

NERA TELECOMMUNICATIONS LTD
(Co. Reg. No. 197802690R)

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2011

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		
		Qtr 1 2011 S\$'000	Qtr 1 2010 S\$'000	Increase/ (Decrease) %
Turnover		35,949	32,931	9.2
Cost of sales		(26,229)	(25,597)	2.5
Gross profit		9,720	7,334	32.5
Other operating income		2,401	846	183.8
Distribution and selling expenses		(6,606)	(4,027)	64.0
Administrative expenses		(2,048)	(1,799)	13.8
Other operating expenses		(471)	(237)	98.7
Profit from operations		2,996	2,117	41.5
Financial expenses		(61)	(62)	(1.6)
Financial income		66	205	(67.8)
Profit after financial items		3,001	2,260	32.8
Share of results of an associate		19	326	(94.2)
Profit before taxation		3,020	2,586	16.8
Taxation		(735)	(414)	77.5
Profit after taxation		2,285	2,172	5.2
Other comprehensive income :				
Foreign currency translation of financial statements of foreign operations		24	306	(92.2)
Total comprehensive income for the period		2,309	2,478	(6.8)

		Group		
		Qtr 1 2011 S\$'000	Qtr 1 2010 S\$'000	Increase/ (Decrease) %
Profit for the period is arrived at after crediting / (charging) the following :				
Adjustments for under provision of tax in respect of prior years		(24)	(9)	166.7
Amortisation of intangible asset	(1)	(16)	-	100.0
Depreciation	(2)	(720)	(703)	2.4
Fixed assets written off		(5)	-	100.0
Foreign exchange (loss) / gain		(117)	261	N.M.
Gain on disposal of fixed assets		5	1	400.0
Interest expense		(1)	(1)	0.0
Interest income	(3)	66	205	(67.8)
Writeback of allowance / (allowance) for doubtful debts		44	(226)	N.M.
Bad debts recovered		-	6	(100.0)
Writeback of allowance / (allowance) for stock obsolescence		23	(71)	N.M.
Provision for warranty		(380)	(334)	13.8
Gross profit as a percentage of turnover		27.0%	22.3%	21.1
Profit for the period as a percentage of turnover		6.4%	6.6%	(3.0)
<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 the period		3.5%	3.4%	2.9

N.M. Not meaningful

Notes :

- (1) The amortisation relates to the Nera Trademark purchased in January 2011.
- (2) The increase in depreciation resulted from more point-of-sale terminals purchased for leasing.
- (3) The decrease in interest income was mainly due to lower interest income from an associate.

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	
	31/3/2011 S\$'000	31/12/2010 S\$'000	31/3/2011 S\$'000	31/12/2010 S\$'000
Equity				
Share capital	29,909	29,909	29,909	29,909
Revenue reserve	37,084	34,799	29,929	28,281
Translation reserve	(2,421)	(2,445)	-	-
	64,572	62,263	59,838	58,190
Non current assets				
Intangible asset (1)	1,273	-	1,273	-
Fixed assets	6,389	6,793	3,196	3,357
Investment in subsidiaries	-	-	4,316	4,316
Investment in an associate	1,751	1,730	199	199
Deferred tax assets	1,414	1,285	393	264
	10,827	9,808	9,377	8,136
Current assets				
Stocks	2,158	3,100	489	1,745
Contract work-in-progress	16,687	21,750	10,630	14,511
Trade receivables	43,310	39,199	28,402	25,817
Other receivables, deposits and prepayments	4,905	5,100	2,946	3,403
Due from an associate (trade)	1,657	4,467	536	3,243
Due from related companies (trade)	-	14	-	3
Due from subsidiaries (trade)	-	-	13,814	14,959
Due from subsidiaries (non-trade)	-	-	189	754
Cash and cash equivalents	50,080	39,991	42,863	35,369
Total current assets	118,797	113,621	99,869	99,804
Current liabilities				
Trade payables	40,178	37,302	33,273	31,960
Other payables and accruals	16,546	15,946	10,157	11,601
Provision for warranty	5,218	4,985	2,633	2,882
Due to subsidiaries (trade)	-	-	409	413
Due to related companies (trade)	24	688	24	377
Provision for taxation	3,031	2,182	2,912	2,517
Obligations under finance leases	27	27	-	-
Total current liabilities	65,024	61,130	49,408	49,750
Net current assets	53,773	52,491	50,461	50,054
Non current liabilities				
Obligations under finance leases	(28)	(36)	-	-
Net Assets	64,572	62,263	59,838	58,190

Note :

(1) Intangible asset relates to the Nera Trademark purchased in January 2011.

