

NERA TELECOMMUNICATIONS LTD

(Co. Reg. No. 197802690R)

UNAUDITED THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2010

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		
		2010 S\$'000	2009 S\$'000	Increase/ (Decrease) %	2010 S\$'000	2009 S\$'000	Increase/ (Decrease) %
Turnover		36,305	32,974	10.1	107,282	133,437	(19.6)
Cost of sales		(27,934)	(26,628)	4.9	(82,016)	(108,754)	(24.6)
Gross profit		8,371	6,346	31.9	25,266	24,683	2.4
Other operating income		919	1,223	(24.9)	2,452	2,125	15.4
Distribution and selling expenses		(4,597)	(4,206)	9.3	(12,390)	(11,774)	5.2
Administrative expenses		(2,291)	(1,514)	51.3	(6,297)	(5,076)	24.1
Other operating expenses		(281)	(115)	144.3	(772)	(729)	5.9
Profit from operations		2,121	1,734	22.3	8,259	9,229	(10.5)
Financial expenses		(95)	(52)	82.7	(263)	(130)	102.3
Financial income		138	257	(46.3)	532	610	(12.8)
Profit after financial items		2,164	1,939	11.6	8,528	9,709	(12.2)
Share of results of an associate		16	(150)	N.M.	515	(258)	N.M.
Profit before taxation		2,180	1,789	21.9	9,043	9,451	(4.3)
Taxation		(675)	(268)	151.9	(2,372)	(1,739)	36.4
Profit after taxation		1,505	1,521	(1.1)	6,671	7,712	(13.5)
Other comprehensive income / (expense) :							
Foreign currency translation of financial statements of foreign operations		(27)	41	N.M.	262	210	24.8
Total comprehensive income for the period		1,478	1,562	(5.4)	6,933	7,922	(12.5)

		Group				Group		
		3rd Quarter				Period ended 30 September		
		2010	2009	Increase / (Decrease)		2010	2009	Increase / (Decrease)
		S\$'000	S\$'000	%		S\$'000	S\$'000	%
Profit for the period is arrived at after crediting / (charging) the following :								
Adjustments for (under) / over provision of tax in respect of prior years		1	(56)	N.M.		(554)	(37)	1397.3
Depreciation	(1)	(761)	(713)	6.7		(2,192)	(2,073)	5.7
Interest expense		(1)	(1)	0.0		(3)	(4)	(25.0)
Interest income	(2)	138	257	(46.3)		532	610	(12.8)
Fixed assets written off		(3)	(15)	(80.0)		(4)	(15)	(73.3)
Foreign exchange gain		624	968	(35.5)		983	866	13.5
Gain on disposal of fixed assets		2	6	(66.7)		4	17	(76.5)
Writeback / (provision) for doubtful debts		-	(40)	(100.0)		57	322	(82.3)
Bad debts recovered		-	6	(100.0)		128	18	611.1
Allowance for stock obsolescence		(148)	(71)	108.5		(222)	(419)	(47.0)
Provision for warranty		(695)	(202)	244.1		(943)	(1,838)	(48.7)
Gross profit as a percentage of turnover		23.1%	19.2%	20.3		23.6%	18.5%	27.6
Profit for the period as a percentage of turnover		4.1%	4.6%	(10.9)		6.2%	5.8%	6.9
<u>Other information</u>								
Profit for the period attributable to equity shareholders of the Company as a percentage of issued capital and reserves at end of period		2.6%	2.6%	0.0		11.4%	13.0%	(12.3)

N.M. - Not meaningful

Notes :

- (1) The increase in depreciation for the quarter and for nine months ended 30 September 2010 as compared to the corresponding periods resulted from more point-of-sale terminals purchased for leasing.
- (2) The lower interest income for the quarter and for nine months ended 30 September 2010 as compared to the corresponding periods resulted from lower interest from both bank deposits and our associated company.

