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Second 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 *	Julie Koh Ngin Joo
Designation *	Company Secretary
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>> Announcement Details

The details of the announcement start here ...

For the Financial Period Ended *	30-06-2006
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NERA TELECOMMUNICATIONS LTD
(Co. Reg. No. 197802690R)

Second Quarter Financial Statements For the Period ended 30 June 2006

**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 2nd Quarter			Group Period ended 30 June		
		2006 S\$'000	(Restated) 2005 S\$'000	Increase/ (Decrease) %	2006 S\$'000	(Restated) 2005 S\$'000	Increase/ (Decrease) %
Continuing operations							
Turnover		31,749	46,996	(32.4)	73,929	84,466	(12.5)
Cost of sales		(24,728)	(38,693)	(36.1)	(60,096)	(68,821)	(12.7)
Gross profit		7,021	8,303	(15.4)	13,833	15,645	(11.6)
Other operating income		179	4	4375.0	321	377	(14.9)
Distribution and selling expenses		(3,205)	(3,765)	(14.9)	(6,323)	(7,527)	(16.0)
Administrative expenses		(1,771)	(1,303)	35.9	(2,687)	(2,338)	14.9
Other operating expenses		(15)	(48)	(68.8)	(280)	(387)	(27.6)
Profit from operations		2,209	3,191	(30.8)	4,864	5,770	(15.7)
Financial expenses		(50)	(90)	(44.4)	(76)	(162)	(53.1)
Financial income		513	290	76.9	862	473	82.2
Profit after financial items		2,672	3,391	(21.2)	5,650	6,081	(7.1)
Share of results of associated company		(145)	(101)	43.6	(151)	(214)	(29.4)
Profit before taxation		2,527	3,290	(23.2)	5,499	5,867	(6.3)
Taxation		(395)	(354)	11.6	(1,023)	(1,214)	(15.7)
Profit for the period from continuing operations		2,132	2,936	(27.4)	4,476	4,653	(3.8)
Discontinuing operation							
Profit for the period from a discontinuing operation	(1)	2,482	2,377	4.4	4,147	3,827	8.4
Profit for the period		4,614	5,313	(13.2)	8,623	8,480	1.7
Attributable to:							
Equity holders of the Company		3,826	4,559	(16.1)	7,307	7,266	0.6
Minority interests		788	754	4.5	1,316	1,214	8.4
		4,614	5,313	(13.2)	8,623	8,480	1.7

	Group			Group		
	2nd Quarter			Period ended 30 June		
	2006	(Restated) 2005	Increase/ (Decrease)	2006	(Restated) 2005	Increase/ (Decrease)
S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Continuing operations						
Profit before tax is arrived at after crediting/ (charging) the following :						
Depreciation and amortization	(450)	(432)	4.2	(908)	(884)	2.7
Interest income	513	290	76.9	862	473	82.2
Foreign exchange gain/(loss)	18	63	(71.4)	(161)	(220)	(26.8)
Writeback / (provision) for doubtful debts	647	1	646.0	732	(182)	N.M.
Writeback / (provision) for stock obsolescence	259	(233)	N.M.	(205)	(257)	(20.2)
Provision for warranty	(517)	(761)	(32.1)	(1,604)	(1,144)	40.2
Gross profit as a percentage of turnover	22.1%	17.7%	24.9	18.7%	18.5%	1.1
Profit for the period as a percentage of turnover	6.7%	6.2%	8.1	6.1%	5.5%	10.9
Discontinuing operation						
Profit before tax is arrived at after crediting/ (charging) the following :						
Depreciation and amortization	(424)	(371)	14.3	(921)	(737)	25.0
Interest income	164	80	105.0	258	147	75.5
Foreign exchange gain/(loss)	267	(121)	N.M.	232	(99)	N.M.
(Provision) / writeback for doubtful debts	(155)	477	N.M.	(349)	(27)	1,192.6
Provision for stock obsolescence	(671)	(598)	12.2	(919)	(924)	(0.5)
Provision for warranty	(213)	(137)	55.5	(290)	(322)	(9.9)
Gross profit as a percentage of turnover	16.1%	16.9%	(4.7)	17.9%	17.1%	4.7
Profit for the period as a percentage of turnover	8.2%	9.9%	(17.2)	7.9%	8.0%	(1.3)
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	4.2%	5.2%	(19.2)	7.9%	8.3%	(4.8)

