

 [Print this page](#)**Third Quarter * Financial Statement And Dividend Announcement**


* Asterisks denote mandatory information

Name of Announcer *	NERATELECOMMUNICATIONS LTD
Company Registration No.	197802690R
Announcement submitted on behalf of	NERATELECOMMUNICATIONS LTD
Announcement is submitted with respect to *	NERATELECOMMUNICATIONS LTD
Announcement is submitted by *	Ang Seong Kang Samuel
Designation *	Executive Director
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>> Announcement Details

The details of the announcement start here ...

For the Financial Period Ended *	30-09-2008
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NERA TELECOMMUNICATIONS LTD

(Co. Reg. No. 197802690R)

UNAUDITED THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2008**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

- 1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Note	Group 3rd Quarter			Group Period ended 30 September		
		2008 S\$'000	2007 S\$'000	Increase/ (Decrease) %	2008 S\$'000	2007 S\$'000	Increase/ (Decrease) %
Turnover		34,386	44,125	(22.1)	106,638	121,989	(12.6)
Cost of sales		(26,723)	(35,532)	(24.8)	(80,650)	(96,098)	(16.1)
Gross profit		7,663	8,593	(10.8)	25,988	25,891	0.4
Other operating income		289	511	(43.4)	967	1,530	(36.8)
Distribution and selling expenses		(3,994)	(3,616)	10.5	(11,438)	(10,934)	4.6
Administrative expenses		(1,821)	(1,855)	(1.8)	(5,441)	(5,226)	4.1
Other operating expenses		(657)	(465)	41.3	(1,206)	(1,004)	20.1
Profit from operations		1,480	3,168	(53.3)	8,870	10,257	(13.5)
Financial expenses		(76)	(40)	90.0	(191)	(140)	36.4
Financial income		166	229	(27.5)	668	727	(8.1)
Profit after financial items		1,570	3,357	(53.2)	9,347	10,844	(13.8)
Share of results of associated company		19	58	(67.2)	(128)	(22)	481.8
Profit before taxation		1,589	3,415	(53.5)	9,219	10,822	(14.8)
Taxation		273	(376)	NM	(1,574)	(2,092)	(24.8)
Profit after taxation		1,862	3,039	(38.7)	7,645	8,730	(12.4)

	Note	Group 3rd Quarter			Group Period ended 30 September		
		2008	2007	Increase / (Decrease)	2008	2007	Increase / (Decrease)
		S\$'000	S\$'000	%	S\$'000	S\$'000	%
Profit for the period is arrived at after crediting / (charging) the following :							
Adjustments for over provision of tax in respect of prior years		479	135	254.8	479	138	247.1
Depreciation	(1)	(707)	(538)	31.4	(1,841)	(1,395)	32.0
Interest income	(2)	166	229	(27.5)	668	727	(8.1)
Interest expense		(2)	-	N.M.	(4)	-	N.M.
Fixed assets written off		(5)	(2)	150.0	(46)	(4)	1050.0
Foreign exchange loss		(331)	(232)	42.7	(327)	(200)	63.5
Gain on disposal of fixed assets		34	-	N.M.	60	-	N.M.
Writeback of provision for doubtful debts		164	17	864.7	555	409	35.7
Provision for stock obsolescence		(325)	(31)	948.4	(540)	(524)	3.1
Write-back / (provision) for warranty		48	53	(9.4)	(849)	(1,713)	(50.4)
Gross profit as a percentage of turnover		22.3%	19.5%	14.4	24.4%	21.2%	15.1
Profit for the period as a percentage of turnover		5.4%	6.9%	(21.7)	7.2%	7.2%	0.0
Other Information							
Profit for the period attributable to equity shareholders of the Company as a percentage of issued capital and reserves at end of period		3.1%	4.7%	(34.0)	12.7%	13.5%	(5.9)

N.M. Not meaningful

Notes :

- (1) The increase in depreciation resulted from more point-of-sale terminals purchased for leasing.
- (2) The decrease in interest income was mainly due to the lower interest rates from deposits.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

