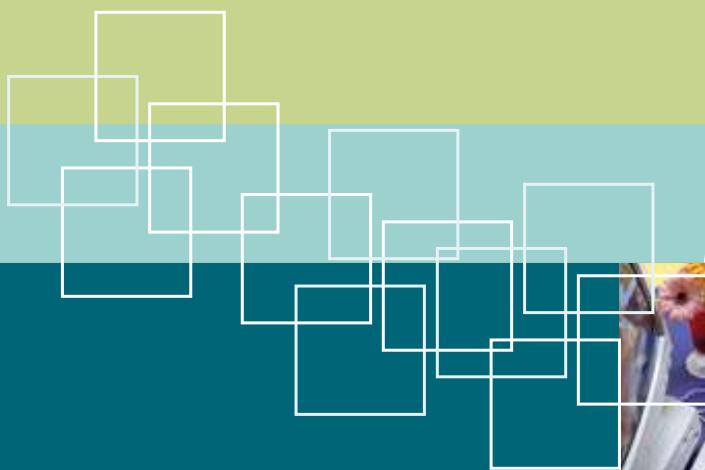




last mile



AIRSPAN ANNUAL REPORT  
2001



wireless DSL



CONNECT

# OUR VISION

**Airspan's vision centers around the customer's success**

**Airspan's vision is to open up access to the Internet and provide voice and data connections to millions of people around the world.**

## **We will:**

**Provide customers with cutting-edge broadband wireless technology that is economical, scalable and future proof**

**Deliver high-speed Internet access and carrier-quality voice service into the home and office**

**Break down the barriers preventing Internet access to under served markets and sectors**

**Enable commerce, collaboration and unlimited access to information**

## Dear Fellow Shareholders

2001 was a year of tremendous turmoil in the global telecommunications markets. Equity and debt markets stopped almost all funding for new competitive local carriers. Infrastructure spending declined severely as carriers of all types worked to improve their balance sheets. Some carriers even went out of business. The fixed wireless access industry was affected by the turmoil as carriers and suppliers alike searched for growth and sustainable business models.

Despite the difficult environment, Airspan Networks continued to grow and strengthen in 2001. We are very proud that we were able to grow revenues by 24%, expanding our global customer base from 39 customers in 2000 to 72 by year end 2001. In the US, the market hit the hardest by the economic downturn, Airspan added 16 customers, most during the second half of the year, tripling our US customer base. We won our first significant contracts in South America and South Africa, and expanded our business in Asia and Eastern Europe. We also believe we positioned ourselves well for success as economies rebound, with wins in new emerging markets like Australia, China and South Africa. This growth speaks well for the competitive strength of our product portfolio, and the continued demand for broadband fixed wireless access. We've also added significant revenues through distribution partners such as Siemens, Ericsson, and Mitsubishi, which increased the reach of our direct sales teams.

In fact, the access part of the network, which is the part that Airspan serves, continues to experience high demand as carriers increase focus more on end customer relationships than on backbone network congestion and expansions. The fact that the "last mile" access network is underdeveloped in 75% of the world's networks fuels demand even as backbone expansions are suspended.

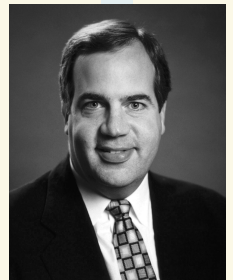
We are also pleased to report that by the end of the year we had reduced our cost structure by approximately 25%. We are focused on achieving profitability, and lowering our costs and breakeven point will allow us to do that as soon as possible. We achieved lowered expenditures without adversely affecting our product development plans or customer satisfaction levels. We've been able to maintain a strong balance sheet, ending the year with more than \$71 million in cash and virtually no debt.

We believe that our product portfolio is the most advanced in the industry, and it is backed by a strong sales and support team around the world. In 2001, we introduced Airspan's new Application Specific Integrated Circuit called Trinity II. The subscriber terminal products rolling out in 2002 based on this new chip provide exciting improvements in system capacity, spectral efficiency and per user data rates at a lower cost base.

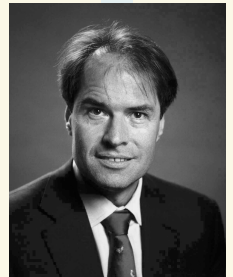
One of the reasons for our success in 2001 in the face of economic adversity is our proven business model. Carriers found the most lucrative segments in telecommunications were high-speed Internet access and voice lines to the small to medium-sized business market and high-end residential customers. We won so many new contracts in 2001 because we provided the most cost-effective and reliable solution for these segments.

We believe that our success in 2001 has put Airspan in an even stronger position to compete going forward. We have established business relationships with more customers and partners eager to deploy broadband wireless access to their customers. We believe carriers will continue to look for access solutions from suppliers with established track records, high customer satisfaction, and the staying power to weather the rest of the economic downturn. Airspan meets all of these requirements and is therefore well positioned to continue its growth in 2002 and beyond.