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	
	30/9/2010 S\$'000	31/12/2009 S\$'000	30/9/2010 S\$'000	31/12/2009 S\$'000
Equity				
Share capital	29,909	29,909	29,909	29,909
Revenue reserve	30,558	34,744	24,720	29,047
Translation reserve	(2,133)	(2,395)	-	-
	58,334	62,258	54,629	58,956
Non current assets				
Fixed assets	7,219	7,785	3,685	4,319
Investment in subsidiaries	-	-	4,316	4,316
Investment in an associate	1,737	1,179	199	199
Deferred tax assets	1,066	892	176	5
	10,022	9,856	8,376	8,839
Current assets				
Stocks	3,126	3,779	985	2,052
Contract works-in-progress	24,321	20,677	19,044	15,790
Trade receivables	(1) 33,190	25,280	26,827	18,304
Other receivables, deposits and prepayments	6,198	3,376	3,339	1,558
Due from an associate (trade)	(2) 10,075	21,676	7,953	18,942
Due from an associate (non-trade)	-	420	-	420
Due from related companies (trade)	14	32	3	20
Due from subsidiaries (trade)	-	-	10,385	7,325
Due from subsidiaries (non-trade)	-	-	197	280
Cash and cash equivalents	33,280	29,401	28,345	26,438
Total current assets	110,204	104,641	97,078	91,129
Current liabilities				
Trade payables	(1) 38,716	30,508	33,857	25,524
Other payables and accruals	14,704	13,239	10,290	8,714
Provision for warranty	5,021	4,415	2,571	2,283
Due to subsidiaries (trade)	-	-	404	399
Due to related companies (trade)	1,763	1,958	1,583	1,834
Provision for taxation	1,618	2,032	2,120	2,258
Obligations under finance leases	27	25	-	-
Total current liabilities	61,849	52,177	50,825	41,012
Net current assets	48,355	52,464	46,253	50,117
Non current liabilities				
Obligations under finance leases	(43)	(62)	-	-
Net Assets	58,334	62,258	54,629	58,956

Notes :

- (1) The increase in trade receivables were mainly due to billings made towards the end of Q2 2010. Trade payables also increased accordingly.
- (2) The reduction in amount due from associate (trade) was mainly due to repayments made during the period.

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

Amount repayable in one year or less, or on demand

As at 30/9/2010		As at 31/12/2009	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
27	-	25	-

Amount repayable after one year

As at 30/9/2010		As at 31/12/2009	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
43	-	62	-

Details of any collateral

Hire purchase obligations of S\$70,000 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	
	2010 S\$'000	2009 S\$'000	2010 S\$'000	2009 S\$'000
Cash flows from operating activities				
Profit before taxation	2,180	1,789	9,043	9,451
Adjustments for :				
Depreciation of fixed assets	761	713	2,192	2,073
Fixed assets written off	3	15	4	15
Gain from disposal of fixed assets	(2)	(6)	(4)	(17)
Interest expense	1	1	3	4
Interest income	(138)	(257)	(532)	(610)
Allowance for stock obsolescence	148	71	222	419
(Writeback) / Provision for doubtful debts	-	40	(57)	(322)
Provision for warranty	695	202	943	1,838
Share of results of an associate	(16)	150	(515)	258
Operating profit before working capital changes	3,632	2,718	11,299	13,109
Decrease / (increase) in :				
Trade receivables	245	1,806	(7,859)	(700)
Other receivables, deposits and prepayments	(3,311)	(654)	(2,822)	(323)
Stocks	(117)	915	426	186
Contract work-in-progress	554	(2,175)	(3,644)	9,009
Changes in related parties/associate balances	6,572	2,034	11,844	(8,551)
(Decrease) / increase in :				
Trade payables	5,416	1,942	8,208	1,425
Other payables and accruals	2,521	820	1,465	(3,134)
Provision for warranty	(105)	(279)	(355)	(533)
Cash from operations	15,407	7,127	18,562	10,488
Interest paid	(1)	(1)	(3)	(4)
Income taxes paid	(1,033)	(744)	(2,957)	(2,028)
Net cash flows from operating activities	14,373	6,382	15,602	8,456
Cash flows from investing activities				
Proceeds from disposal of fixed assets	3	16	189	271
Purchase of fixed assets	(595)	(277)	(1,762)	(1,233)
Interest received	138	257	532	610
Net cash flows used in investing activities	(454)	(4)	(1,041)	(352)
Cash flows from financing activities				
Dividend paid to shareholders	-	-	(10,857)	(10,857)
Repayment of obligations under finance leases	(7)	(7)	(17)	(13)
Proceeds from short term borrowings	-	159	-	159
Net cash flows used in financing activities	(7)	152	(10,874)	(10,711)
Net decrease in cash and bank balances	13,912	6,530	3,687	(2,607)
Effect of exchange rate changes	(7)	35	192	198
Cash and cash equivalents at beginning of the period	19,375	11,875	29,401	20,849
Cash and cash equivalents at end of the period	33,280	18,440	33,280	18,440