Balance Sheet as at	Group		Company	
	30/9/2008 S\$'000	31/12/2007 S\$'000	30/9/2008 S\$'000	31/12/2007 S\$'000
Equity				
Share capital	29,909	29,909	29,909	29,909
Revenue reserve	32,410	39,241	27,307	34,090
Translation reserve	(2,338)	(1,960)	-	-
	59,981	67,190	57,216	63,999
Non current assets				
Fixed assets	9,054	8,168	5,447	4,308
Investment in subsidiaries	-	-	4,316	4,316
Investment in associated company	945	1,111	199	199
Deferred tax assets	1,320	1,327	196	180
	11,319	10,606	10,158	9,003
Current assets				
Stocks	4,449	7,188	3,482	6,185
Contract work-in-progress	(1) 36,465	20,687	31,671	15,725
Trade debtors	(2) 30,293	48,733	21,415	38,563
Other debtors, deposits and prepayments	3,582	1,769	1,582	128
Due from associated company (trade)	7,558	8,145	5,788	7,076
Due from associated company (non-trade)	950	1,000	950	1,000
Due from related companies (trade)	150	95	62	83
Due from subsidiaries (trade)	-	-	10,131	8,033
Due from subsidiaries (non-trade)	-	-	1,459	359
Fixed deposits	22,032	35	22,032	-
Cash and bank balances	4,402	21,116	1,218	18,934
Total current assets	109,881	108,768	99,790	96,086
Current liabilities				
Trade creditors	26,825	22,498	22,475	16,945
Other creditors and accruals	16,419	17,448	13,638	13,875
Provision for warranty	3,396	3,821	1,679	1,706
Due to subsidiaries (trade)	-	-	365	400
Due to related companies (trade)	12,323	5,591	12,273	5,548
Provision for taxation	2,138	2,826	2,302	2,616
Hire purchase obligations (current portion)	25	-	-	-
Total current liabilities	61,126	52,184	52,732	41,090
Net current assets	48,755	56,584	47,058	54,996
Non current liabilities				
Hire purchase obligations	(93)	-	-	-
	59,981	67,190	57,216	63,999

Notes :

- (1) Delays in projects and cost incurred for new projects resulted in the increase of Contract work-in-progress.
- (2) The reduction in trade debtors resulted from good collections during 2008.

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30/9/2008		As at 31/12/2007	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
25	-	-	-

Amount repayable after one year

As at 30/9/2008		As at 31/12/2007	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
93	-	-	-

Details of any collateral

Hire purchase obligations of S\$118,000 are secured on three motor vehicles.

- 1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group 3rd Quarter		Group Period ended 30 Sept	
	2008	2007	2008	2007
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Profit before taxation	1,589	3,415	9,219	10,822
Adjustments for :				
Depreciation of fixed assets	707	538	1,841	1,395
Fixed assets written	5	2	46	4
(Gain) / loss from disposal of fixed assets	(34)	-	(60)	-
Share option expenses	-	-	-	(1)
Provision for stock obsolescence	325	31	540	524
Writeback of provision for doubtful debts	(164)	(17)	(555)	(409)
(Write back) / provision for warranty	(48)	(53)	849	1,713
Interest expense	2	-	4	-
Interest income	(166)	(229)	(668)	(727)
Share of results of associated company	(19)	(58)	128	22
Operating profit before working capital changes	2,197	3,629	11,344	13,343
Decrease / (increase) in :				
Trade debtors	(6,303)	1,270	18,995	(8,647)
Other debtors, deposits and prepayments	820	(371)	(1,813)	(571)
Stocks	348	(858)	2,199	(2,545)
Contract work-in-progress	(19,108)	6,948	(15,778)	(8,904)
Changes in related parties/associate balances	6,789	(9,116)	7,314	285
(Decrease) / increase in :				
Trade creditors	4,384	(1,989)	4,327	9,743
Other creditors and accruals	1,131	1,630	(1,029)	471
Provision for warranty	(805)	(676)	(1,274)	(1,460)
Cash (used in) / generated from operations	(10,547)	467	24,285	1,715
Interest paid	(2)	-	(4)	-
Income taxes paid	(811)	(1,126)	(2,278)	(2,179)
Net cash flows (used in) / from operating activities	(11,360)	(659)	22,003	(464)
Cash flows from investing activities				
Proceeds from disposal of fixed assets	40	-	69	-
Purchase of fixed assets	(1,769)	(1,028)	(2,975)	(2,891)
Interest received	166	82	668	334
Net cash flows used in investing activities	(1,563)	(946)	(2,238)	(2,557)
Cash flows from financing activities				
Dividend paid to shareholders	-	-	(14,476)	(10,857)
Repayment of hire purchase obligations	(6)	-	(11)	-
Proceeds from issue of shares	-	-	-	3
Net cash flows used in financing activities	(6)	-	(14,487)	(10,854)
Net (decrease) / increase in cash and bank balances	(12,929)	(1,605)	5,278	(13,875)
Effect of exchange rate changes	(200)	3	5	(50)
Cash and bank balances at beginning of the period	39,563	13,508	21,151	25,831
Cash and bank balances at end of the period	26,434	11,906	26,434	11,906

- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

For 3rd Quarter ended 30 Sept	Share Capital S\$'000	Revenue Reserve S\$'000	Translation Reserve S\$'000	Total S\$'000
Group				
Balance as at 1.7.2008	29,909	30,548	(2,182)	58,275
Foreign currency translation difference	-	-	(156)	(156)
Net profit for the period	-	1,862	-	1,862
Balance as at 30.9.2008	29,909	32,410	(2,338)	59,981
Balance as at 1.7.2007	29,909	33,479	(1,563)	61,825
Foreign currency translation difference	-	-	(59)	(59)
Net profit for the period	-	3,039	-	3,039
Balance as at 30.9.2007	29,909	36,518	(1,622)	64,805
Company				
Balance as at 1.7.2008	29,909	25,530	-	55,439
Net profit for the period	-	1,777	-	1,777
Balance as at 30.9.2008	29,909	27,307	-	57,216
Balance as at 1.7.2007	29,909	27,863	-	57,772
Net profit for the period	-	3,116	-	3,116
Balance as at 30.9.2007	29,909	30,979	-	60,888

For Period ended 30 Sept	Share Capital S\$'000	Revenue Reserve S\$'000	Share Option Reserve S\$'000	Translation Reserve S\$'000	Total S\$'000
Group					
Balance as at 1.1.2008	29,909	39,241	-	(1,960)	67,190
Foreign currency translation difference	-	-	-	(378)	(378)
Net profit for the period	-	7,645	-	-	7,645
Dividends paid	-	(14,476)	-	-	(14,476)
Balance as at 30.9.2008	29,909	32,410	-	(2,338)	59,981
Balance as at 1.1.2007	29,906	38,645	1	(1,664)	66,888
Foreign currency translation difference	-	-	-	42	42
Employee share options exercised / (cancelled)	3	-	(1)	-	2
Net profit for the period	-	8,730	-	-	8,730
Dividends paid	-	(10,857)	-	-	(10,857)
Balance as at 30.9.2007	29,909	36,518	-	(1,622)	64,805
Company					
Balance as at 1.1.2008	29,909	34,090	-	-	63,999
Net profit for the period	-	7,693	-	-	7,693
Dividends paid	-	(14,476)	-	-	(14,476)
Balance as at 30.9.2008	29,909	27,307	-	-	57,216
Balance as at 1.1.2007	29,906	33,494	1	-	63,401
Employee share options exercised / (cancelled)	3	-	(1)	-	2
Net profit for the period	-	8,342	-	-	8,342
Dividends paid	-	(10,857)	-	-	(10,857)
Balance as at 30.9.2007	29,909	30,979	-	-	60,888

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

There has been no change in the Company's share capital since 30 June 2008. As at 30 September 2008, there were 1,014,000 (@ S\$0.625) unexercised share options granted (30 September 2007 : 1,032,000 @ S\$0.625). There was no treasury share in issue as at the end of the current financial period (30 September 2007 : nil).

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding financial year.

The total number of issued shares excluding treasury shares as at the end of the current financial period was 361,897,000 shares (31 December 2007 : 361,897,000).

- (1)(d)(iv) **A statement showing all sales, transfers, disposal, cancellation and / or use of treasury shares as at the end of the current financial period reported on.**

Not applicable

- 1(e) **Negative assurance confirmation on interim financial results under Rule 705(4) of the SGX-ST.**

To the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the third quarter financial statements for the period ended 30 September 2008, to be false or misleading in any material respect.