We continue to be very excited about this industry's future and we remain committed to Airspan's success. We've really appreciated your support throughout 2001 and look forward to working with you in the future as we help customers realize the potential of broadband wireless technology.



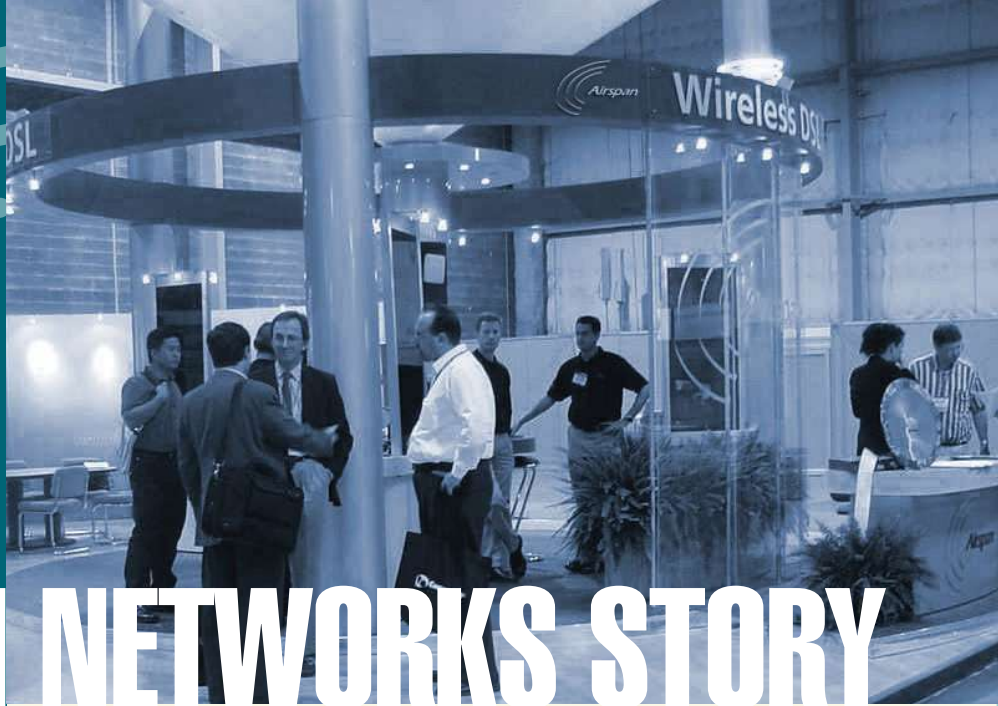
**Matthew J. Desch**  
*Chairman of the Board*



**Eric D. Stonestrom**  
*President & CEO*

# THE AIRSPAN NETWORKS STORY

the last mile



**The Last Mile...** This is the term used in telecommunications to describe the access point in the network, the place where the final connection is made to customers for data and voice. The technology used in the "last mile" determines the speed at which customers connect to the Internet, the kinds of services they can receive, and the quality of their service. Even if there is overcapacity in the backbone network, the capacity and speed in last mile is important, because it is the place where images, sound and video from the Internet slow to a crawl over dial-up modems if capacity or speed is too low.

In the last few years, wireless has been recognized as an ideal technology to replace or augment wires and cables in the last mile. While fiber installation has dramatically improved the bandwidth and economics of the core data and voice networks, and there is now a surplus of bandwidth in many fiber networks, most small businesses and individuals are still connecting to those networks over copper cable in the last mile at 56 kbps or slower.

The Fixed Wireless Broadband Access industry is quite diverse, composed of companies supplying technology for various market segments. Some companies focus on supplying access systems to replace high-bandwidth fiber connections in dense downtown locations. Others supply wide-area LAN technology, using unlicensed frequencies, to connect customers to an Internet Service Provider. Airspan is focused on a specific, important market segment: supplying the access networks, in licensed frequencies, targeting SMEs (small to medium-sized enterprises) and high-end residential customers with high-speed Internet and high-quality voice connections. We call this the "wireless DSL" segment ("DSL" meaning Digital Subscriber Loop), because it delivers DSL-like service to customers using wireless solutions instead of wired connections. We believe that this segment is the most attractive in the long term for volume and demand, and provides the most attractive business case return to operators. A 2002 Morgan Stanley report estimates that 50% of the connections to the Internet in the year 2004 will still rely on 56 kbps dial-up technology. Carriers that can provide higher speed access in an economic way have a tremendous advantage in an increasingly competitive market.

To gain the competitive advantage, most carriers with existing wired networks are focused on increasing end-user access speeds. To accelerate their plans to deliver high value broadband access to their customers, many telephone companies that control the physical network infrastructure are turning to wireless technologies in the access portion of their networks. Other companies are installing private wireless networks to serve their networking needs as the cost of the wireless infrastructure comes down. Alternative carriers are looking to leverage their investments in large backbone capacity with wireless solutions giving direct access from the backbone to the end-user.