N.M. Not meaningful

Note :

(1) Discontinuing operation

On 7 July 2006, the Directors announced that the Company had entered into a conditional Sale and Purchase Agreement to dispose off the Company's 68.27% interest in a subsidiary, Nera Electronics Ltd ("NEL"). Given that the contract manufacturing business of NEL is distinct and requires different management expertise, the proposed disposal will allow the Company to focus, strategically, on its core competence in developing and providing products, services and solutions for the telecommunications and infocomm industries. The proposed disposal is part of the Company's continuing efforts to create and unlock Shareholder value.

The completion of the proposed sale of shares in NEL is subject to:

- (i) the approval by the shareholders of the Company at an Extraordinary General Meeting ("EGM") to be held at a later date;
- (ii) the satisfaction of various conditions precedent set out in the Share Purchase Agreement.

Nera ASA, which is currently the legal and beneficial owner of approximately 50.05% of the issued share of the Company, has executed an irrevocable undertaking to vote in favour of the resolution(s) to approve the proposed sale at the EGM.

The presentation of the financial statements is in compliance with FRS 105 : Non-current Assets Held for Sale and Discontinued Operations.

The financial results of the discontinuing operation are as follows :

	Group			Group		
	2nd Quarter			Period ended 30 June		
	2006	(Restated) 2005	Increase/ (Decrease)	2006	(Restated) 2005	Increase/ (Decrease)
S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Discontinuing operation						
Turnover	30,430	24,126	26.1	52,517	48,118	9.1
Cost of sales	(25,520)	(20,043)	27.3	(43,091)	(39,892)	8.0
Gross profit	4,910	4,083	20.3	9,426	8,226	14.6
Other operating income	392	80	390.0	398	104	282.7
Distribution and selling expenses	(1,454)	(498)	192.0	(3,147)	(2,107)	49.4
Administrative expenses	(887)	(597)	48.6	(1,403)	(1,190)	17.9
Other operating expenses	(20)	(153)	(86.9)	(105)	(220)	(52.3)
Profit from operations	2,941	2,915	0.9	5,169	4,813	7.4
Financial expenses	(18)	(18)	0.0	(39)	(32)	21.9
Financial income	164	80	105.0	258	147	75.5
Profit before taxation	3,087	2,977	3.7	5,388	4,928	9.3
Taxation	(605)	(600)	0.8	(1,241)	(1,101)	12.7
Profit for the period from discontinuing operation	2,482	2,377	4.4	4,147	3,827	8.4

