



First Quarter 2006 Results

Thursday 20 April 2006

CEO Morten Angelil

CFO Jørgen Larsen

Powering the world's telecommunication networks



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- ▶ **Regional development**
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Key financial figures

NOKm	1Q 06	4Q 05	3Q 05	2Q 05	1Q 05	FY 2005	FY 2004
Order entry	607	570	601	602	443	2 216	1 708
Revenues	599	597	600	489	400	2 086	1 634
Gross Profit	157	171	170	144	109	595	461
Gross Margin (%)	26.3	28.7	28.4	29.5	27.3	28.5	28.2
Gain from divestment	22.7						
EBIT	74.1	62.8	74.7	56.8	33.0	227	164
Pre-tax Profit	74.4	65.6	74.3	57.3	31.0	228	155
EPS	1.56	1.47	1.48	1.08	0.62	4.74	3.74



Operational review

1st quarter 2006

Order entry

- ▶ **Strong Q1**
 - ▶ 37% growth Y/Y
 - ▶ 7% growth Q/Q

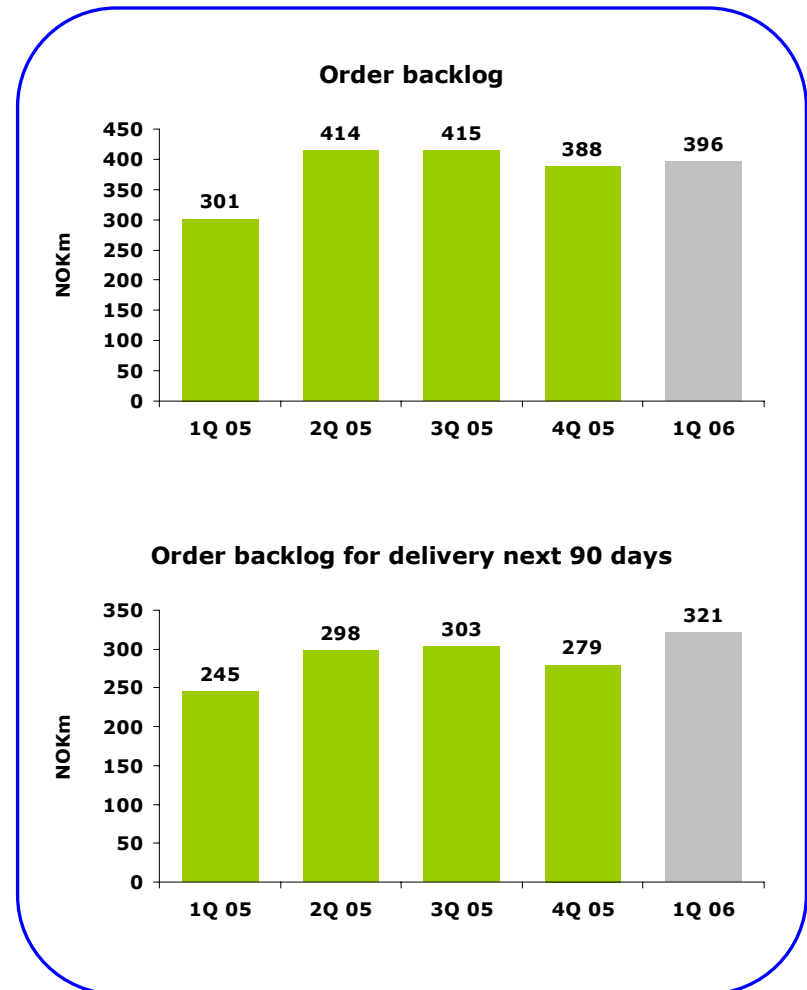
- ▶ **Robust demand in all markets**
 - ▶ Healthy levels in most mature markets
 - ▶ Sharp increases in several emerging markets



Order backlog

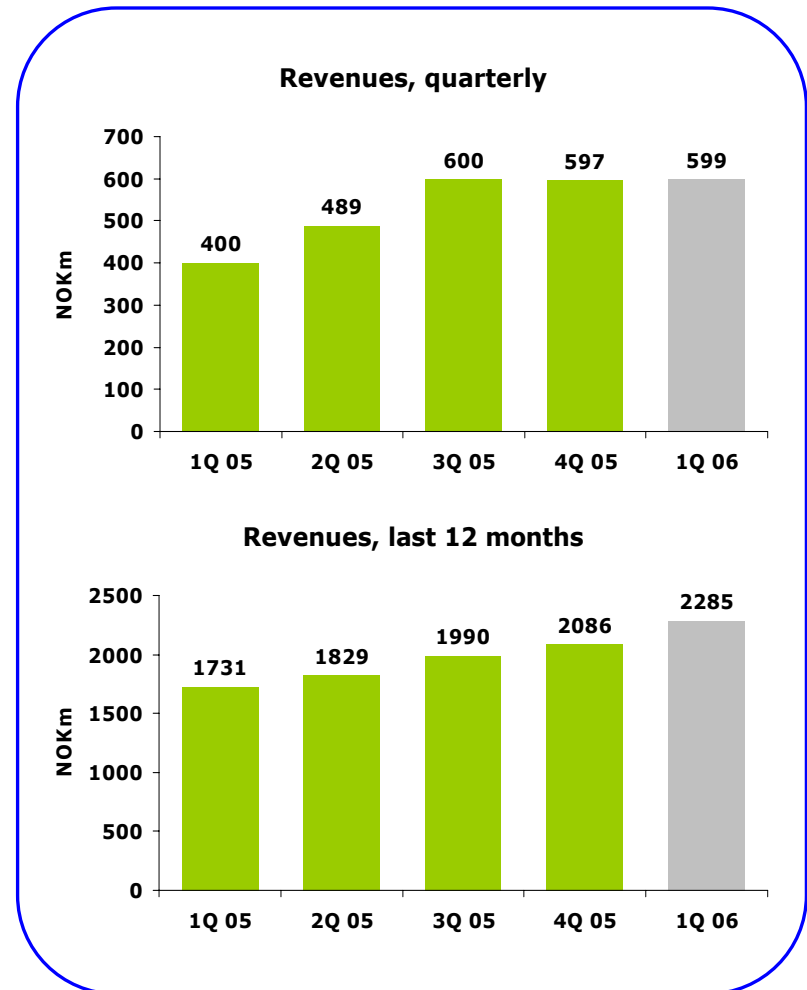
- ▶ **Order backlog;**
 - ▶ 32% increase Y/Y
 - ▶ 2% increase Q/Q