**AS4000 Subscriber Terminal**

Airspan products and services give such carriers and companies the edge they seek through a combination of attributes that are unique amongst suppliers in the wireless DSL market segment. First, we have the most experience of any fixed wireless access supplier and understand how to cost-effectively build, install and maintain wireless DSL systems. Second, we have technical advantages in the wireless technology we use, which allows greater range, less requirement on line of sight to the customer, higher spectrum utilization, and more flexibility in the way our systems are provisioned. Specifically, we are able to use wireless links to support both high-speed Internet traffic (including voice services using Voice-over-IP), as well as traditional toll-quality voice links – in any combination needed by the customer. This flexibility means our systems are the most scaleable and cost-effective for operators, resulting in the fastest payback possible. Our technology, based on a wireless technique called Direct Sequence Code Division Multiple Access (DS-SS), is quite sophisticated and we have 34 patents granted covering our intellectual property, with a further 10 patents pending.

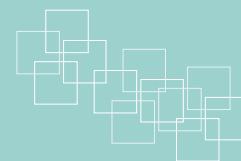
Demand for wireless DSL and wireless fixed access exists all over the world. Our systems are deployed now by more than 70 customers in more than 40 countries, from the developed to the developing. Requirements vary among operators and regions, but all demand highly-reliable, cost-effective systems that are easy to deploy, easy to maintain, and provide maximum service levels for their customers. We are proud of our relationship with our customers, who continue to provide the foundation for our growth and are references for new customers.

Wireless DSL is still a new field, but it has gained significant traction in the last year in spite of a challenging climate for spending on capital equipment. Airspan was a pioneer in the fixed-wireless technology field, and installed some of the first commercial systems available – as early as 1996. Our products have evolved significantly since then, particularly in our ability to efficiently handle IP, or Internet Protocol traffic. Most importantly, our customers have used the scalability of our equipment to build and extend existing businesses rather than having to rely on major capital and debt infusions to create small, unsustainable networks.

We believe that wireless technology like ours will increasingly be accepted as the best way to connect companies and homes to the high-speed Internet. We are committed to maintaining our technical leadership, by providing systems that make the most efficient use of the airwaves, that are the most economical to produce and deploy, and are the most flexible in the services they provide.

Our operations remain primarily based in Uxbridge, just outside of London, England. In 2000, we moved our corporate headquarters to Sunrise, Florida, to better address the growing opportunities in Latin America and the United States. This paid off in 2001 in terms of strong regional growth both in North America (up 78%) and in Latin America (up 631%). We continued to selectively expand our sales and marketing efforts to address the many new opportunities for wireless access around the world in 2001, and have strategically dedicated resources to Australia and China, two markets with substantial promise in the future.

The year 2001 was another strong year in our history. From our roots as a division of DSC Communications, a company acquired by Alcatel in 1998, Airspan has been developing fixed broadband wireless access technology to serve the carrier market globally. We have avoided concentration in one or two particular geographies, which has allowed us to continue to grow despite regional economic downturns. Just about every aspect of our business grew in 2001, despite the fact that the year was one of the most challenging in telecommunications history, with overall capital spending for equipment falling 25% in 2001 after 22% growth in 2000. We are serving more customers in more markets and they are using more access lines of our equipment than ever before. Our company has recorded record revenues for four straight years and prospects for the future are strong.

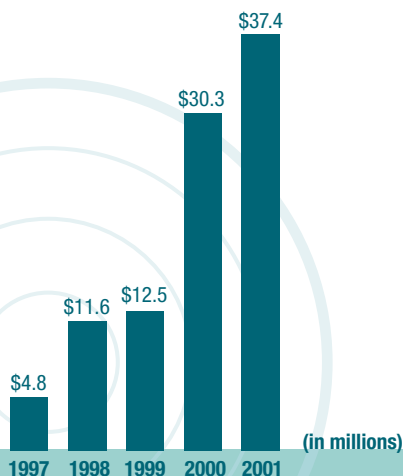


## DEMAND FOR WIRELESS DSL

**Demand for wireless DSL and wireless fixed access exists all over the world. Our systems are deployed now by more than 70 customers in more than 40 countries, from the developed to the developing.**

# AIRSPAN HIGHLIGHTS

# 2002



## YEARLY GROWTH

### Highlights of the year include the following:

- Airspan increased revenues substantially in 2001. Revenues were up by 24% from \$30.3 million to \$37.4 million.
- Airspan managed its cash prudently, ending the year with \$71.6 million on the balance sheet. Airspan also reduced debt substantially, completely eliminating an \$18.5 million obligation to Alcatel during the year.
- Airspan's customer base continued to diversify and provided revenue from 72 customers during the year, up from 39 in 2000. Approximately 37% of revenue came from Asia and 46% from Europe, Middle East, and Africa. For the first time, Latin America contributed a significant portion of sales.
- Airspan continued to expand its U.S. presence throughout the year, increasing the customer base from 7 at the beginning of the year to 23 at year end.
- Airspan solidified OEM relationships with Siemens, Ericsson, and Mitsubishi, each of which contributed more than \$500,000 in revenue through projects with their respective customers.
- Airspan introduced a number of new products to add depth to the solutions its offers its customers. The Trinity II ASIC was delivered in a pilot state and commercial shipments of products containing the new ASIC will begin in 2002. A low-cost mini-cell configuration was designed to address "license saving" opportunities in the USA and elsewhere, and more than 60 were sold within five months of release.
- Airspan strengthened the management team through the addition of several industry veterans, including Mike Flynn who joined Airspan's board of directors, Peter Aronstam who became chief financial officer, Jian Qiu who joined as managing director – China, Al Quintana as senior director of marketing communications and Peter Brown, who joined as quality director.