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	
		30/6/2006 S\$'000	31/12/2005 S\$'000	30/6/2006 S\$'000	31/12/2005 S\$'000
Equity					
Share capital	(i)	29,906	18,094	29,906	18,094
Share premium	(i)	-	11,812	-	11,812
Capital reserve		4,951	4,951	-	-
Share option reserve		1	2	1	2
Revenue reserve		58,768	62,317	29,743	34,536
Translation reserve		(1,492)	(1,206)	-	-
		92,134	95,970	59,650	64,444
Minority interest		15,782	15,304	-	-
		107,916	111,274	59,650	64,444
Non current assets					
Fixed assets	(iii)	4,516	10,703	3,576	3,809
Investment in subsidiaries	(iii)	-	-	4,316	9,580
Investment in associated company		1,098	1,274	199	199
Deferred tax assets	(iii)	1,070	2,612	581	682
		6,684	14,589	8,672	14,270
Current assets					
Stocks	(iii)	5,770	35,990	3,636	7,851
Contracts-works-in-progress		12,142	11,444	12,142	11,444
Trade debtors	(iii)	18,640	35,131	12,962	16,725
Other debtors, deposits and prepayments		5,715	3,663	4,665	373
Due from associated company (trade)		13,840	11,066	13,467	10,861
Due from associated company (non-trade)		1,263	1,263	1,263	1,263
Due from related companies (trade)	(iii)	2,003	6,948	1,992	1,987
Due from subsidiaries (trade)		-	-	2,470	3,474
Due from subsidiaries (non-trade)		-	-	1,120	1,028
Fixed deposits		16,013	18,026	16,013	18,026
Cash and bank balances		33,541	37,063	12,475	9,819
		108,927	160,594	82,205	82,851
Assets classified as held for sale	(ii)	59,420	-	5,264	-
Total current assets		168,347	160,594	87,469	82,851
Current liabilities					
Trade creditors	(iii)	17,435	30,445	16,150	12,608
Other creditors and accruals	(iii)	6,965	17,080	5,343	6,181
Provision for warranty	(iii)	3,619	4,249	1,673	1,682
Due to subsidiaries (trade)		-	-	3,947	2,620
Due to associated company (trade)		-	18	-	-
Due to related companies (trade)		6,723	6,136	6,697	6,069
Provision for taxation	(iii)	2,428	5,981	2,681	3,517
		37,170	63,909	36,491	32,677
Liabilities directly associated with assets classified as held for sale	(ii)	29,945	-	-	-
Total current liabilities		67,115	63,909	36,491	32,677
Net current assets		101,232	96,685	50,978	50,174
		107,916	111,274	59,650	64,444

Note :

- (i) As a result of the Companies (Amendment) Act 2005 which came into effect on 30 January 2006, the concept of authorised share capital and par value has been abolished. The amount standing to the credit of the share premium account has been transferred to the Company's share capital account in the current period.
- (ii) The major classes of assets and liabilities of NEL classified as held for sale are as follows :

	Group		Company	
	30/6/2006	31/12/2005	30/6/2006	31/12/2005
	S\$'000	S\$'000	S\$'000	S\$'000
Assets				
Fixed assets	5,510	-	-	-
Investment in subsidiaries	-	-	5,264	-
Deferred tax asset	1,295	-	-	-
Stocks	28,198	-	-	-
Debtors	24,417	-	-	-
Assets classified as held for sale	59,420	-	5,264	-
Liabilities				
Creditors	26,084	-	-	-
Provision for warranty	1,676	-	-	-
Provision for taxation	2,185	-	-	-
Liabilities directly associated with assets classified as held for sale	29,945	-	-	-
Net assets directly associated with NEL	29,475	-	5,264	-

- (iii) Significant reductions in these balances as at 30 June 2006 were mainly due to the reclassification of the respective balances as held for sale in (ii) above.