- ▶ **Orders for next-quarter delivery**
 - ▶ 31% increase Y/Y
 - ▶ 15% increase Q/Q



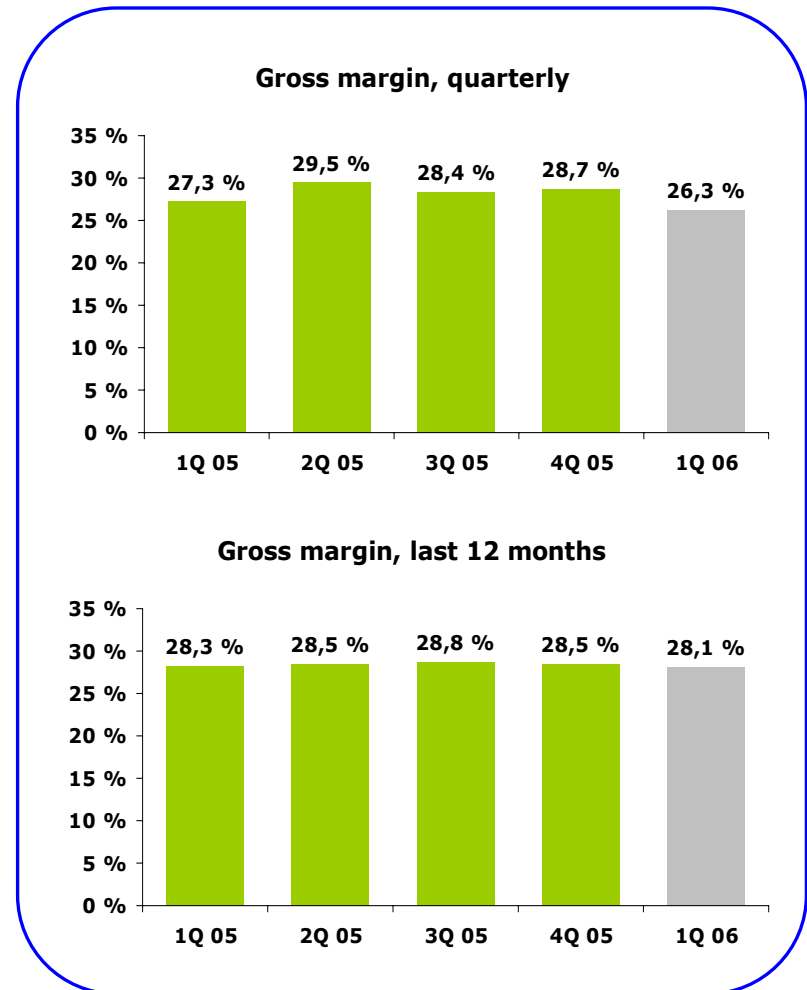
Revenues

- ▶ **Strong Q1**
 - ▶ 50% growth Y/Y
- ▶ **Less seasonal effect**
 - ▶ Slight Q/Q increase
- ▶ **Strong Y/Y growth in all regions**
 - ▶ Growth in both mature and emerging markets



Gross margin

- ▶ **Both level and trend are unsatisfactory**
- ▶ **The decline is due to:**
 - ▶ Aggressive sales strategy
 - ▶ Ramp-up costs for Flatpack 2
 - ▶ Slow replacement of old low-margin products
 - ▶ Ramp-up costs at new system assembly hubs
 - ▶ High initial costs in Australia