- 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 September	Share Capital S\$'000	Revenue Reserve S\$'000	Translation Reserve S\$'000	Total S\$'000
Group				
Balance as at 1.7.2010	29,909	29,053	(2,106)	56,856
Total comprehensive income for the period	-	1,505	(27)	1,478
Balance as at 30.9.2010	29,909	30,558	(2,133)	58,334
Balance as at 1.7.2009	29,909	30,267	(2,427)	57,749
Total comprehensive income for the period	-	1,521	41	1,562
Balance as at 30.9.2009	29,909	31,788	(2,386)	59,311
Company				
Balance as at 1.7.2010	29,909	23,379	-	53,288
Total comprehensive income for the period	-	1,341	-	1,341
Balance as at 30.9.2010	29,909	24,720	-	54,629
Balance as at 1.7.2009	29,909	23,907	-	53,816
Total comprehensive income for the period	-	1,940	-	1,940
Balance as at 30.9.2009	29,909	25,847	-	55,756

For Period ended 30 September	Share Capital S\$'000	Revenue Reserve S\$'000	Translation Reserve S\$'000	Total S\$'000
Group				
Balance as at 1.1.2010	29,909	34,744	(2,395)	62,258
Total comprehensive income for the period	-	6,671	262	6,933
Dividends paid	-	(10,857)	-	(10,857)
Balance as at 30.9.2010	29,909	30,558	(2,133)	58,334
Balance as at 1.1.2009	29,909	34,933	(2,596)	62,246
Total comprehensive income for the period	-	7,712	210	7,922
Dividends paid	-	(10,857)	-	(10,857)
Balance as at 30.9.2009	29,909	31,788	(2,386)	59,311
Company				
Balance as at 1.1.2010	29,909	29,047	-	58,956
Total comprehensive income for the period	-	6,530	-	6,530
Dividends paid	-	(10,857)	-	(10,857)
Balance as at 30.9.2010	29,909	24,720	-	54,629
Balance as at 1.1.2009	29,909	29,341	-	59,250
Total comprehensive income for the period	-	7,363	-	7,363
Dividends paid	-	(10,857)	-	(10,857)
Balance as at 30.9.2009	29,909	25,847	-	55,756

- 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 2010. As at 30 September 2010, there were 1,000,000 (@ S\$0.625) unexercised share options granted (30 September 2009 : 1,000,000 @ S\$0.625). There was no treasury share in issue as at the end of the current financial period (30 September 2009 : 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 2009 : 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(5) 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 2010, 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 for the financial year ended 31 December 2009 except as described in Section 5 below.

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.

The Group has adopted the new and revised Singapore Financial Reporting Standard ("FRSs") that are mandatory for the financial year beginning on or after 1 January 2010, where applicable. The adoption of these standards did not result in substantial changes to the Group's accounting policies, and there is no material impact on the revenue reserve of the Group as at 1 January 2010.

