

POWER DELIVERED



POWERFUL TECHNOLOGY

Highlights

- Order entry +37 % to NOK 607 million
- Revenues +50 % to NOK 599 million
- NOK 22.7 million gain from sale of assets
- EBIT +124 % to NOK 74.1 million
- Pre-tax profit +140 % to NOK 74.4 million
- EPS +152 % to NOK 1.56

Key financials

Eltek achieved revenues of NOK 599.3 million in the first quarter of 2006, compared to NOK 400.3 million in the first quarter of 2005. Gross margin was 26.3 percent, compared to 27.3 percent in the first quarter last year. After depreciation and amortisation of NOK 9.0 million, EBIT was NOK 74.1 million, including a gain of NOK 22.7 million relating to the divestment of the defense power business. Profit before tax was NOK 74.4 million.

Working capital increased by NOK 104.5 million during the first quarter, due to increased inventories and trade receivables. Cash flow from operations was NOK -71.3 million.

Capital expenditure was NOK 25.2 million, of which capitalised R&D accounted for NOK 14.2 million. The proceeds from the divestment of the defense power business are included in the reported net cash flow from investments of NOK -0.2 million.

After deduction of interest bearing debt, net cash decreased by NOK 55.5 million to NOK 130.6 million, whereas the equity ratio decreased to 50.2 percent from 51.8 percent at the end of 2005.

In the first quarter Eltek increased its ownership interests in Eltek India from 51 percent to 73 percent and in Eltek Australia from 51 percent to 67 percent. The consideration of NOK 48.6 million will be paid in the second quarter.

Revenues

Revenues in the first quarter 2006 were NOK 599.3 million, an increase of 50 percent from the first quarter 2005. Revenues were also marginally higher than in the previous quarter, and the seasonal slowdown over the

winter has been significantly less pronounced than in previous years.

The year-on-year revenue increase was strongest in the Americas, with an increase of 88 percent to NOK 143 million. In Asia Pacific, revenues increased by 49 percent to NOK 179 million, whereas revenues increased by 36 percent to NOK 278 million in EMEA.

Compared with the previous quarter, revenues were up by 33 percent in Asia Pacific, driven by Australia, China and India. Revenues in EMEA declined by 12 percent compared to the previous quarter. Seasonally adjusted, demand remains strong both in the large and mature markets in Germany, France and the UK as well as in the emerging markets in the Middle East, Russia and Ukraine. Revenues in the Americas declined by three percent compared with the fourth quarter 2005, which is also a smaller seasonal decline than last year.

Gross margin

Gross margin decreased to 26.3 percent in the first quarter 2006, from 27.3 percent in the corresponding quarter last year and from 28.7 percent in the previous quarter. The company is not satisfied with this development.

The decline in gross margin can partly be attributed to an aggressive sales strategy, continued high costs levels in the volume expansion for Flatpack 2 systems, and increased logistics costs. This has been rewarded by strong revenue and order entry levels but negatively affected gross margin.

Furthermore, the company has seen a slower than expected replacement of some of its older and less cost-efficient product versions, as well as ramp-up costs related with the new system assembly units in Slovakia and China, and high costs in the initial phase of a large contract awarded in Australia in December last year.

Eltek is undertaking a series of measures to improve the gross margin, including new product releases and further build-up of the system assembly hubs in Slovakia and China. This will also enable more concentrated sourcing of components at lower costs.

Operating costs

Operating costs were NOK 106.0 million in the first quarter 2006, compared with NOK 76.2 million in the corresponding quarter last year and NOK 108.4 million in the previous quarter. The cost increase reflects a more extended sales and distribution network through new companies/offices around the world, as well as a generally higher level of activity as evidenced by significantly higher shipments and order entry.

Order entry - market development

During the quarter, Eltek announced a contract with a Europe-based mobile operator in Mexico and Central America, the renewal and expansion of a contract with the third largest mobile operator in Russia, and the award of one of eight contracts to deliver energy systems to the largest mobile operator in China.

Eltek recorded new orders of NOK 607 million in the first quarter 2006, an increase of 37 percent from NOK 443 million in the first quarter 2005 and an increase of seven percent from NOK 570 million in the fourth quarter.

Compared to the previous quarter, growth in EMEA was driven by strong order entry in the Middle East and Russia, as well as in the more mature markets in UK and Germany.

India, Singapore and China contributed strongly in Asia Pacific. Estimated volume and value of the contract in Australia have in the first phase been significantly reduced compared with initial expectations.

Growth in the Americas region was driven by Latin America, although some US customers have also come off to a good start.