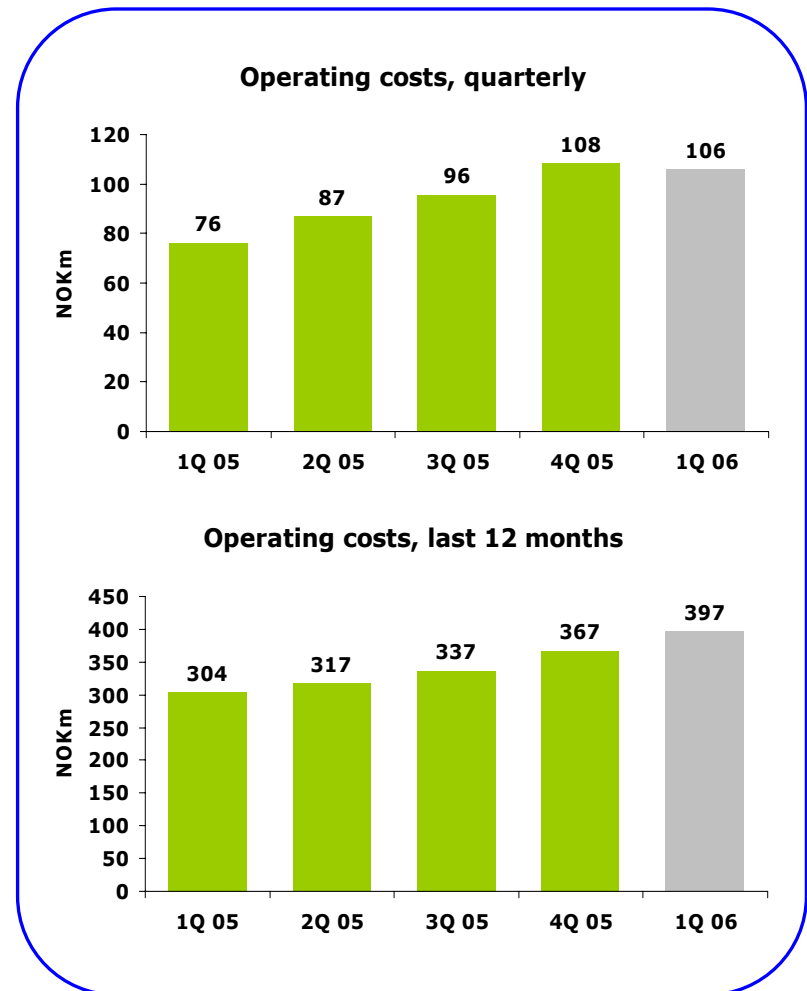
Gross margin measures

- ▶ **New product releases**
 - ▶ Replacing old low-margin products

- ▶ **Further development of the system assembly hubs**
 - ▶ Slovakia and China from build-up phase to production phase
 - ▶ More concentrated sourcing will yield scale effects

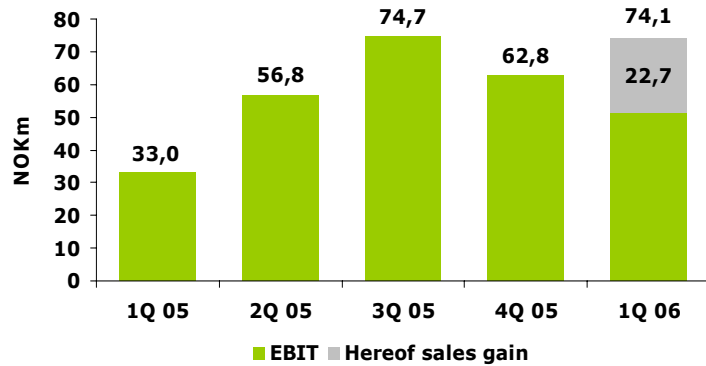
Operating costs

- ▶ **Flat Q/Q development**
- ▶ **39% increase Y/Y**
 - ▶ The cost increase reflects;
 - ▶ Expansion of the distribution network
 - ▶ New co's/offices
 - ▶ Higher activity
 - ▶ Higher shipments and order entry
 - ▶ Lower admin costs
 - ▶ Higher R&D and engineering expenses