### A Heightened US Presence

Airspan experienced tremendous growth in the United States market, adding 16 new customers in 2001. These operators found Airspan's technology the best option in the marketplace for utilizing their PCS spectrum. The FCC's mandated five year build out requirement prompted many of these companies to launch high-speed data or combined voice and data services in their markets before the imposed deadline. Key wins in 2001 included Cellular South (the largest private wireless operator in the U.S.), West Central Wireless, Chariton Valley, Emery Telcom, Cellcom and Clearcomm. Our customers are continually convinced that the delivery of high-speed data services as well as lifeline voice services via wireless is an important component of their overall business case.

While the national economic condition had an effect on customers' purchasing decisions, resulting in a lower average sale per customer in 2001, we had a record year for revenues for the U.S. region, thanks to the dramatic increase in new customers. Winning a critical mass of customers in this region also allowed Airspan to create a strong regional customer support structure for the future. Now that a high number of wireless DSL markets have been created in the U.S. using Airspan's AS4000 platform, we believe that 2002 will be a year of expansion of these networks, as well as the introduction of new ones.



U.S. operators like AT&T, Sprint, and Worldcom have made attempts in the past few years to introduce wireless DSL service. Acceptance of their service by customers has been slow, and we therefore expect that the U.S. will account for only 10% of the total market in wireless DSL in 2002. Despite this fact, Airspan committed significant resources to the U.S. market in 2001 and will continue to do so. This commitment is important because:

- U.S. carriers are starting to realize the benefits of wireless solutions as alternatives for access in locations where cable modems and DSL do not work.
- U.S. carriers hold a large block of PCS spectrum and it is estimated that only 22% of this spectrum is utilized for mobile networks today. We believe many regional operators will see the benefit of adding wireless DSL to their service offerings to use this spectrum efficiently.
- Major international carriers who already use fixed wireless access are in partnership with U.S. affiliates like Bell South and Velocom, and technical and commercial decisions involve the U.S. organizations. If U.S. carriers have success with wireless access products internationally, they will adopt them in their home networks.
- Major U.S. corporations like Titan Corporation are building international fixed-wireless networks.
- Developments in leading-edge technologies like Multiple Input Multiple Output (MIMO) and Orthogonal Frequency Division Multiplexing (OFDM) are being pioneered in the United States, technologies which could augment Airspan's offerings.
- US-based financial markets are expected to re-open in the near future to well-capitalized operators with sound business plans who intend to use wireless in the access part of their networks.

The most significant activity in the fixed wireless arena still occurs, however, outside of the United States. This is due to a number of factors, including:

- Established frequency standards for fixed wireless access services, through frequency allocation in the sub 5 GHz bands (managed by the international standards bodies of ETSI and the ITU).
- Operator familiarity with fixed wireless access systems, including the first generation Digital Enhanced Cordless Telephony (DECT) and Personal Handiphone System (PHS) systems, which have been in use since the early 1990s.
- Greater demand for basic telephony.
- Underserved markets for core data services and connections to the Internet.
- Underserved small to mid-size enterprise wireless access as the leading technology to grow its market share in its subsidiaries and residential markets.
- Global carriers dominate the access business in many regions outside the United States, and they are familiar with wireless access technologies. For example, Telefonica, the national telephone company in Spain, sees fixed wireless access as an excellent technology to grow its market share in its subsidiaries in Latin America, and also an important technology in its arsenal to serve its own customers in Spain. Carriers in China, one of the fastest growing markets in the world for telecommunications services, also expect to use fixed wireless access as the fastest way to bring the Internet and voice services to Chinese business and residential customers.

As a result of these factors, Airspan has traditionally focused its business on worldwide opportunities, and we believe the market for our products and services will exceed \$1 billion globally by 2004. We also believe the bulk of the demand will occur in markets outside of the United States in the 3.5 GHz bands where Airspan is a market leader. Airspan will continue to work to become the preferred supplier to global carriers as they further embrace the advantages of fixed wireless access solutions for their customers.

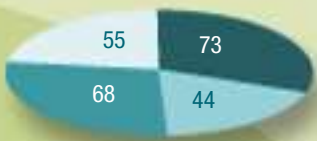
## U.S. Market

“Airspan’s wireless DSL system offered the most attractive way for us to utilize our PCS spectrum license”, said Tony Kent, Cellular South Vice President of Engineering and Operations. “Not only does its system offer spectral efficiency offering both voice and high-speed Internet, it also made the most sense from a business case standpoint.”