On behalf of the Board

S Chandra Das
Chairman

Ang Seong Kang, Samuel
President and Chief Executive Officer

2. **Whether the figures have been audited, or reviewed and in accordance with which standard or practice [e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard]**

The figures have not been audited or reviewed by the auditors.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as in the latest audited annual financial statements.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

Not applicable.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group 3rd Quarter		Group Period ended 30 Sept	
	2008	2007	2008	2007
Earnings per Ordinary Share for the period based on net profit attributable to shareholders:	(cents)	(cents)	(cents)	(cents)
(i) basic earnings per share	0.51	0.84	2.11	2.41
(ii) fully diluted earnings per share	0.51	0.84	2.11	2.41

Basic earnings per ordinary share for the financial period ended 30 September 2008 was calculated based on the weighted average number of shares in issue of 361,897,000 {2007 : 361,891,051} ordinary shares. Fully diluted earnings per ordinary share for the financial period ended 30 September 2008 was calculated based on the adjusted weighted average number of shares in issue (adjusted for the effects of dilutive options) of 361,897,000 ordinary shares {2007 : based on weighted average number of shares in issue (adjusted for the effects of dilutive options) of 361,891,051 ordinary shares}.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year

	Group		Company	
	30/9/2008 (cents)	31/12/2007 (cents)	30/9/2008 (cents)	31/12/2007 (cents)
Net Asset Value per ordinary share based on issued share capital	16.57	18.57	15.81	17.68

Net asset value per ordinary share as at 30 September 2008 and 31 December 2007 was calculated based on the number of shares in issue of 361,897,000 ordinary shares.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

(a) Turnover

On a Q on Q comparison, turnover in Q3 2008 decreased 22.1% from S\$44.1 million to S\$34.4 million. Compared to 9 months of 2007, the Group's turnover for this period decreased 12.6%, from S\$122.0 million to S\$106.6 million. The fall in turnover for Q3 2008 and for nine months of 2008 resulted from lower turnover from the Telecom business segment, partially offset by higher turnover from the Infocomm business segment.

Telecommunications (Telecom)

On a Q on Q comparison, turnover in Q3 2008 decreased 46.0% from S\$27.6 million to S\$14.9 million, mainly due to lower sales of microwave radio equipment, resulting from project delays. This was partially offset by higher sales of satellite terminals.

Compared to nine months of 2007, turnover for this period decreased 30.0%, from S\$72.6 million to S\$50.8 million. This was mainly due to lower sales of microwave radio equipment, resulting from project delays. Sales for the satellite business area registered a slight increase.

Infocomm

On a Q on Q comparison, turnover in Q3 2008 increased 18.2% from S\$16.5 million to S\$19.5 million. Compared to nine months of 2007, turnover for this period increased 13.2% from S\$49.4 million to S\$55.9 million. Both increases resulted mainly from higher sales of network equipment and services to the Service Provider market sector and the Government, Transport and Utilities market sector.

(b) Gross Profit

On a Q on Q comparison, gross profit decreased by 10.8% from S\$8.6 million to S\$7.7 million mainly due to the lower turnover. Gross margin % ("GM%") improved from 19.5% to 22.3% mainly due to product / services sales mix.

Compared to nine months of 2007, gross profit increased slightly by 0.4%, from S\$25.9 million to S\$26.0 million despite the lower turnover, and the GM% improved from 21.2% to 24.4%. The improvement can be attributed to higher GM% from both business segments, as a result of lower warranty provision and product / services sales mix.

(c) Operating Expenses

On a Q on Q comparison, total operating expenses increased by 10.0% from S\$5.9 million to S\$6.5 million. Distribution and selling expenses increased by 10.5% mainly due to higher payroll and related costs. Administrative expenses decreased slightly by 1.8%. Higher other operating expenses resulted from higher foreign exchange loss and higher research and development costs.

Compared to nine months of 2007, total operating expenses increased by 5.2% from S\$17.2 million to S\$18.1 million. Distribution and selling expenses increased by 4.6% while administrative expenses increased by 4.1%. Both increases resulted from higher payroll and related costs. Higher other operating expenses resulted from higher foreign exchange loss and higher research and development costs.

(d) Profit Before Taxation ('PBT')

On a Q to Q basis, PBT decreased 53.5% from S\$3.4 million to S\$1.6 million resulting mainly from lower turnover. PBT as a percentage of turnover ("PBT %") decreased from 7.7% to 4.6% mainly due to the lower turnover and higher operating expenses.

Compared to nine months of 2007, PBT for this period decreased 14.8% from S\$10.8 million to S\$9.2 million mainly due to lower turnover and higher operating expenses. The higher other income in the 9 months for 2007 was due to a one-off marketing support fee from a principal. PBT as a percentage of turnover ("PBT %") decreased slightly from 8.9% to 8.6%.