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

Amount repayable in one year or less, or on demand

As at 30/6/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	-	-

Amount repayable after one year

As at 30/6/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
-	-	-	-

Details of any collateral

NA

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		Group	
	2nd Quarter		Period ended 30 June	
	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Profit from continuing operations before taxation	2,527	3,290	5,499	5,867
Profit from discontinuing operation before taxation	3,087	2,977	5,388	4,928
	<u>5,614</u>	<u>6,267</u>	<u>10,887</u>	<u>10,795</u>
Adjustments for :				
Depreciation of fixed assets	874	803	1,829	1,621
Gain from disposal of fixed assets	-	(15)	-	(36)
Share option expenses	-	28	(1)	37
Provision for stock obsolescence	412	822	1,124	1,181
(Writeback) / provision for doubtful debts	(492)	(478)	(383)	209
Provision for warranty	730	898	1,894	1,466
Interest expense	-	(13)	-	1
Interest income	(677)	(370)	(1,120)	(620)
Share of loss of associated company	145	101	151	214
	<u>6,606</u>	<u>8,043</u>	<u>14,381</u>	<u>14,868</u>
Operating profit before working capital changes				
Decrease / (increase) in :				
Trade debtors	1,367	3,460	(5,271)	3,717
Other debtors, deposits and prepayments	(2,825)	608	(3,625)	108
Stocks	(1,458)	(468)	898	5,653
Contracts-work-in-progress	(3,972)	(3,304)	(698)	(11,407)
Changes in related parties/associate balances	8,057	6,125	960	3,144
Decrease/(increase) in :				
Trade creditors	1,289	(1,482)	6,224	881
Other creditors and accruals	653	(1,819)	(3,315)	(3,911)
Provision for warranty	(538)	(193)	(848)	(433)
	<u>9,179</u>	<u>10,970</u>	<u>8,706</u>	<u>12,620</u>
Cash generated from operations				
Income taxes paid	(2,141)	(1,454)	(2,270)	(2,754)
Interest paid	-	13	-	(1)
	<u>7,038</u>	<u>9,529</u>	<u>6,436</u>	<u>9,865</u>
Net cash flows generated from operating activities				
Cash flows from Investing activities				
Proceeds from disposal of fixed assets	-	36	-	36
Purchase of fixed assets	(417)	(469)	(1,001)	(653)
Interest received	677	370	1,120	620
	<u>260</u>	<u>(63)</u>	<u>119</u>	<u>3</u>
Net cash flows generated from/(used in) investing activities				
Cash flows from financing activities				
Repayment of lease obligations	-	(4)	-	(6)
Dividend paid to shareholders	(10,856)	(8,323)	(10,856)	(8,323)
Dividend paid to minority shareholders	(838)	(838)	(838)	(838)
	<u>(11,694)</u>	<u>(9,165)</u>	<u>(11,694)</u>	<u>(9,167)</u>
Net cash flows used in financing activities				
Net (decrease) / increase in cash and bank balances	(4,396)	301	(5,139)	701
Effect of exchange rate changes	(294)	497	(396)	616
Cash and bank balances at beginning of the period	54,244	46,445	55,089	45,926
Cash and bank balances at end of the period	<u>49,554</u>	<u>47,243</u>	<u>49,554</u>	<u>47,243</u>

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 2nd Quarter ended 30 June	Attributable to equity holders of the Company						Total	Minority Interests	Total Equity
	Share Capital	Share Premium	Revenue Reserve	Capital Reserve	Share Option Reserve	Translation Reserve			
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
The Group									
Balance as at 1.4.2006	29,906	-	65,798	4,951	1	(1,318)	99,338	15,832	115,170
Foreign currency translation difference	-	-	-	-	-	(174)	(174)	-	(174)
Share option	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	3,826	-	-	-	3,826	788	4,614
Dividends paid	-	-	(10,856)	-	-	-	(10,856)	(838)	(11,694)
Balance as at 30.6.2006	29,906	-	58,768	4,951	1	(1,492)	92,134	15,782	107,916
Balance as at 1.4.2005	18,000	11,383	57,884	4,951	83	(1,316)	90,985	13,742	104,727
Foreign currency translation difference	-	-	-	-	-	102	102	-	102
Share option	94	429	-	-	(81)	-	442	-	442
Net profit for the period	-	-	4,559	-	-	-	4,559	754	5,313
Dividends paid	-	-	(8,323)	-	-	-	(8,323)	(838)	(9,161)
Balance as at 30.6.2005	18,094	11,812	54,120	4,951	2	(1,214)	87,765	13,658	101,423
The Company									
Balance as at 1.4.2006	29,906	-	36,622	-	1	-	66,529	-	66,529
Net profit for the period	-	-	3,977	-	-	-	3,977	-	3,977
Dividends paid	-	-	(10,856)	-	-	-	(10,856)	-	(10,856)
Balance as at 30.6.2006	29,906	-	29,743	-	1	-	59,650	-	59,650
Balance as at 1.4.2005	18,000	11,383	32,188	-	83	-	61,654	-	61,654
Share option	94	429	-	-	(81)	-	442	-	442
Net profit for the period	-	-	5,059	-	-	-	5,059	-	5,059
Dividends paid	-	-	(8,323)	-	-	-	(8,323)	-	(8,323)
Balance as at 30.6.2005	18,094	11,812	28,924	-	2	-	58,832	-	58,832