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	
	2010	2009	2010	2009
Earnings per Ordinary Share for the period based on net profit attributable to shareholders:	(cents)	(cents)	(cents)	(cents)
(i) basic earnings per share	0.42	0.42	1.84	2.13
(ii) fully diluted earnings per share	0.42	0.42	1.84	2.13

Basic earnings per ordinary share for the financial period ended 30 September 2010 was calculated based on the weighted average number of shares in issue of 361,897,000 {2009 : 361,897,000} ordinary shares. Fully diluted earnings per ordinary share for the financial period ended 30 September 2010 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 {2009 : based on weighted average number of shares in issue (adjusted for the effects of dilutive options) of 361,897,000 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	
	30/9/2010 (cents)	31/12/2009 (cents)	30/9/2010 (cents)	31/12/2009 (cents)
Net Asset Value per ordinary share based on issued share capital	16.12	17.20	15.10	16.29

Net asset value per ordinary share as at 30 September 2010 and 31 December 2009 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 2010 increased 10.1% (\$3.3 million) from \$33.0 million to \$36.3 million. This resulted from higher turnover from the Infocomm business segment. Turnover for the Telecom business remained stable.

Compared to nine months of 2009, the Group's turnover decreased 19.6% (\$26.1 million) from \$133.4 million to \$107.3 million. The drop in turnover 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 2010 remained stable at \$17.9 million. However, compared to nine months of 2009, turnover decreased by 53.6% (\$41.8 million) from \$78.0 million to \$36.2 million.

This was mainly due to lower sales of microwave radio equipment in the Transmission business area. On the other hand, there were billings for two large projects in Thailand and Indonesia for the nine months of 2009 amounting to approximately \$42 million.

Infocomm

On a Q on Q comparison, turnover in Q3 2010 increased 21.9% (\$3.3 million) from \$15.1 million to \$18.4 million. The increase was mainly due to higher sales of network equipment to the Enterprise market sector and Service Provider market sector.

Compared to nine months 2009, turnover increased 28.3% (\$15.7 million) from \$55.4 million to \$71.1 million. The increase was mainly due to higher sales of network equipment to all three market sectors (Service Provider, Enterprise and Government, Transport and Utilities).

(b) Gross Profit

On a Q on Q comparison, gross profit for Q3 2010 increased by 31.9% from \$6.3 million to \$8.4 million. Gross margin % ("GM%") improved from 19.2% to 23.1%. Compared to nine months of 2009, gross profit increased by 2.4% from \$24.7 million to \$25.3 million despite the lower turnover, and GM% improved from 18.5% to 23.6%.

The improvement in gross profit and GM% can be attributed to the sales mix in product, project and services and lower warranty expenses following writeback of warranty provision from project closures.

(c) Operating Expenses

On a Q on Q comparison, total operating expenses increased by 24.0% from \$5.8 million to \$7.2 million. Distribution and selling expenses increased by 9.3% (\$0.4 million) mainly due to general increase in operating expenses. Administrative expenses increased by 51.3% (\$0.8 million) mainly due to higher payroll and related expenses and general increase in operating expenses.

Compared to nine months of 2009, total operating expenses increased by 10.8% from \$17.6 million to \$19.5 million. The increase in Distribution and selling expenses of 5.2% (\$0.6 million) was mainly due to general increase in operating expenses and lower writeback of provision for doubtful debts. The increase in administrative expenses of 24.1% (\$1.2 million) was mainly due to higher payroll and related expenses and general increase in operating expenses.

(d) Profit Before Taxation ('PBT')

On a Q to Q basis, PBT for Q3 2010 improved by 21.9% mainly due to higher turnover and improvement in gross margin. PBT as a percentage of turnover ("PBT %") improved from 5.4% to 6.0% for the quarter.

Compared to nine months of 2009, PBT decreased by 4.3% mainly due to the lower turnover. However, PBT% as a percentage of turnover ("PBT %") improved from 7.1% to 8.4%, resulting from the improvement in gross margin % mentioned above and higher other operating income.

