



POWERFUL TECHNOLOGY

Third Quarter Results 2006

Monday 30 October 2006

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Agenda

- ▶ **Merger Progress and Status**
 - ▶ Balance sheet implications
- ▶ **Third Quarter Highlights**
 - ▶ Eltek key financials
 - ▶ Nera key financials
- ▶ **Restructuring of Nera**
- ▶ **Summary**

Significant consolidation progress

- ▶ **Divested non-core assets**
 - ▶ Nera Electronics divested
 - ▶ Gain of NOK 131 million
 - ▶ Nera SatCom divested (in October)
 - ▶ Gain of NOK 490 million

- ▶ **Cleaned up Nera balance sheet**
 - ▶ Write-downs and provisions of NOK 144 million
 - ▶ Consistent with Eltek accounting principles

- ▶ **Initiated restructuring of Nera Networks**
 - ▶ Annual expected cost savings of ~NOK 140 million
 - ▶ Restructuring costs of NOK 63 million in 4Q 06
 - ▶ Additional costs of NOK 15 million over the next three quarters

Nera write-downs and provisions

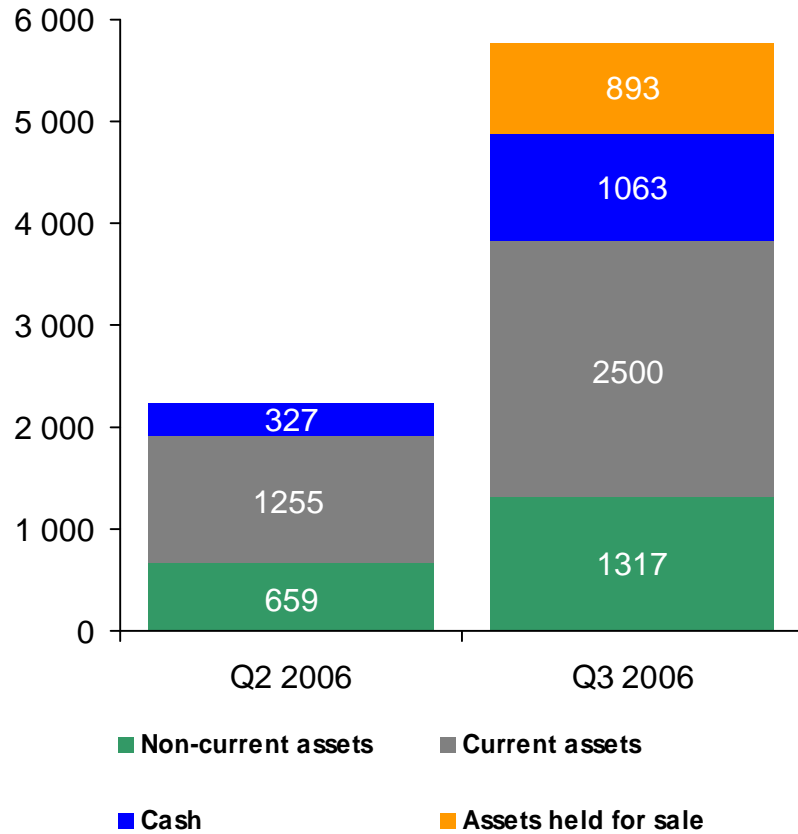
- ▶ **NOK 144m write-downs and provisions**
 - ▶ 38m inventory obsolescence
 - ▶ 74m provisions for claims/warranties and bad debt
 - ▶ 10m share option write-down
 - ▶ 12m severance pay, options
 - ▶ 10m re-location costs