For Period ended 30 June	Attributable to equity holders of the Company						Total	Minority Interests	Total Equity
	Share Capital	Share Premium	Revenue Reserve	Capital Reserve	Share Option Reserve	Translation Reserve			
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
The Group									
Balance as at 1.1.2006	18,094	11,812	62,317	4,951	2	(1,206)	95,970	15,304	111,274
Transfer of share premium reserve to share capital account	11,812	(11,812)	-	-	-	-	-	-	-
Foreign currency translation difference	-	-	-	-	-	(286)	(286)	-	(286)
Share option	-	-	-	-	(1)	-	(1)	-	(1)
Net profit for the period	-	-	7,307	-	-	-	7,307	1,316	8,623
Dividends paid	-	-	(10,856)	-	-	-	(10,856)	(838)	(11,694)
Balance as at 30.6.2006	29,906	-	58,768	4,951	1	(1,492)	92,134	15,782	107,916
Balance as at 1.1.2005	18,000	11,383	55,177	4,951	74	(1,428)	88,157	13,282	101,439
Foreign currency translation difference	-	-	-	-	-	214	214	-	214
Share option	94	429	-	-	(72)	-	451	-	451
Net profit for the period	-	-	7,266	-	-	-	7,266	1,214	8,480
Dividends paid	-	-	(8,323)	-	-	-	(8,323)	(838)	(9,161)
Balance as at 30.6.2005	18,094	11,812	54,120	4,951	2	(1,214)	87,765	13,658	101,423
The Company									
Balance as at 1.1.2006	18,094	11,812	34,536	-	2	-	64,444	-	64,444
Transfer of share premium reserve to share capital account	11,812	(11,812)	-	-	-	-	-	-	-
Share option	-	-	-	-	(1)	-	(1)	-	(1)
Net profit for the period	-	-	6,063	-	-	-	6,063	-	6,063
Dividends paid	-	-	(10,856)	-	-	-	(10,856)	-	(10,856)
Balance as at 30.6.2006	29,906	-	29,743	-	1	-	59,650	-	59,650
Balance as at 1.1.2005	18,000	11,383	30,414	-	74	-	59,871	-	59,871
Share option	94	429	-	-	(72)	-	451	-	451
Net profit for the period	-	-	6,833	-	-	-	6,833	-	6,833
Dividends paid	-	-	(8,323)	-	-	-	(8,323)	-	(8,323)
Balance as at 30.6.2005	18,094	11,812	28,924	-	2	-	58,832	-	58,832

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 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 March 2006. As at 30 June 2006, there were 2,002,000 (1,979,000 @ S\$0.625 and 23,000 @ S\$0.22) unexercised share options granted (30 June 2005: 2,232,000).

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)

N.A.

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

N.A.

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 2nd Quarter		Group Period ended 30 June	
	2006	2005	2006	2005
Earnings per Ordinary Share for the period based on net profit attributable to shareholders:	(cents)	(cents)	(cents)	(cents)
(i) basic - continuing operations	0.59	0.81	1.24	1.29
(ii) basic - discontinuing operation	0.47	0.45	0.78	0.72
(iii) fully diluted - continuing operations	0.59	0.81	1.24	1.29
(iv) fully diluted - discontinuing operation	0.47	0.45	0.78	0.72

Basic earnings per ordinary share for the financial period ended 30 June 2006 was calculated based on the weighted average number of shares in issue of 361,883,000 {2005: 360,738,635} ordinary shares. Fully diluted earnings per ordinary share for the financial period ended 30 June 2006 was calculated based on the adjusted weighted average number of shares in issue (adjusted for the effects of dilutive options) of 361,893,952 ordinary shares {2005 : based on weighted average number of shares in issue (adjusted for the effects of dilutive options) of 360,754,635 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	
	30/6/2006	31/12/2005	30/6/2006	31/12/2005
Net Asset Value per ordinary share based on issued share capital	(cents)	(cents)	(cents)	(cents)
	25.46	26.52	16.48	17.81

Net asset value per ordinary share as at 30 June 2006 and 31 December 2005 was calculated based on the number of shares in issue of 361,883,000 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**

(i) Review of financial performance of continuing operations

(a) Turnover

On a Q to Q comparison, turnover in 2Q 2006 decreased 32.4%, from S\$47.0 million to S\$31.7 million, due mainly to lower turnover from the Telecom business segment.