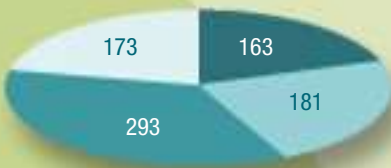


# CONTINUED GLOBAL SUCCESS

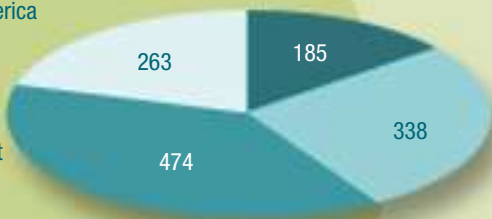
## wireless DSL MARKET SIZE



2001 \$240M



2003 \$810M



2005 \$1260M

- ASIA
- Caribbean & Latin America
- North America
- Europe, Middle East & Africa

### Growing Customer Demand

Airspan grew in terms of both product deliveries and revenue in 2001, despite the global slowdown in telecommunication equipment spending in the year. More importantly, our sales activities intensified on all continents. A brief review of each geographic region follows:

#### USA

Airspan made deliveries to 16 new customers in the United States in 2001, bringing its customer base to 23 by the end of the year. All deliveries were in the PCS (1.9 GHz) band. The company successfully exploited a growing demand for fixed wireless access solutions by PCS license holders, who were faced with an FCC-imposed requirement to use their spectrum within five years of acquisition.

These five-year limits began to come due in the third quarter, and will continue through the middle of 2002. Customers such as Cellular South, the largest privately-held wireless provider in the United States, Lite Wave, Cellcom and BTA Ventures made purchases for this application. Other operators saw wireless DSL as the most viable way to bring high-speed voice and data services to their customers particularly in the less-dense rural areas in the United States.

Commercial operators such as GCI in Anchorage, Alaska, a first time customer in 2000, continued to deploy Airspan wireless DSL solutions in 2001. Our technology continues to provide GCI with a stable revenue source, and enables it to bring DSL-rate data services to Anchorage-area small businesses, that have few alternatives for high-speed access as their Internet requirements grow.

#### Europe, Middle East, and Africa

Deployments in these regions continued to increase in 2001, particularly in the Middle East and Africa region, where we experienced revenue growth of 806% over 2000 levels. Unfortunately, volumes in Europe fell in 2001, as the region was hard hit by an economic downturn that led to the failure of a number of CLECs. Nevertheless, the region as a whole experienced revenue growth of 13% over the prior year.

In 2001, we sold equipment to 28 customers in the region, 11 of which were new. We were particularly pleased to see the growing success of our OEM relationship in Africa with Siemens, with whom we signed new contracts in South Africa. The South African agreement led to a Siemens purchase of US \$3.3 million of Airspan's AS4000 wireless DSL systems for delivery to the Second Network Operator (SNO) for a major new network in this important region. The

# AIRSPAN



# DEPLOYMENTS WORLDWIDE



SNO, a joint venture between Eskom, South Africa's power utility company, and Transtel, the telecommunications division of the country's railway company, will be the first provider in South Africa to be granted a license for a fixed wireless project. The deployment, to be rolled out in three phases, will initially focus on Johannesburg, Durban and Cape Town. Commercial service is expected to commence in May 2002.

With the signing in December 2001 of an agreement with Szeptel, S.A. of Poland, the first commercial service rollout using Airspan's PacketDrive technology in Poland was launched. Warsaw-based Szeptel began deploying Airspan's equipment in January 2002, and will offer commercial service to more than 500 subscribers, in both small businesses and high-end residential configurations. Airspan's platform will provide Szeptel subscribers with high-speed Internet services, utilizing its PacketDrive technology for superior network throughput and efficient utilization of the backbone network. The Airspan system in Bialystok will operate within the 3.5 GHz frequency band, providing the "last mile" connectivity for Szeptel's fiber optic network between Warsaw and Bialystok and its fixed cellular network in Bialystok county.

# EUROPE, MIDDLE EAST & AFRICA



**Airspan AS4020 IP-based wireless access product delivers more than 22Mbit/s throughput per radio frequency channel**

## Eastern Europe

“ We are looking forward to offering the fastest and most efficient Internet connections in Poland,” said Andrzej Wyszynski, vice president of Szeptel. “Airspan's wireless DSL system provides us with the opportunity to immediately serve the pent-up demand for high-speed connections to the Internet, while also providing carrier-quality voice service.”

In 2000, we first established a relationship with Titan Corporation of San Diego, which operates satellite networks throughout Africa using wireless DSL in the last mile. This relationship grew in 2001.

In 2000, we projected large potential for the future throughout Africa as operators completed their initial LMDS rollouts to large buildings in downtown core locations. We expected operators to focus in 2001 on the small and medium enterprise segment for increased volume and revenues. In 2001, this came to pass, particularly in countries such as Nigeria, where these operators went after the underserved SME market, using Airspan equipment for data and voice services.

