynamic data** – using GPS positioning vessel speed, heading etc constantly calculated
- Message combining dynamic and static data is transmitted every few seconds
- Each message received is decoded and presented on a chart in real time



About SRT – Business Model



**Customers with established brands
and sales channels**

End Users
Leisure – Commercial - Security

**Architectures and technologies
Developed – core IPR**



**Core IPR developed into
modules and OEM products**



**SRT solutions sold under
customer brands**



**End users buy from known
brands and sales points**

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