- ▶ **Limited cash outlays**

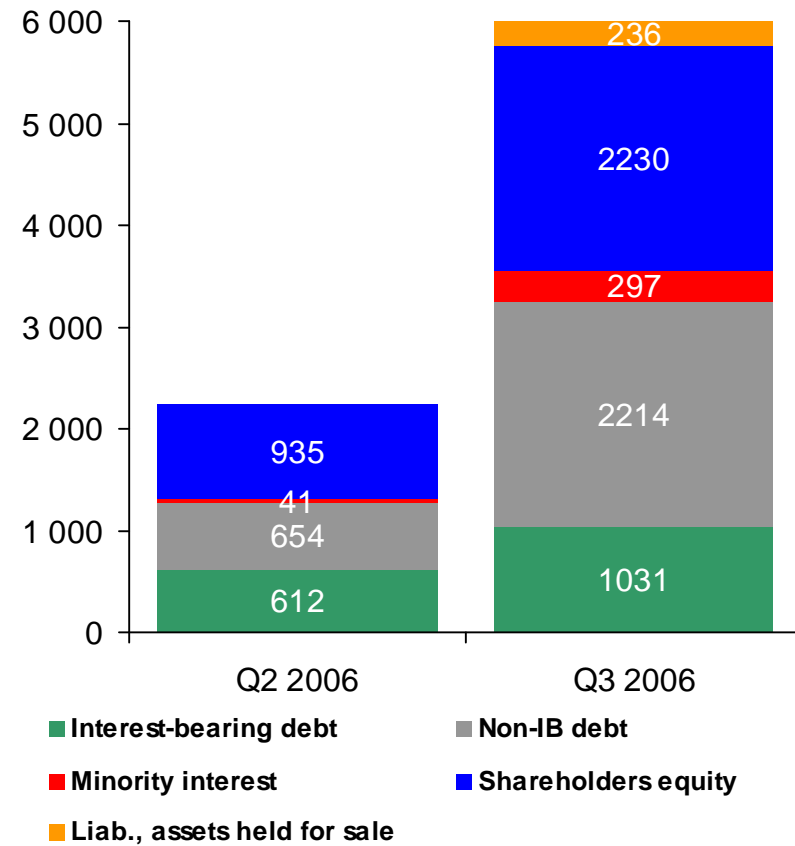
- ▶ **Charged to Nera's 3Q income statement**