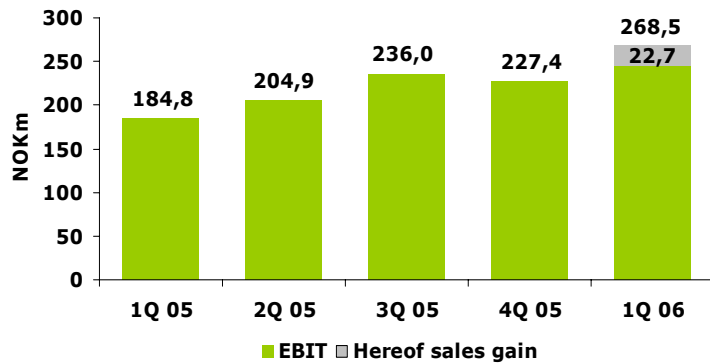


EBIT

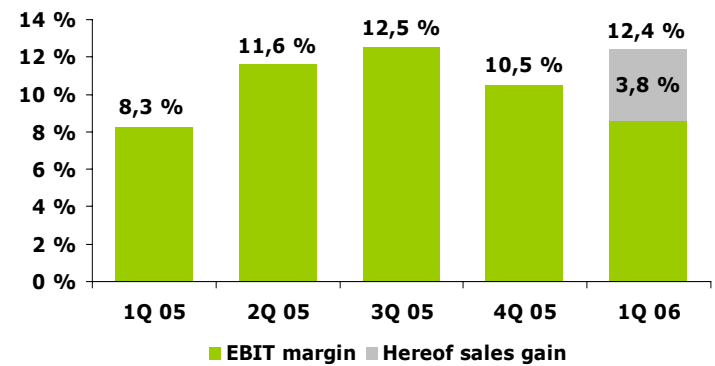
EBIT, quarterly



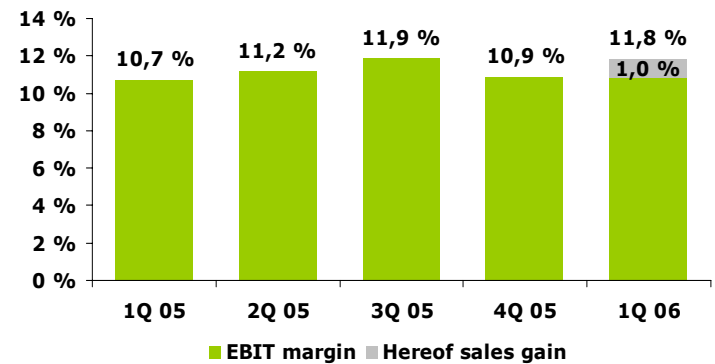
EBIT, last 12 months



EBIT margin, quarterly

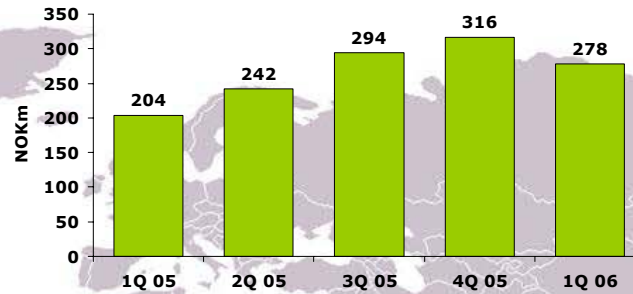


EBIT margin, last 12 months

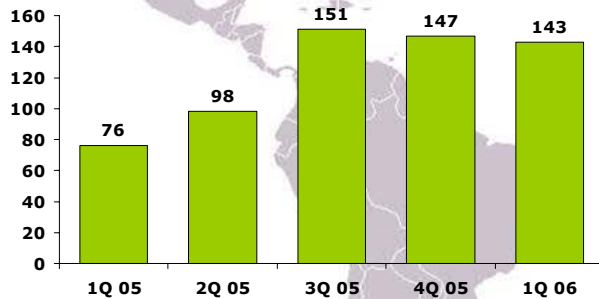


Regional development

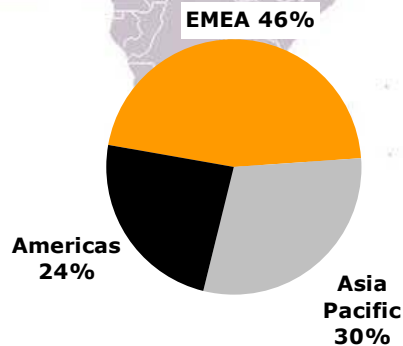
EMEA revenues, quarterly



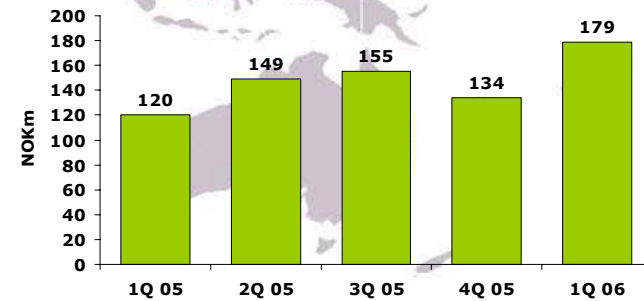
Americas revenues, quarterly



1Q 2006 Revenues by region



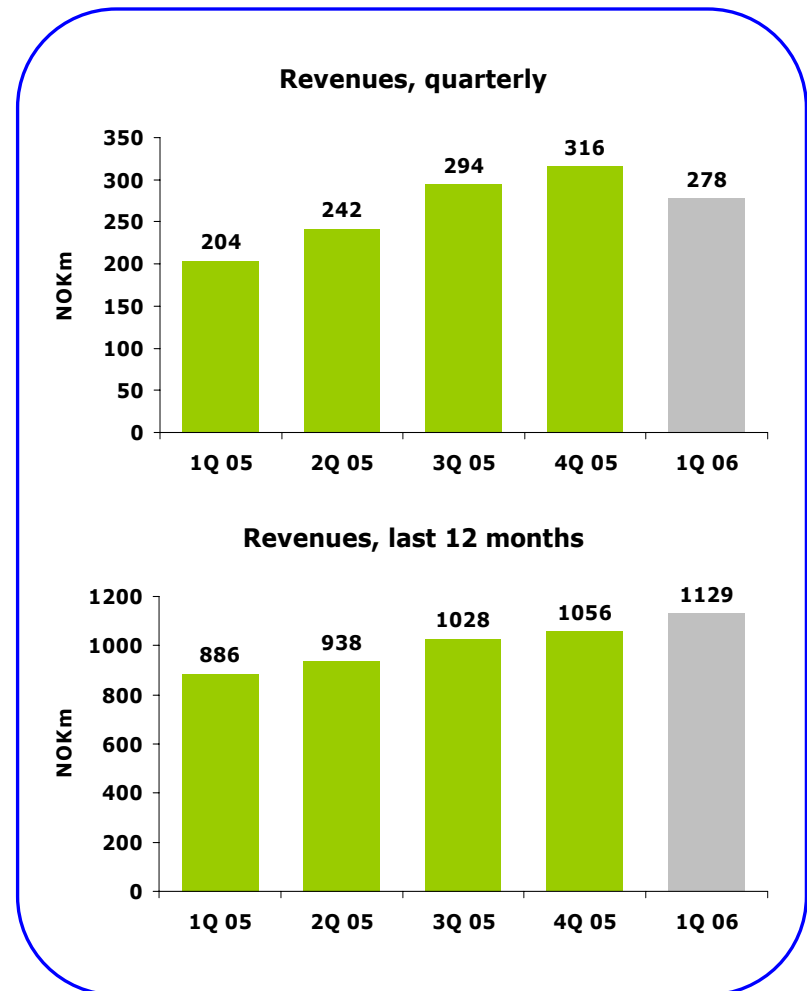
Asia Pacific revenues, quarterly