Airspan's presence in Nigeria was boosted with a new agreement in December with Mobitel, a Lagos-based telecommunications operator, to supply US \$1.9 million of its AS4000 wireless DSL systems for a new 2,000-line system in Lagos, and an additional 2,400-line expansion in Nigeria's Warri region. The agreement reinforces the relationship between Airspan and Mobitel which commenced in August 1999 with an initial \$2.5 million contract to deploy a fixed wireless access network in the Warri region. Since then, in excess of 1,400 lines have been deployed in this area with a large proportion being utilized by Shell Petroleum Development Company of Nigeria Limited.

### Asia Pacific

Airspan increased its revenues in Asia by 9% in 2001, even though the region was also adversely affected by the downturn in spending on telecommunications. Fifteen customers purchased equipment from Airspan, six of whom were new. The company still believes that the region holds promise for substantial growth, as the auctioning and licensing of spectrum in which Airspan's product operates is still in its early stage.

To take advantage of China's rapidly growing telecom market, Airspan opened an office in Shanghai, headed by telecom veteran, Jian Qiu. Other new sales offices were opened in Australia and Indonesia. China commenced its auction process in 2001, with the sale by the China Ministry of Information Industry (MII) of 3.5 GHz licenses to provide broadband fixed wireless services to two operators in five cities. MII has still to announce the rules that will govern subsequent spectrum sales, which are expected to cover an additional 350 cities in 2002 and beyond. In September 2001, Airspan successfully completed a trial of its AS4000 wireless DSL system with China Communication Systems, one of the two companies awarded a 3.5GHz license in the five initial cities. Airspan also signed a two-year distributor agreement with Shanghai Post & Telecommunications Equipment Company, Ltd., one of the top 100 electronics enterprises in the country, under which Shanghai P&T became China's "Airspan Authorized Distributor". Shanghai P&T took its first deliveries of the AS4000 wireless DSL system in the fourth quarter of 2001.

In November 2001, Airspan announced its selection as the wireless technology supplier to Unwired Australia. Unwired and the members of a supplier consortium, which comprises Airspan, Ericsson Australia and Leighton Holdings Ltd's wholly-owned subsidiary Vytel, intend to develop and operate a 3.4GHz frequency broadband wireless network throughout Australia. Unwired and the consortium signed a Memorandum of Understanding to assist Unwired in the design of the network, the negotiation of service contracts between Unwired and its key customers and the completion of its debt and equity arrangements required to build and launch the network. Unwired has invested approximately US \$57 million on 3.4 GHz spectrum. Although the project

# COUNTRIES WITH 3.5 GHZ LICENSED SERVICE

## The Americas

*Argentina*  
**Bolivia**  
*Brazil*  
*Chile*  
**Colombia**  
**Costa Rica**  
**Ecuador**  
**El Salvador**  
*Guatemala*  
*Haiti*  
**Honduras**

*Jamaica*  
**Martinique**  
**Mexico**  
**Montserrat**  
**Nicaragua**  
**Panama**  
*Peru*  
**Venezuela**

## Europe, Middle East and Africa

**Albania**  
**Angola**  
**Austria**  
**Belgium**  
*Botswana*  
*Congo*  
*Czech Rep*  
**Denmark**  
*Estonia*  
**Finland**  
**France**  
*Gambia*  
**Germany**  
*Ghana*  
**Hungary**  
*Ireland*  
*Italy*  
**Latvia**

**Luxembourg**  
*Madagascar*  
**Netherlands**  
*Nigeria*  
**Norway**  
*Poland*  
**Portugal**  
*Russia*  
*Saudi Arabia*  
*Slovakia*  
*South Africa*  
*Spain*  
*Sweden*  
**Switzerland**  
*Tanzania*  
*Uganda*  
**UK**

## Asia

*Australia*  
**Brunei**  
*China*  
*Indonesia*  
**Myanmar**  
*New Zealand*  
**Pakistan**  
*Philippines*  
*Sri Lanka*

*\*Note: Airspan deployments in teal italics.*

is still in its financing stage, when launched, Airspan's solution will be a key ingredient in the development of a national fixed wireless broadband network spanning more than 14 major population centers, including metropolitan centers such as Sydney and Melbourne and selected regional centers.

Existing Airspan customers in the region also continued to expand their networks in 2001. In June, Airspan announced a contract with P.T. Lintasarta (Indonesia), a leading local data communications and value-added service provider, under which Lintasarta committed to extend its telecommunications networks with the purchase of the Airspan AS4000 wireless DSL system to 15 cities throughout Indonesia. We expect the network to expand further in 2002.