(e) Cash flow

For Q3 2010 and nine months of 2010, the Group was able to generate positive cashflows from operating activities through better working capital management.

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.

The Group's business comprises of two main business segments, namely Telecommunications and Infocommunications.

Telecommunications (Telecom)

The Telecommunications business segment comprises of two main business areas, namely Transmission and Satellite Communications. In the nine months of 2010, the Group's Telecom business segment managed to secure about \$46 million in order intake.

Transmission

In the first two quarters of the year, the global point-to-point microwave radio transmission market experienced a decline and in Asia, the market remains mixed with growth from some mobile operators while others are delaying spending due to uncertainties in regulations and spectrum allocations.

The market continues to be very competitive with global vendors aggressively aiming to increase their market share and mobile operators driving for lower costs.

The Group however believes that this market will gradually improve as a result of demand for mobility and broadband by users of smartphones, laptops and various mobile devices to access apps, video and data services. This will drive mobile operators to upgrade and increase their capacity, coverage and capabilities, and migrate their mobile networks and microwave radio transmission infrastructure from legacy to hybrid and eventually to an all IP network.

The Group will focus on providing a comprehensive range of microwave radio transmission products and solutions to mobile operators to support their 2/2.5G expansion as well as future 3G/LTE mobile networks deployment. We believe our Nera Evolution series of radios offer a wide range of frequencies, capacities and capabilities based on a common software-defined radio platform and is well positioned to support mobile operators to migrate from legacy to hybrid and IP/ Ethernet networks.

On the non-mobile market, we will continue to promote our Evolution series radio products and solutions to the Defence, Broadcasting and Utilities markets, primarily for their dedicated communications networks.

Satellite Communications

In the satellite business area, we will focus on providing a range of of land and mobile Inmarsat and Thuraya satellite communications terminals, non-Inmarsat VSAT marine and IP solutions and handheld satellite phones to various market sectors such as Satellite Operators, ISP, Broadcasters, Government, Marine, Oil & Gas, Enterprises and corporate users. The Group has also managed to secure additional orders for Direct-To-Home (DTH) satellite receivers to an Asian Satellite TV Operator. The Group will continue to seek new business opportunities in the satellite market.

Infocomm (IF)

In the Infocomm business segment, the Group will focus on offering products and solutions from the Network Infrastructure and Payment Solutions business areas to three key market sectors, namely Service Providers, Enterprises and the Government, Transportation and Utilities sectors.

Competition in the Infocomm industry remains intense with the Group competing with various global IT vendors, partnering local system integrators and resellers. In the nine months of 2010, the Group's Infocomm business area managed to secure about \$81 million in order intake.

In the Service Providers market sector, the Group believes that growth will be driven by continued consumer demand for broadband services as a result of the surge in web-internet access and services. The Group believes that its strong focus on providing high performances and secured IP, Optical and Broadcast network infrastructure products and solutions will enable Service Providers to deploy new and competitive services to their customers.

The Group will also continue to focus on the Enterprise market by providing enterprise-class network infrastructure products solutions and services such as routers, switches, security solutions, internet devices and appliances that will enable enterprises to deploy networks that are secured, cost effective and improves productivity.

Increase in consumer spending in the retail markets as well as government initiatives to drive for more cashless payments have given rise to more electronic point-of-sale and payment infrastructure opportunities. The Group will focus on providing end to end secured electronic payment products and solutions to the Banking, Finance and Retail markets.

In the Government, Transport and Utilities market sector, IT network opportunities remain positive due to continued government spending in the education, healthcare, defence, transportation and utilities markets. The Group will continue to develop these markets and focus on the IP, optical networks, integrated communication solutions and dedicated communication networks opportunities in these market sectors.

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 2010.

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
Purchases Nera Networks AS	4,263	11,112
Other Operating Revenues Nera Networks AS	318	1,088

BY ORDER OF THE BOARD

Tan Cher Liang
Company Secretary

13/10/2010