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

Amount repayable in one year or less, or on demand

As at 31/3/2011		As at 31/12/2010	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
27	-	27	-

Amount repayable after one year

As at 31/3/2011		As at 31/12/2010	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
28	-	36	-

Details of any collateral

Obligations under finance leases of \$55,000 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	
	Period ended 31 March	
	2011	2010
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before taxation	3,020	2,586
Adjustments for :		
Amortisation of intangible asset	16	-
Depreciation of fixed assets	720	703
Fixed assets written off	5	-
Gain from disposal of fixed assets	(5)	(1)
Interest expense	1	1
Interest income	(66)	(205)
(Writeback of allowance) / allowance for stock obsolescence	(23)	71
(Writeback of allowance) / allowance for doubtful debts	(44)	226
Provision for warranty	380	334
Share of results of an associate	(19)	(326)
Operating profit before working capital changes	3,985	3,389
Decrease / (increase) in :		
Trade receivables	(4,065)	(6,506)
Other receivables, deposits and prepayments	195	(121)
Stocks	980	949
Contract work-in-progress	5,063	(99)
Changes in related companies and associate balances	2,160	2,190
(Decrease) / increase in :		
Trade payables	2,876	1,609
Other payables and accruals	600	(419)
Provision for warranty	(136)	(159)
Cash generated from operations	11,658	833
Income taxes paid	(15)	(37)
Interest paid	(1)	(1)
Net cash flows from operating activities	11,642	795
Cash flows from Investing activities		
Proceeds from disposal of fixed assets	7	2
Purchase of fixed assets	(387)	(226)
Purchase of intangible asset	(1,289)	-
Interest received	66	205
Net cash flows used in investing activities	(1,603)	(19)
Cash flows from financing activities		
Repayment of obligations under finance leases	(8)	(4)
Net cash flows used in financing activities	(8)	(4)
Net increase in cash and cash equivalents	10,031	772
Effect of exchange rate changes	58	202
Cash and cash equivalents at beginning of the period	39,991	29,401
Cash and cash equivalents at end of the period	50,080	30,375

- 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 Period ended 31 March	Share Capital S\$'000	Revenue Reserve S\$'000	Translation Reserve S\$'000	Total S\$'000
Group				
Balance as at 1.1.2011	29,909	34,799	(2,445)	62,263
Total comprehensive income for the period	-	2,285	24	2,309
Balance as at 31.3.2011	29,909	37,084	(2,421)	64,572
Balance as at 1.1.2010	29,909	34,744	(2,395)	62,258
Total comprehensive income for the period	-	2,172	306	2,478
Balance as at 31.3.2010	29,909	36,916	(2,089)	64,736
Company				
Balance as at 1.1.2011	29,909	28,281	-	58,190
Total comprehensive income for the period	-	1,648	-	1,648
Balance as at 31.3.2011	29,909	29,929	-	59,838
Balance as at 1.1.2010	29,909	29,047	-	58,956
Total comprehensive income for the period	-	1,766	-	1,766
Balance as at 31.3.2010	29,909	30,813	-	60,722

- 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 31 December 2010. As at 31 March 2011, there were 1,000,000 (@ S\$0.625) unexercised share options granted (31 March 2010 : 1,000,000 @ S\$0.625). There was no treasury share in issue as at the end of the current financial period (31 March 2010 : 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 2010 : 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 first quarter financial statements for the period ended 31 March 2011, 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 2010 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 2011, 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 2011.

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 Period ended 31 March	
	2011	2010
Earnings per Ordinary Share for the year based on net profit attributable to shareholders:	(cents)	(cents)
(i) basic earnings per share	0.63	0.60
(iii) fully diluted earnings per share	0.63	0.60

Basic earnings per ordinary share for the financial period ended 31 March 2011 was calculated based on the weighted average number of shares in issue of 361,897,000 (2010 : 361,897,000) ordinary shares. Fully diluted earnings per ordinary share for the financial period ended 31 March 2011 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 (2010 : 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 the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year

	Group		Company	
	31/3/2011 (cents)	31/12/2010 (cents)	31/3/2011 (cents)	31/12/2010 (cents)
Net Asset Value per ordinary share based on issued share capital	17.84	17.20	16.53	16.08

Net asset value per ordinary share as at 31 March 2011 and 31 December 2010 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

Compared to Q1 2010, the Group's turnover increased 9.2%, from \$32.9 million to \$35.9 million, with higher turnover from the Telecom business segment partially offset by lower turnover from the Infocomm business segment.

Telecommunications (Telecom)

Turnover increased significantly by 90.9% from \$6.9 million to \$13.2 million, mainly due to higher sales of microwave radio equipment in the Transmission business area. However, the Satellite business area registered lower sales of satellite terminals.