Compared to 1H 2005, Group turnover decreased 12.5%, from S\$84.5 million to S\$73.9 million, due mainly to lower turnover from the Telecom business segment but partially offset by higher turnover from the Infocomm segment.

Telecommunications (Telecom)

On a Q to Q comparison, turnover decreased 45.3%, from S\$33.8 million to S\$18.5 million mainly due to lower sales of microwave radio equipment to certain customers and delay in deliveries to a customer in Asia.

Compared to 1H 2005, turnover decreased 21.6%, from S\$57.4 million to S\$45.0 million, mainly due to lower sales of microwave radio equipment to certain customers and delay in deliveries to a customer in Asia.

Infocomm

On a Q to Q comparison, turnover remained stable at S\$13.2 million. There was higher turnover in sales of point-of-sale ("POS") terminals in Singapore and Malaysia. However, this was offset by lower sales in DTT ("Digital Terrestrial TV") infrastructure equipment in Singapore.

Compared to 1H 2005, turnover increased 6.6% from S\$27.1 million to S\$28.9 million mainly due to higher sales in fixed network infrastructure solutions as a result of demand from broadband service providers. This was partially offset by lower sales in POS terminals in Malaysia and DTT infrastructure equipment in Singapore.

(b) Gross Profit

On a Q to Q comparison, gross profit decreased by 15.4% from S\$8.3 million to S\$7.0 million resulting mainly from the lower turnover. However, gross margin % ("GM%") improved from 17.7% to 22.1%, mainly due to higher GM% from the Telecom business segment. This can be attributed to product/services sales mix and lower stock and warranty provisions.

Compared to 1H 2005, the Group's gross profit decreased by 11.6%, from S\$15.6 million to S\$13.8 million resulting mainly from the lower turnover. However, the GM% improved slightly from 18.5% to 18.7% mainly due to higher GM% from Telecom as a result of product/services sales mix.

(c) Operating Expenses

On a Q to Q comparison, the Group registered a 2.4% reduction in total operating expenses from S\$5.1 million to S\$5.0 million.

Distribution and sales expenses decreased by 14.9% (S\$560,000) mainly due to writeback of doubtful debts provision. Administrative expenses increased 35.9% (S\$468,000) mainly due to the provision of professional fees incurred for the proposed sale of NEL shares.

Compared to 1H 2005, the Group's total operating expenses decreased by 9.4% (S\$962,000) from S\$10.2 million to \$9.3 million. Distribution and sales expenses decreased by 16.0% (S\$1.2 million) mainly due to writeback of doubtful debts provision. Administrative expenses increased by 14.9% (S\$349,000) mainly due to the provision of professional fees incurred for the proposed sale of NEL shares.

Other operating expenses were lower in 1H 2006 mainly due to lower exchange loss and R & D expenses.

(d) Profit Before Taxation (PBT)

On a Q to Q comparison, PBT decreased 23.2% from S\$3.3 million to S\$2.5 million resulting from lower turnover. PBT as percentage of turnover ("PBT%") for Q2 2006 was higher at 8.0% compared to 7.0% for Q2 2005, mainly due to lower operating expenses, higher GM% from the Telecom business segment and higher financial income.

Compared to 1H 2005, PBT reduced by 6.3% from S\$5.9 million to S\$5.5 million due to lower turnover in the Telecom business segment. PBT% improved from 6.9% to 7.4%, mainly due to lower operating expenses, higher PBT% from the Telecom business segments and higher financial income.