EMEA - Europe, Middle East & Africa

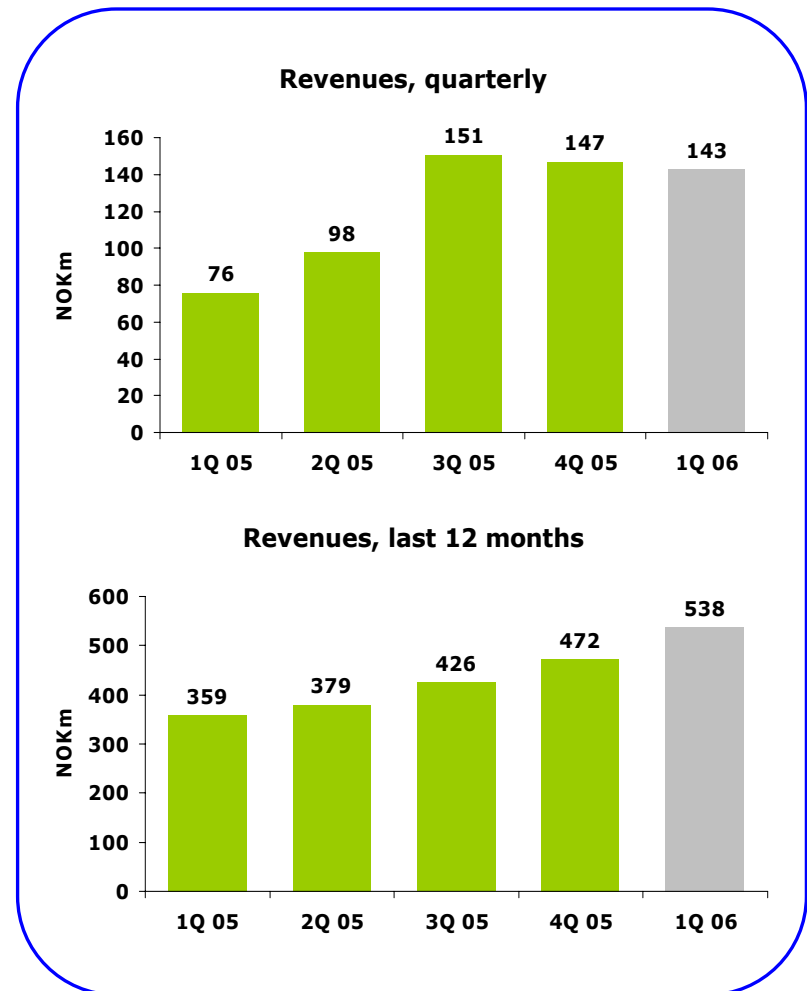
- ▶ **36% growth Y/Y**
 - ▶ Healthy levels in mature markets
 - ▶ Germany, France, UK
 - ▶ Strong growth in emerging markets
 - ▶ Ukraine, Middle East, Russia

- ▶ **Only 12% Q/Q decline**
 - ▶ Less seasonal effect
 - ▶ Strong UK growth



Americas

- ▶ **88% growth Y/Y**
- ▶ **Less seasonal effect**
 - ▶ Only 3% Q/Q decline
- ▶ **Growth in new areas**
 - ▶ Latin America
- ▶ **Solid development in North America**
 - ▶ Some US customers off to a good start
 - ▶ Signals of improved sentiment in Canada