The order backlog stood at NOK 396 million at the end of the first quarter, of which NOK 321 million was for delivery within 90 days. This compares with an order backlog of NOK 301 million at the end of the first quarter 2005, and NOK 388 million at the end of 2005. Later in the year, the Indian incumbent BSNL is expected to award major contracts related to 3G, as will the major mobile operators in China. Eltek also eyes major mobile projects in other emerging markets and in the Middle East region, as well as a healthy

flow of smaller new GSM projects and network expansions.

In the US market, Eltek expects to see increased deliveries of cabinets and enclosures, and sees opportunities with new customers along with increased sales to existing accounts. The company also seeks to generate increased interest for its Powerpack, which should satisfy all requirements in the central office (CO) market.

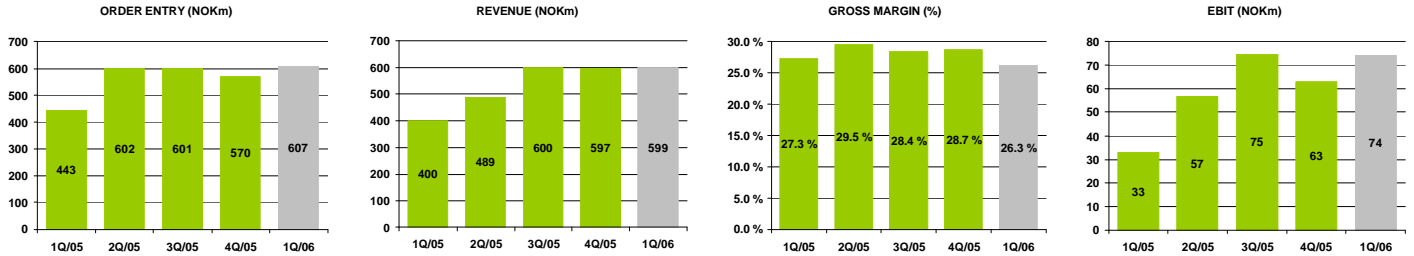
Outlook

The developments in the first quarter support Eltek's belief that the improvement in market conditions could continue in 2006. Equally important, Eltek remains confident in its ability to continue growing its share of the global telecom energy systems market. Global market leaders continue to strengthen their positions in the telecom equipment market as well as with the end-users. Eltek expects to benefit further from its position as one of only a few energy system suppliers with a global sales network and globally recognised product quality and delivery capabilities. Having faith in the commitment of all employees to Eltek's focused strategy, the Board reiterates its belief that Eltek is well positioned to execute on existing and new business opportunities alike.

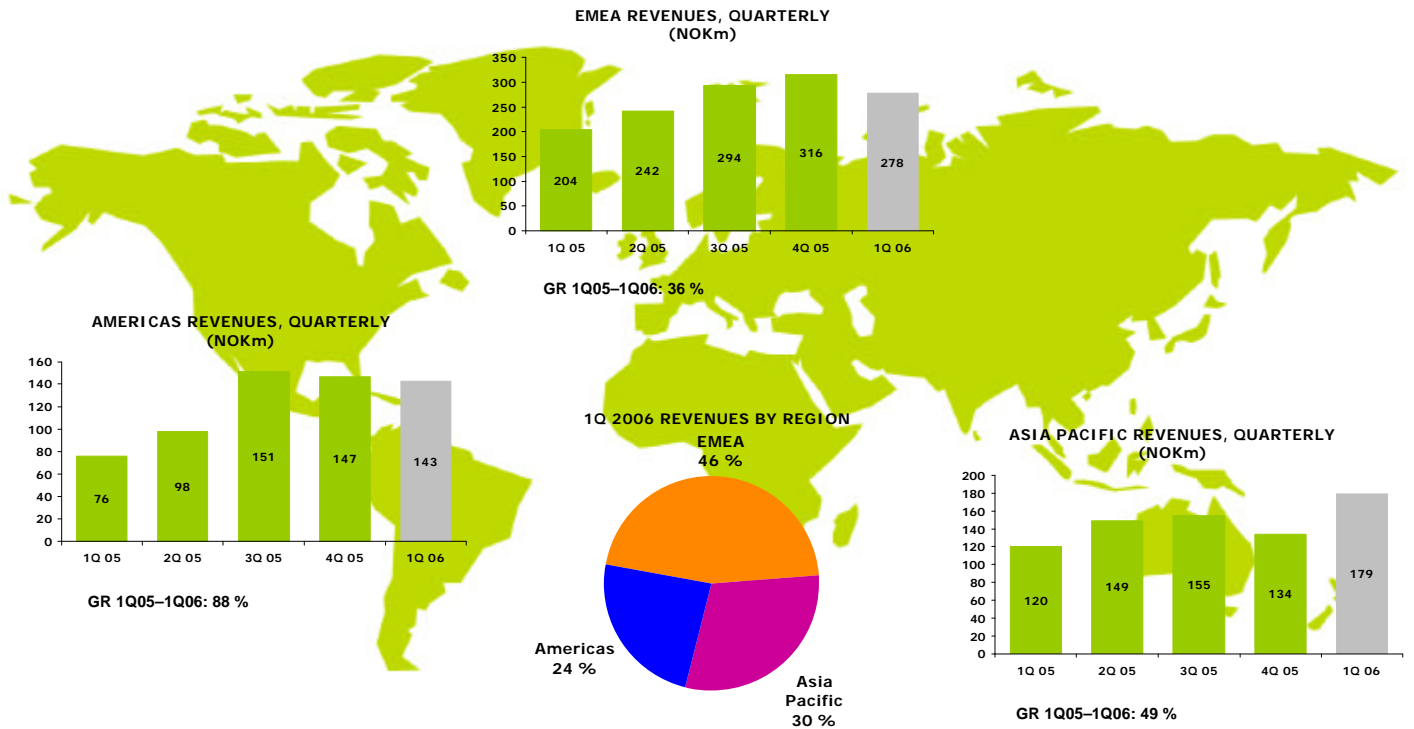
In the short term, Eltek will focus on improving the gross margin, and on timely deliveries of the higher volumes in the order book. This will in turn establish a platform for new orders and continued profitable growth.