(e) Cash flow

The net decrease in cash and bank balances was mainly due to the payment of dividends to shareholders amounting to S\$11.7 million during this quarter. The Group still maintained a healthy cash balance of S\$49.6 million.

(ii) Review of financial performance of discontinuing operation (Contract Manufacturing)

On a Q to Q comparison, turnover increased 26.1% from S\$24.1 million to S\$30.4 million, mainly due to higher turnover recorded in both the Telecommunications & Instrumentation ("T&I") and Medical & Bioscience ("M & B") market segments. The T&I business segment increased by 15.2% from S\$17.8 million to S\$20.5 million. This was mainly contributed by orders from customers in the wireless mobile networks equipment and digital test instrumentation. Turnover from the M&B business segment increased by 64.4%, from S\$5.9 million to S\$9.7 million. This was mainly because the Group had resumed shipment to one of the customers who had encountered a shipment freeze related to design issue in 1Q2006.

Compared to 1H 2005, turnover increased 9.1% from S\$48.1 million to S\$52.5 million, mainly due to the higher turnover from both the T&I and M&B market segments. Turnover from the T&I market segment increased by 6.5%, from S\$35.3 million to S\$37.6 million. This was mainly contributed by orders from customers in the wireless mobile networks equipment and digital test instrumentation. Turnover from the M&B business segment increased by 20.0%, from S\$12.0 million to S\$14.4 million. This was mainly attributed to the higher demand from the Group's existing customers. Orders from new products and new customers have also contributed to the increased in turnover, although not significant.

Operating costs for Q2 and for 1H 2006 were higher as a result of the higher turnover and the operating costs of a new subsidiary in India. Accordingly, with a higher turnover, profit before tax for Q2 and 1H 2006 were also higher than the corresponding period.

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 demand for the Group's wireless transmission infrastructure equipment continued to be driven by mobile operators investing in building new as well as expanding their current networks to increase coverage and capacity to meet consumer demand for value added data services. Some of our existing mobile customers and new 3G operators are also investing and rolling out 3G network infrastructure and services.

The Group has introduced a new family of radio products named Evolution. This product was showcased at the recent CommunicAsia 2006 held in Singapore during June 2006. The Evolution series, which comprises of three versions, Metro, Expand and IP, is a flexible, software-defined radio systems covering the entire spectrum and is suitable for traditional backbone telecom architecture to pure Ethernet/IP access networks. This new series of products will gradually replace the older products like CityLink and will provide growth possibilities for the Group in the mobile markets as well as in the non-Telcos markets such as Defence, Broadcasting and Enterprises.

During the first half of this year, the Group has managed to secure more than S\$45 million of PDH/SDH transmission equipment orders from customers in Asia, Australia and Compact IV PDH radios from customers in Asia, America and EMEA (Europe, Middle East and Africa).

In the satellite business area, the Group will focus its sales and marketing activities on our Inmarsat land and marine satellite terminals, the upgrading and maintenance of our existing Inmarsat satellite gateway customer base and various related services.

Following the launch of the world's smallest and lightest mobile broadband satellite terminal, Nera WorldPro 1000, in mid-2005, the Group received very positive response and orders for more than 1,000 units were received. The Group has started to deliver a number of units to customers in 2Q 2006. In addition to the current range of Inmarsat satellite terminal products, the Group intends to increase the mobile satellite terminal product portfolio to include the BGAN class 1 and Iridium products. The current Inmarsat land and marine mobile satellite terminals, the WorldPro1000 and the extended product portfolio is expected to provide a steady revenue stream for the Group.

The Group does not want to be solely dependent on the Inmarsat business and is continuously evaluating potential business partners in the non-Inmarsat space such as VSAT systems and satellite broadband to increase its satellite business.

The telecommunication industry remains highly competitive and there are still on-going consolidation in the industry. The merger of Ericsson – Marconi and Alcatel – Lucent will create larger telecom equipment companies which the Group will have to compete with. Competitors at times are very aggressive in large or strategic bids and customers are also demanding high performances, lower price and shorter delivery time. The Group intends to stay close to the customers and markets and focus on delivering high quality and reliable products and solutions to selected telecom market segments.