## China

“ Together with Airspan, we will be the leading supplier of wireless broadband in the China market,” said Bao Kangrong, president of Shanghai P&T. “Airspan's international experience and credibility together with our reputation and success in China is a winning combination.” ”

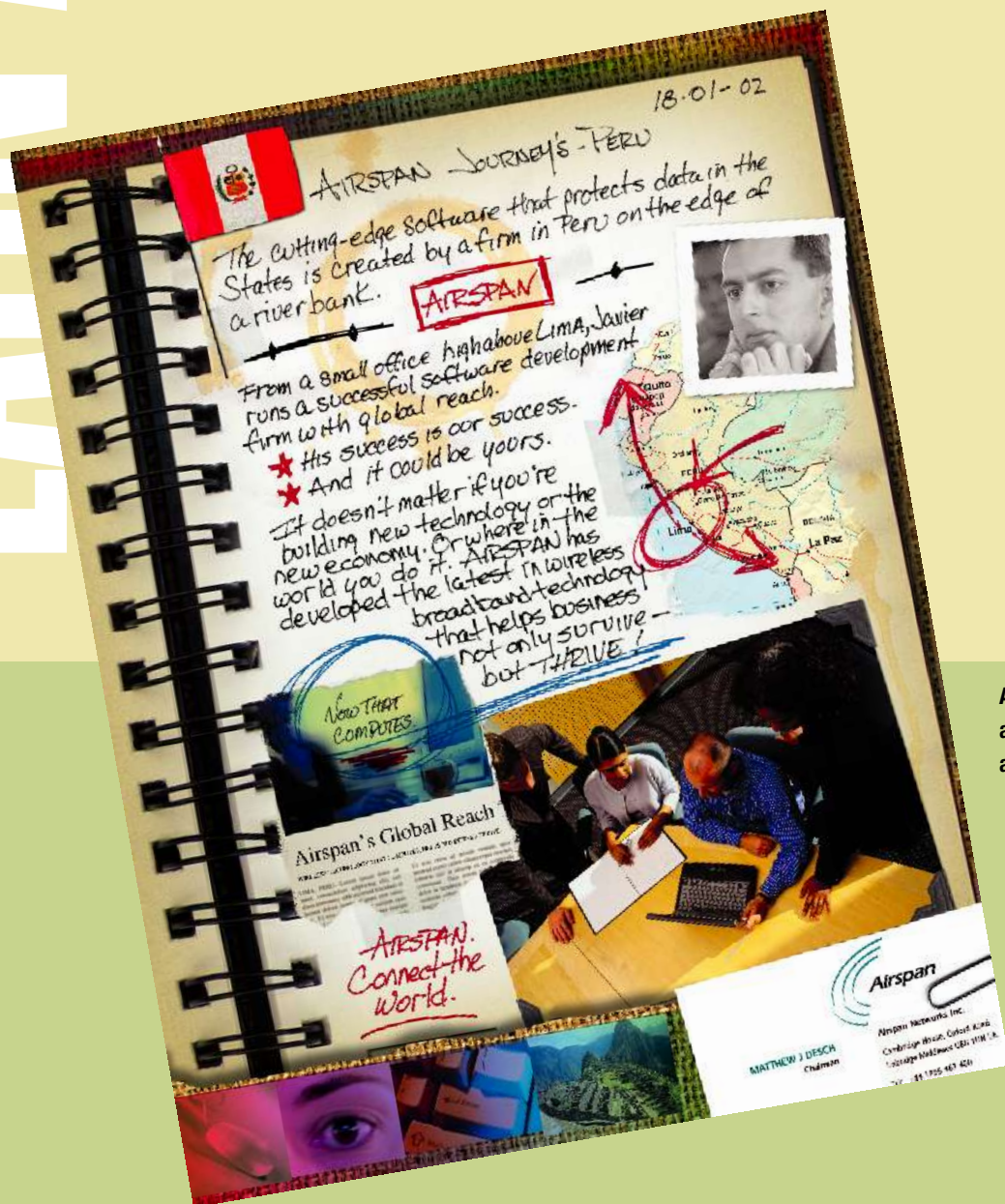
# ASIA PACIFIC



## Latin America

If 2000 was an important developmental year for Airspan in Latin America, then 2001 was the year of major breakthroughs for the company in the region. Revenues increased by more than 600% over 2000 levels, driven largely by significant contract wins in Peru and Chile.

In April 2001, Airspan announced the signing of an OEM agreement with Ericsson to implement a multi-service broadband access platform for Telefonica, S.A. in its Peru network. The first phase of the network was successfully implemented in 2001, allowing Telefonica to deploy a fixed wireless access solution for the first time on a large scale in the capital city of Lima and surrounding urban areas. Telefonica can now deliver both wireless voice and high-speed data to residential subscribers and small-to-medium enterprises throughout Lima. Later phases of the project should encompass the entire country. Later in the year, Airspan teamed in Chile in another new OEM agreement with Japan's Mitsubishi Corporation to implement a wireless voice and data network for Telefonica del Sur, a well-established operator with an existing wired network in the southern part of Chile. This network will also undergo expansion in 2002 and beyond utilizing Airspan equipment.



Airspan's deployment in Peru served as the company's first brand advertisement.

# HUMAN RESOURCES AND ORGANIZATIONAL DEVELOPMENT

Airspan continued to mature as an organization throughout the year. Numerous improvements were made to the company's infrastructure in terms of quality assurance procedures, customer credit control procedures, demand forecasting, and financial reporting support systems. In 2001, as part of our expense-reduction program, we completed the outsourcing of all our routine manufacturing processes.