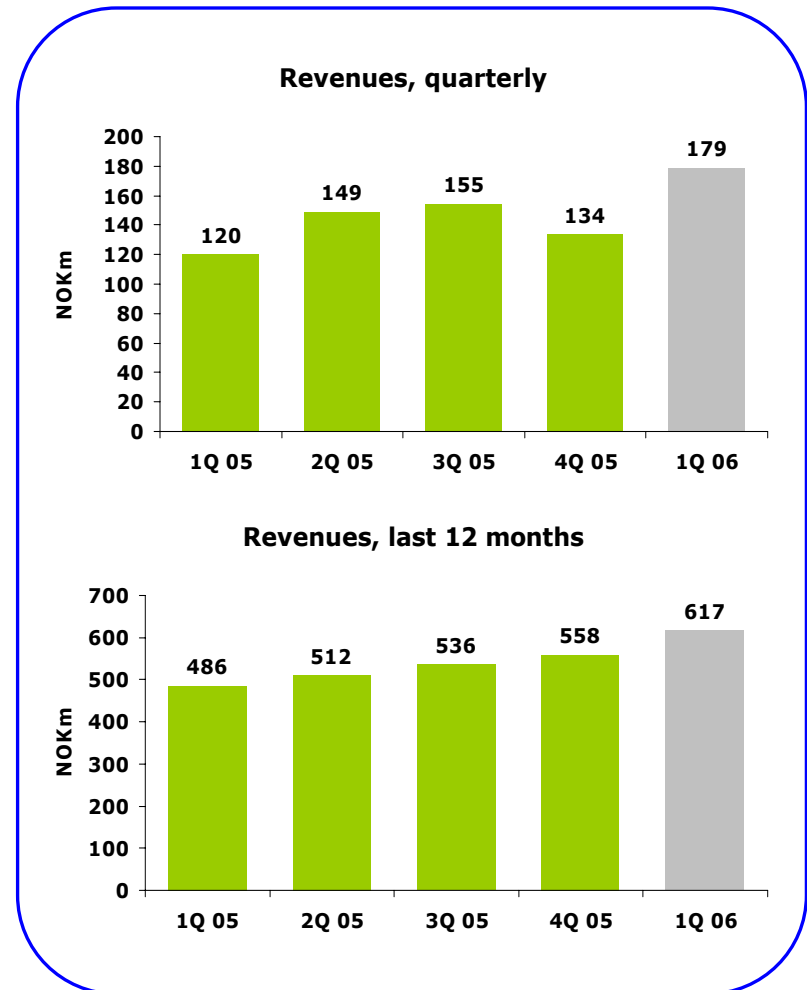


Asia Pacific

- ▶ **49% growth Y/Y**
 - ▶ Australia, India, China

- ▶ **33% growth Q/Q**
 - ▶ Australia, China, India

- ▶ **Australian contract significantly smaller**
 - ▶ Remaining deliveries in Q2



Major new business opportunities

- ▶ **India:**
 - ▶ BSNL
- ▶ **China:**
 - ▶ 3G
- ▶ **Russia:**
 - ▶ 3G
- ▶ **Middle East:**
 - ▶ Egypt
 - ▶ Iran
 - ▶ Turkey
 - ▶ Saudi Arabia

The background features a 3D bar chart on the left with four bars of increasing height, and a 3D pie chart on the right. The bars are white with grey shadows, and the pie chart is also white with grey shadows. The entire scene is set against a bright orange background with a subtle grid pattern.

FINANCIALS

1st quarter 2006

Acquisition of minority interests

- ▶ **Increases Elteks ownership interests in;**
 - ▶ India, from 51 percent to 73 percent
 - ▶ Australia, from 51 percent to 67 percent

- ▶ **Total consideration of NOK 48.6 million to be paid in 2Q 2006**

Consolidated Income Statement

(unaudited)

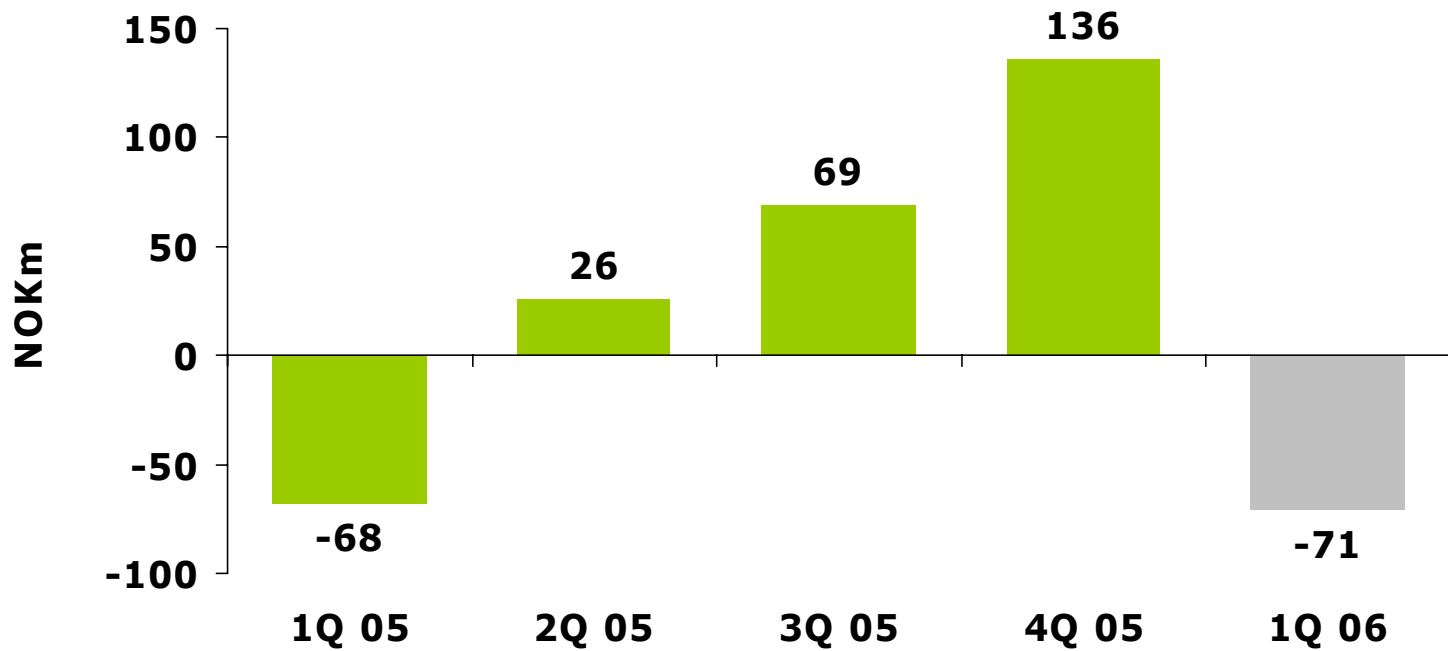
Amounts in NOK 1 000	<u>1Q 2006</u>	<u>1Q 2005</u>	<u>2005</u>
Revenue	599 274	400 286	2 085 730
Cost of sales	-441 821	-291 085	-1 491 120
Gross profit	157 453	109 202	594 610
Selling and marketing costs	-42 513	-31 707	-155 472
Administrative expenses	-40 192	-29 222	-143 860
R&D and engineering costs	-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	<u>31.03.2006</u>	<u>31.03.2005</u>	<u>31.12.2005</u>
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	<u>377 149</u>	<u>281 513</u>	<u>329 077</u>
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	<u>1 542 504</u>	<u>1 160 725</u>	<u>1 439 597</u>
Total assets	<u>1 919 653</u>	<u>1 442 238</u>	<u>1 768 674</u>
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	<u>963 724</u>	<u>723 415</u>	<u>915 957</u>
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	<u>247 957</u>	<u>286 234</u>	<u>261 164</u>
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	<u>707 972</u>	<u>432 589</u>	<u>591 553</u>
Total liabilities	<u>955 929</u>	<u>718 823</u>	<u>852 717</u>
Total equity and liabilities	<u>1 919 653</u>	<u>1 442 238</u>	<u>1 768 674</u>
Equity ratio	50,2 %	50,2 %	51,8 %