Drammen, 19 April 2006
The Board of Directors, Eltek ASA

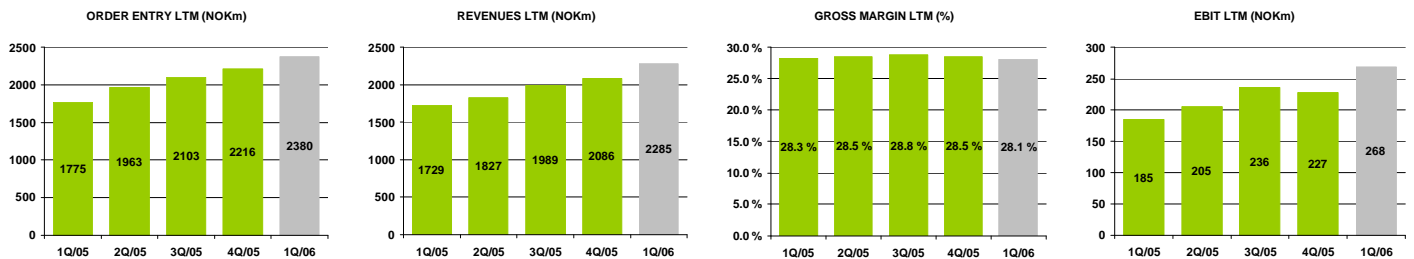
QUARTERLY DEVELOPMENT



QUARTERLY DEVELOPMENT BY REGION



LAST 12 MONTHS ROLLING DEVELOPMENT



Consolidated income statement (unaudited)

Amounts in NOK 1 000

	YTD 2006	YTD 2005	2005
Revenue	599,274	400,286	2,085,730
Cost of sales	-441,821	-291,085	-1,491,120
Gross profit	157,453	109,202	594,610
Selling and marketing costs	-42,513	-31,707	-155,472
Administrative expenses	-40,192	-29,222	-143,860
R&D and engineering costs	-23,283	-14,902	-67,187
Other operating items	22,661	-336	-709
Operating profit	74,127	33,035	227,382
Share of result in associated companies		-5	247
Net financial items	243	-2,040	-2,473
Profit before income tax	74,371	30,990	225,155
Income tax expense	-20,984	-7,731	-53,277
Net profit	53,387	23,258	171,878
Attributable to:			
Equity holders	50,355	19,208	151,191
Minority interests	3,032	4,050	20,688
Basic EPS (NOK)	1.56	0.62	4.74
Diluted EPS (NOK)	1.54	0.61	4.68

Consolidated balance sheet (unaudited)