Airspan continued to build the strength and quality of its organization throughout 2001, while maintaining a very competitive cost structure. At the close of the year, Airspan had 193 full time employees, down from 204 at the start of 2001. The company experienced a low attrition rate compared to industry norms and was successful in attracting significant new talent to address the growing market. The benefits of a strong technology focus were illustrated through the granting of 6 new patents with a further 10 patent applications filed.

Employee benefit programs including an Employee Stock Purchase Plan, and an enhanced 401k plan helped to secure our talented workforce, our most important asset. An option exchange program was approved by the board of directors and implemented at the year's end. Under the program, eligible employees were given the right to exchange their options granted after October 1999 for a lesser amount of new options that are expected to be granted and priced in July 2002. Twenty-four percent of eligible employees elected to participate in the program.





# THE BROADBAND FIXED WIRELESS BUSINESS CASE

## summary

**Airspan achieved strong progress in 2001 in terms of financial performance, organizational strength, and product offering. We believe that the basic business model has been proven to be sustainable and robust against a variety of market forces. While the telecommunications equipment market can be expected to remain very challenging in 2002, Airspan is gaining momentum, as we continue toward our goal of becoming the worldwide leader of fixed wireless broadband solutions.**

At the core of Airspan's ongoing success is a strong business case model for our operator customers. This business case hinges on our ability to give operators a scalable combination of voice, synchronous data, and IP services across a variety of building types for customers using licensed frequency around the world. In 2001, network operators who were dependent on non-scalable networks, or who tried to offer data-only services using wireless technology, ceased to exist when their external sources of capital dried up in the face of their unsuccessful business cases. This increased the focus of providers of capital on self-sustaining, cash generating network developments, which served to increase Airspan's potential in the market.

Numerous factors influence a customer's business case and Airspan has "proven in" its equipment and revenue-generating capacity in a variety of operator scenarios. Airspan customers find that the economic benefits of wireless include:

- Scalable and deferrable capital investment due to low infrastructure costs.
- Ability to serve the most lucrative end-customer segment, the Small-Medium Enterprise (SME) segment, without having to cover other segments.
- High "revenue per megahertz" due to Airspan's capability to support both voice and data services.
- Attractive economics versus laying cables and wires for new network operators.
- Attractive economic alternative for incumbent operators versus expanding their existing copper networks.

More operators around the world are seeing the benefits to their business in supplying wireless DSL services to their customers. As equipment costs continue to fall over the next few years, the business case will only become more attractive. Improvements in network coverage, air interface standards, and system cost reduction will all continue to drive increased penetration of wireless DSL.

So why are operators selecting Airspan for their needs? Some of the benefits that differentiate Airspan include:

- Low cost per subscriber to deliver both data and voice – considerably lower than the wireless competition and in many cases, substantially lower than copper.
- An elegant migration plan that ensures that investments made now can be used in the future as the technology evolves in terms of price and performance.
- More efficient use of frequency spectrum. Airspan systems provide spectrally-efficient carrier-quality voice in addition to high-speed data and Voice-over-IP (VoIP).
- Flexibility in network deployment. Airspan systems include integrated switch and router interfaces according to international standards, such as GR303 and V5.2, allowing them to be integrated with existing networks globally.
- The broadest range of subscriber terminals in the industry. Airspan provides low-cost, volume-produced Customer Premise Equipment, for the widest range of applications.
- Experience. Airspan has field-proven deployment tools, and network management second to none.
- A broad range of services. Airspan technology allows the widest service mix permitting an operator to serve multiple end user types.

For additional information, please visit our website:

[www.airspan.com](http://www.airspan.com)

## Board Members

### **Matt Desch**

*Chairman of the Board*  
Airspan Networks Inc.

### **Eric Stonestrom**

*President and*  
*Chief Executive Officer*  
Airspan Networks Inc.

### **Berry Cash**

*General Partner*  
InterWest Partners

### **Guillermo Heredia**

*Consulting Partner*  
Consultores y Inversiones Aeronauticas

### **Thomas Huseby**

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SeaPoint Ventures, LLC

### **David Twyver**

*Chief Executive Officer*  
Ensemble Communications, Inc.

### **Michael Flynn**

*Group President*  
*Communications*  
ALLTEL

## Management Team

### **Matthew Desch**

*Chairman of the Board*

### **Eric Stonestrom**

*President and*  
*Chief Executive Officer*

### **Jonathan Paget**

*Executive Vice President*  
*and Chief Operating Officer*

### **Peter Aronstam**

*Senior Vice President and*  
*Chief Financial Officer*

### **Ian Cooper**

*Vice President of Engineering*  
*and Development*

### **Henrik Smith-Petersen**

*President*  
Asia Region

### **David Brant**

*Vice President and Controller*

### **David Reeder**

*Vice President of Sales*  
North America

### **Anders Rendahl**

*Vice President*  
*and General Manager*  
Europe, Middle East & Africa

### **Julio Izique**

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