Infocomm

Turnover decreased by 12.5% from \$26.0 million to \$22.8 million. The decrease in turnover was mainly due to lower sales of network equipment to the Service Provider market sector.

(b) Gross Profit

Compared to Q1 2010, gross profit increased by 32.5%, from \$7.3 million to \$9.7 million with the increase in turnover. The gross margin percentage ("GM%") improved from 22.3% to 27.0%, with higher GM% in both the Telecom and Infocomm business segments. This can be attributable to the sales mix in product, project and services.

(c) Operating Expenses

Compared to Q1 2010, total operating expenses increased by 50.5% from \$6.1 million to \$9.1 million. Accordingly, total operating expenses as a percentage of turnover was higher at 25.4% compared to 18.4% for Q1 2010.

Distribution and selling expenses increased by 64.0% (\$2.6 million) mainly due to the payroll and operational costs of new territories taken over in relation to an OEM agreement signed on 19 January 2011. The payroll and related costs of existing operations also increased.

Administrative expenses increased by 13.8% (\$0.2 million) mainly due to the increase in payroll and related cost. Other operating expenses increased by \$0.2 million mainly because of exchange loss of \$0.1 million.

(d) Profit Before Taxation ('PBT')

Compared to Q1 2010, PBT registered an increase of 16.8% from \$2.6 million to \$3.0 million as a result of better gross margin and other operating income. Other operating income was significantly higher by \$1.6 million mainly due to an accounts receivable collection fee in relation to an OEM agreement signed on 19 January 2011. PBT as a percentage of turnover ("PBT %") was higher at 8.4% compared to 7.9% in Q1 2010.

(e) Cash flow

The Group was able to generate positive cashflow from operating activities.

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

Not applicable

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 : Transmission and Satellite Communications.

In the Telecom business segment, competition remains intense and although there are various business opportunities, customers continued to expect lower cost products and services, and focus on driving down their operational expenditures. In Q1 2011, the Group's Telecom business segment managed to secure approximately \$7 million in order intake.

In the Transmission business area, we believe that Mobile Operators will continue to expand their networks to increase their capacity, coverage and capacities as a result of consumer demand for mobile broadband services. The Group will continue to focus on providing a comprehensive range of trunk and access, hybrid and Ethernet / IP ready radios to its Mobile customers. In addition the Group will also promote dedicated microwave radio networks to the Defence, Broadcasting and Utilities market sectors.

The Group will continue to offer a wide range of Inmarsat as well as non-Inmarsat satellite communication products, solutions and services to the Satellite Operators, ISP, Broadcasters, Government, Oil / Gas / Maritime and Enterprises market sectors. The Group will continue to seek new products and 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.

The Infocomm industry is highly competitive. There are many business opportunities in the IT network infrastructure from the Telecom Service Providers, Enterprises and Government, Transport and Utilities as a result of demand for internet, broadband, security and payment services. In Q1 2011, the Group's Infocomm business segment managed to secure approximately \$21 million in order intake.

In the Service Providers market sector, customers are expanding their networks and deploying new services to stay ahead of competition. The Group intend to focus on providing high performance, secured and scalable IP, Optical and Broadcast network infrastructure products and solutions to meet our customers' business objectives.

In the Enterprise market sector, the Group believes that corporate IT spending continues to be mixed with some customers investing in new network infrastructure or network upgrades, while others will prefer outsourcing to lower their costs. The Group will focus on providing enterprise-class network infrastructure products and services to help enterprises deploy an efficient and cost effective network.

In the Enterprise's Banking, Finance and Retail market sector, some customers are deploying new point-of-sale ("pos") terminals and payment infrastructure while others continue to outsource their pos terminal infrastructure to lower costs. The Group will continue to offer direct sales of pos terminals as well as outsourcing alternatives to its customers. The Group will also offer bundled enterprise network infrastructure products and solutions to this market sector.

In the Government, Transport and Utilities market sector, demand for network infrastructure products and solutions remains positive and there are numerous opportunities in the education, healthcare, defence, transportation and utilities market sectors. The Group will continue to provide IP-based and optical networks, integrated communication solutions, dedicated communication networks and payment solutions to customers in these sectors.

Other information – MBF claims

With reference to the legal proceedings between the Group's wholly-owned subsidiary, Nera Infocom (M) Sdn Bhd ('Nera Infocom') and MBF Cards (M'sia) Sdn Bhd ('MBF') announced previously, the court has postponed the trial to the 16th, 18th, 24th, 25th and 26th May 2011.

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 31 March 2011

Not applicable.

BY ORDER OF THE BOARD

Tan Cher Liang
Company Secretary

27/4/2011