Amounts in NOK 1 000

	31.03.2006	31.03.2005	31.12.2005
Property, plant & equipment	87,800	68,592	82,100
Intangible assets	231,929	140,213	186,824
Deferred income tax asset	52,394	68,563	56,447
Other non-current assets	5,026	4,145	3,706
Total non-current assets	377,149	281,513	329,077
Inventories	414,933	313,997	368,646
Trade and other receivables	705,785	537,146	604,378
Cash and cash equivalents	421,787	309,582	466,573
Total current assets	1,542,504	1,160,725	1,439,597
Total assets	1,919,653	1,442,238	1,768,674
Share capital	32,522	31,957	32,261
Other reserves	893,926	661,762	839,673
	926,449	693,718	871,934
Minority interest	37,275	29,697	44,023
Total equity	963,724	723,415	915,957
Borrowings	213,742	254,349	227,663
Deferred income tax liabilities	821	1,737	
Retirement benefit obligations	33,393	30,148	33,502
Total non-current liabilities	247,957	286,234	261,164
Borrowings	77,401	28,034	52,784
Trade creditors and other payables	568,836	352,915	472,329
Current income tax payable	36,237	26,640	38,716
Provisions for other liabilities and charges	25,498	25,000	27,724
Total current liabilities	707,972	432,589	591,553
Total liabilities	955,929	718,823	852,717
Total equity and liabilities	1,919,653	1,442,238	1,768,674
Equity ratio	50.2 %	50.2 %	51.8 %

Cash flow analysis (unaudited)

Amounts in NOK 1 000

	<u>YTD 2006</u>	<u>YTD 2005</u>	<u>2005</u>
Net cash flow from operations	-71,299	-67,976	163,417
Net cash flow from investments	-209	-21,706	-96,279
Net cash flow from financing	26,722	18,233	18,403
Net change in cash and cash equivalents	-44,786	-71,449	85,541
Cash and cash equivalents, beginning of period	466,573	381,031	381,031
Cash and cash equivalents, end of period	421,787	309,582	466,573

Consolidated statement of recognized income and expense (unaudited)

Amounts in NOK 1 000

	<u>31.03.2006</u>	<u>31.03.2005</u>	<u>31.12.2005</u>
Actuarial gains/losses			422
Currency translation effects	-10,086	10,512	38,287
Taxes on items taken directly to or transferred from equity			-118
Net income recognized directly in equity	-10,086	10,512	38,591
Profit for the period	53,387	23,258	171,878
Total recognized income for the year	43,301	33,770	210,469

Notes to the financial statements

1. Accounting principles

Eltek's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and these unaudited interim consolidated financial statements are prepared in accordance with IAS 34, Interim Financial Reporting.

The same accounting policies and methods of computation are followed as compared with the financial statements for the year ending 31 December 2005, ref Annual report 2005 for further description.

2. Property, plant & equipment and Intangible assets

Three months ended 31 March 2006

	Intangible assets			Total	Tangible assets
	Goodwill	R&D	Software		
Net book amount at 01/01/2006	.	98,125	11,190	186,824	82,100
Additions	37,495	12,603	1,590	51,688	9,486
Disposals					138
Depreciation		4,466	895	5,361	3,591
Foreign currency translation effects	-1,168	-132	78	-1,222	-57
Net book amount at 3/31/2006	113,836	106,130	11,963	231,929	87,800

Three months ended 31 March 2005

	Intangible assets			Total	Tangible assets
	Goodwill	R&D	Software		
Net book amount at 01/01/2005	73,532	51,848	3,378	128,758	60,983
Additions		10,821	1,121	11,942	9,764
Disposals					46
Depreciation		1,699	583	2,282	2,986
Foreign currency translation effects	1,829	-25	-9	1,794	877
Net book amount at 3/31/2005	75,360	60,945	3,907	140,213	68,592

3. Reconciliation of movements in capital and reserves

	31.03.2006	31.03.2005	31.12.2005
Equity end of previous period	915,957	672,581	672,581
Adoption of IAS 32 and IAS 39		1,362	1,362
Equity beginning of this period	915,957	673,943	673,943
Total recognized income for the period	43,301	33,770	210,469
Issue of shares			
Stock options exercised by employees	12,669	15,345	29,770
Sales & acquisitions	-11,133		
Cost of stock options	2,931	2,197	10,552
Dividends		-1,840	-8,777
Equity end of period	963,724	723,415	915,957

4. Business combinations

Divestitures

The defense business was sold at MNOK 25.0 in 1Q 2006 with a pre-tax gain of MNOK 22.7. Net of estimated taxes gain will be MNOK 16.3.

Acquisitions/establishments

In the first quarter, Eltek increased its ownership interest in Eltek India from 51 % to 73 % and in Eltek Australia from 51 % to 67 %. The consideration of MNOK 48.6 will be paid in the second quarter.



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