Cash Flow from operations



Outlook

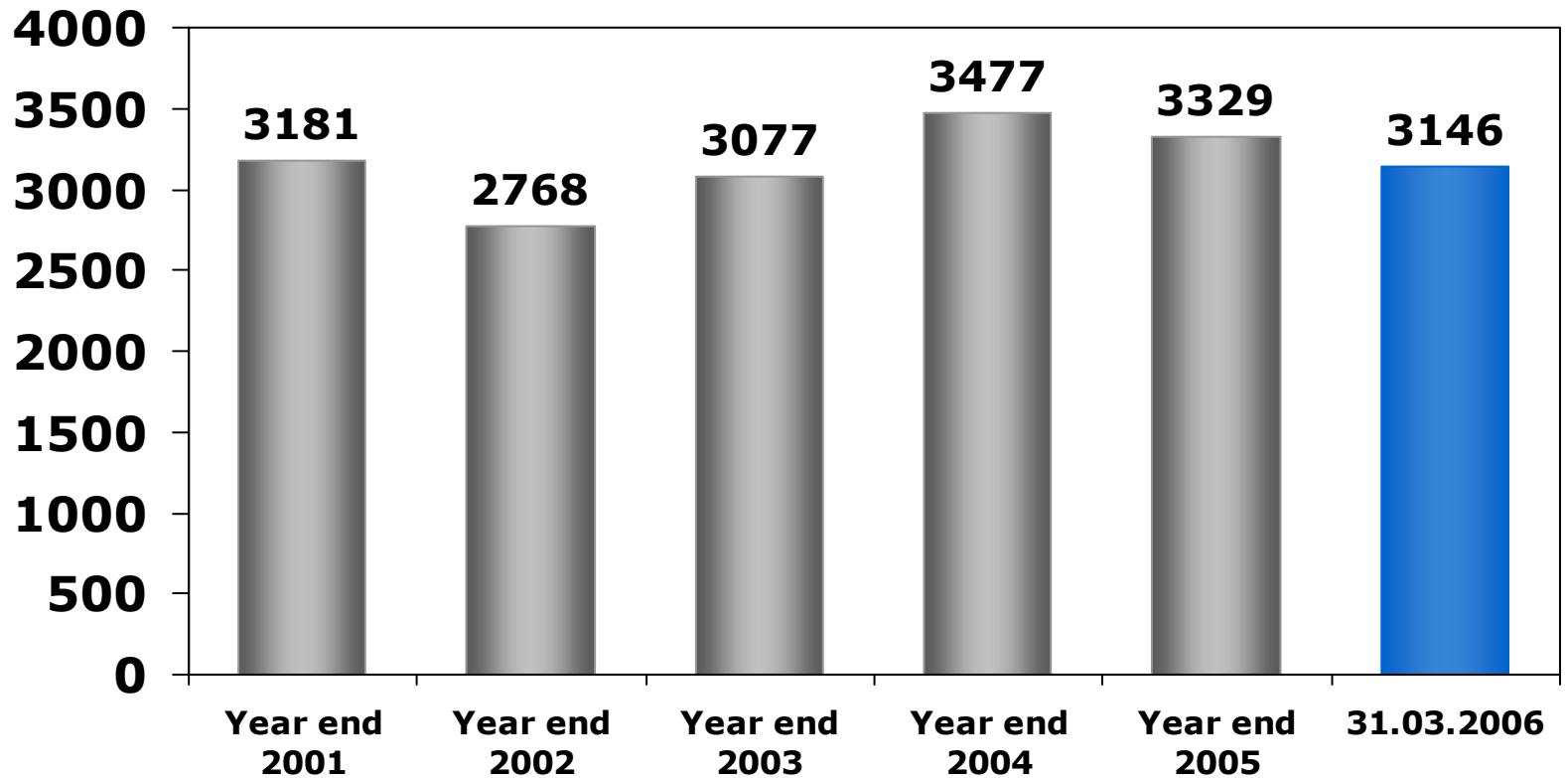
- ▶ **Growth in order entry**
 - ▶ Signals continued revenue growth
- ▶ **Strong presence in high-growth markets**
 - ▶ Major new business opportunities
- ▶ **Addressing the gross margin development**
 - ▶ Cost reduction measures
- ▶ **Aggressive sales remain a top priority**
 - ▶ Eltek aims to continue to outpace the market and gain market share