Infocomm (IC)

The Infocomm business is organised into four business areas, namely the Fixed Networks, Broadcasting, Payment Solutions and Wireless Access.

In the IC Fixed Networks business, the demand for infocomm networking equipment is driven by Telco's as a result of their aggressive roll-out and growth from the broadband and data related services. The Group has managed to continue to secure repeat networking equipment orders from its existing Telco customers. In the Enterprise and Government infocomm network infrastructure, the market remains stable with the increased in activities mainly for the network security products. The Group believes that the convergence of mobile and fixed networks, and IP networks will offer numerous business opportunities and intends to focus on building up capabilities to deliver next generation network infrastructure to the Telcos, Enterprises and Government sectors and further develop these business beyond the Singapore market.

In the IC Broadcasting business, the Group believes that broadcasters will gradually migrate their analogue infrastructure to digital networks. The Group will continue to focus on promoting Digital Terrestrial TV ("DTT") infrastructure networks to potential broadcasters in Asia. The Group continues to receive repeat orders for its mobile Set Top Boxes ("STB") from existing global OEM customers and will continue to promote the STBs to countries where there are DTT services as well as to other OEM customers.

In the IC Payment Solutions business, the migration of EMV-compliant point-of-sale ("POS") terminals by banks and financial institutions and the trend for banks and financial to outsource their POS infrastructure as well as related maintenance services gives rise to potential business opportunities for the Group. The Group continues to receive orders for new POS terminals as well as rental, leasing and maintenance services from banks in Singapore, Malaysia, Thailand, Indonesia and the Philippines. The Group expects the demand for EMV-compliant terminals to increase as banks and financial institutions will gradually migrate to such terminals and move towards outsourcing their POS infrastructure.

The IC Wireless Access is a new business area created to address the need for a cost effective last mile access using wireless technology such as WIFI and WIMAX to provide high speed broadband services to operators, ISP and large organisations in the region. The Group is currently working with various business partners in the WIFI and WIMAX industry and plan to assemble a spectrum of wireless access products for the selected market as well as building up new capabilities in this field.

Proposed sale of a subsidiary

On 7 July 2006, the Directors announced that the Company had entered into a conditional Sale and Purchase Agreement to dispose off the Company's 68.27% interest in a subsidiary, Nera Electronics Ltd. The completion of the proposed sale is subject to shareholders' approval at an Extraordinary General Meeting to be held at a later date and satisfaction of various conditions precedent set out in the Share Purchase Agreement.

Proposed Merger of Eltek ASA and Nera ASA Norway

The Company refers to its announcements dated 31 May 2006 and 30 June 2006 (the "Company Announcements") in respect of the proposed merger of Nera ASA (the parent company of the Company) and Eltek ASA (the "Proposed Merger").

Further details on the Proposed Merger are set out in the Company Announcements which can be found on the web-site of the Singapore Exchange Securities Trading Limited at www.sgx.com.

As the Proposed Merger is still subject to conditions precedent, shareholders should note that there is no certainty that the Proposed Merger will proceed. Accordingly, shareholders are advised to refrain from taking any action in respect of their shares which may be prejudicial to their interests, and to exercise caution when dealing in the shares. More information in relation to the above merger is available in the websites of Nera ASA (www.neraworld.com) and Eltek ASA (www.eltek.no).

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 year ended 30 June 2006.

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)	
	2QTR 2006	1H 2006
Sales		
Nera Networks AS	5,695	12,859
Nera Networks, Inc.	4,696	7,062
Nera Satcom AS	981	1,859
Nera Broadband Satellite	89	517
Purchases		
Nera Networks AS	2,193	3,117
Nera Satcom AS	2,776	7,164
Nera Broadband Satellite	177	411
Other Operating Revenues		
Nera Networks AS	142	225

BY ORDER OF THE BOARD

Tan Cher Liang
Julie Koh Ngin Joo
Company Secretaries

20/7/2006