(e) Cash flow

The net decrease in cash and bank balances for the quarter was mainly due to higher working capital requirements. For the first nine months of 2008, the Group is able to generate positive cash flow despite the payment of dividends.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

N.A.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Telecommunications (Telecom)

The Group's Telecommunications business segment comprises two main business areas, namely the Transmission and Satellite Communications.

In the Transmission business area, demand for radio transmission products and services are driven by Mobile Operators introducing a variety of voice, data, content and broadband services to address various customer needs. The mobile market is highly competitive and Mobile Operators need to expand their network coverage, capacity / bandwidth and network capabilities to increase their market share and be ahead of competition. The Group has a complete range of Evolution series PDH, SDH access and SDH trunk microwave radios transmission products and solutions with wide choices of spectrum and capacity to serve the Mobile market. The Group has so far received approximately S\$50 million orders in this business area and intends to also offer our range of radio transmission products and related telecommunication solutions to the Defence, Broadcasting and Utilities market sectors.

In the Satellite business area, the Group will focus on sales of Inmarsat and Thuraya satellite communication products, solutions and services to the land and marine market. The Group will continue to promote broadband satellite networks to satellite operators, ISP, broadcasters and government organisations and seek new business opportunities by expanding its satellite product portfolio.

Infocomm (IF)

The Group's Infocomm business focuses on offering four core product portfolio namely Network Infrastructure, Broadcast Infrastructure, Payment Solutions and Wireless Solutions to five key market sectors.

The growth in the internet and broadband services and competition has driven Service Providers to launch new multi-media services, increased their revenue streams and deploy high performance and cost effective infocomm network infrastructure. The Group is focusing on providing carrier-class networking products and solutions to support Service Providers in the Region to expand their IP networks, to converge their mobile and fixed networks, to roll out wireless broadband networks, mobile TV infrastructure and next generation broadband networks. The Group has benefitted from this development and has secured more than S\$40m in orders for network infrastructure equipment.

In the Enterprise market sector, the Group will focus on providing enterprise-class network infrastructure products and solutions such as routers, switches, security devices, optimization, aggregation internet appliances and wireless solutions to help enterprises increase their productivity and improve competitiveness.

In the Financial Services & Retail market sector, the Group will focus on strengthening its current point-of-sale ("POS") terminal sales, terminal applications and software development, rental, leasing and maintenance business. The migration to PCI PED compliant POS terminals and the Financial and Retail industry's demand for new services and capabilities such as loyalty program, IP, contactless and mobile terminals, continue to drive growth in this market sector. The Group plans to introduce its network infrastructure and wireless products and solutions to the Financial Services and Retail market sector and further expand into the regional market.

In the Media & Broadcasting market sector, the Broadcasters' migration from analogue TV network to digital TV (DVB) systems will lead to a demand for broadcast infrastructure network. The Group has recently managed to secure a S\$7.7m contract to deploy DVB-H transmission and transmitter network. In addition, the Group intends to introduce more stand-alone broadcast infrastructure equipment and also its current range of network infrastructure products to customers in this market sector.

In the Government, Transport and Utilities market sector, the Group will continue to focus on offering integrated communications systems such as surveillance, train communication and offshore communication systems as well as network infrastructure and optical networks to the defence, education, healthcare, utilities and transportation industries.

The current financial crisis has created many uncertainties. The Group will adopt a more cautious approach in cost-related activities and balance between the short term investment risks and opportunities and the long term business position of the Group.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on ? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) **Date payable**

Not applicable

(d) **Books closure date**

Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect

No dividend has been declared or recommended for the financial period.

13. Aggregate value of interested persons transactions conducted pursuant to a shareholders' general mandate for the period ended 30 September 2008.

Pursuant to Rule 920(1)(a)(ii) of the Listing Manual, the details of the aggregate value of interested person transactions conducted pursuant to a shareholders' general mandate are as follows:

Name of Interested Person	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)	
	3rd Quarter	Period ended 30 September
Sales		
Nera Networks AS	49	396
Nera Networks, Inc.	-	143
Nera Networks, s.r.o.	52	171
Purchases		
Nera Networks AS	11,837	18,567
Other Operating Revenues		
Nera Networks AS	272	747

BY ORDER OF THE BOARD

Samuel Ang
Director

16/10/2008