STOCK INFORMATION

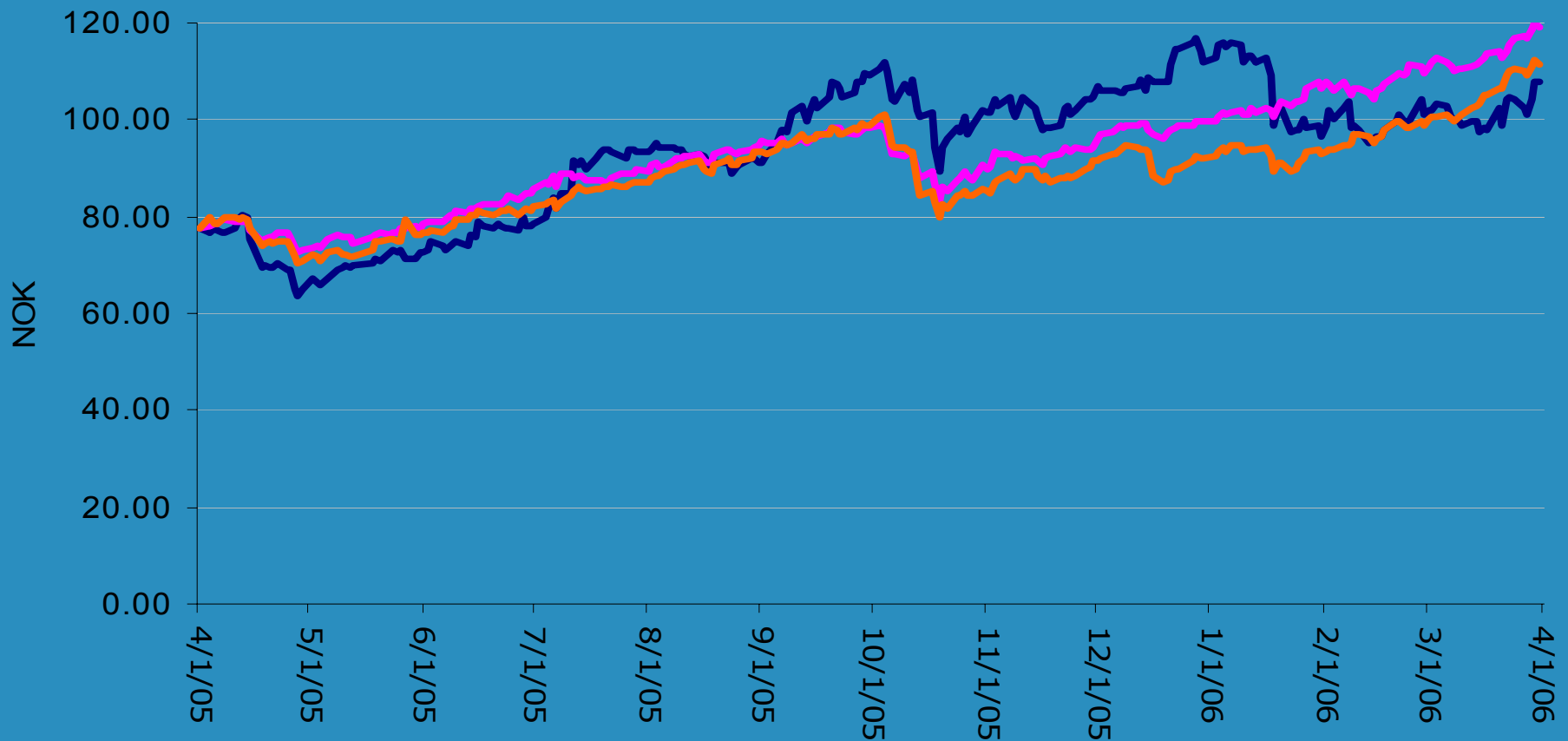
1st quarter 2006

Number of shareholders

Amounts in Mill NOK



Stock performance



— Eltek ASA — OSEBX — Information Technology

as per 31.03.2006

Major shareholders per 31 March 2006

Shareholder	# of shares	% share
Citigroup Global Markets	7 302 233	22,5 %
Cleo Capital AS	2 744 567	8,4 %
Folketrygdfondet	2 464 100	7,6 %
USB (Luxembourg)	2 208 503	6,8 %
Orkla ASA	1 150 000	3,6 %
DnB Nor Bank ASA Egenhandelskonto	881 200	2,7 %
Storebrand Livsforsikring	721 089	2,2 %
JPMorgan Chase Bank	718 367	2,2 %
National Financial	682 476	2,1 %
Skandinaviska Enskilda	660 000	2,0 %
MP Pensjon	541 300	1,7 %
Morgan Stanley & Co	430 343	1,3 %
Commerzbank	416 520	1,3 %
State Street Bank & Client	405 384	1,3 %
Vital Forsikring ASA	397 791	1,2 %

Q & A