Balance Sheet development

Assets

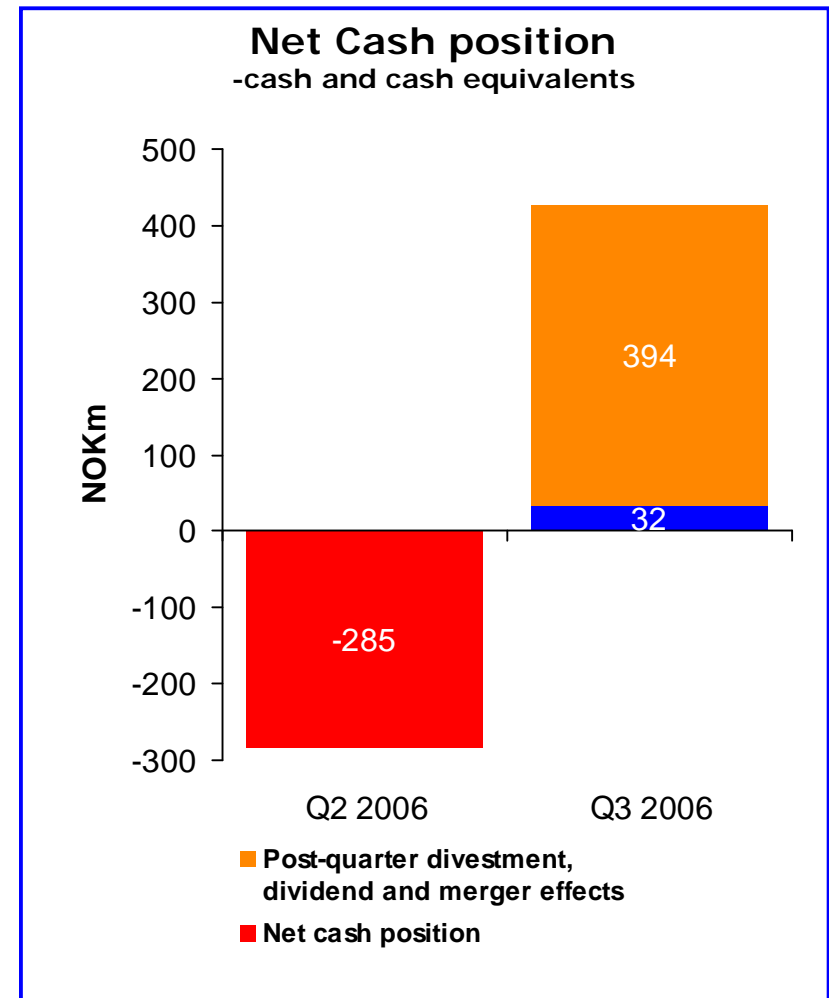


Equity and liabilities



Net Cash development

- ▶ Current net cash position of more than NOK 400m





Eltek review

3rd quarter 2006



Key financial figures

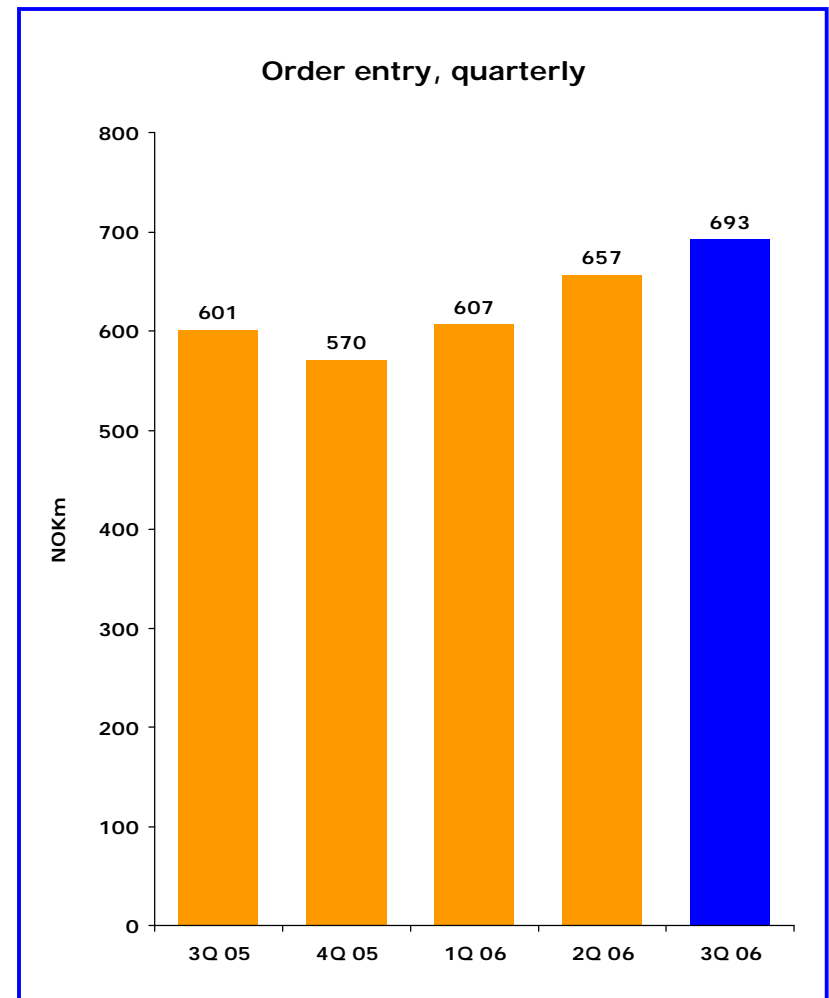
NOKm	3Q 06	2Q 06	1Q 06	4Q 05	3Q 05	FY 2005	FY 2004
Order entry	693	657	607	570	601	2 216	1 708
Revenue	683	632	599	597	600	2 086	1 634
Gross Profit	176	160	157	171	170	595	461
Gross Margin (%)	25.7	25.4	26.3	28.7	28.4	28.5	28.2
Gain from divestment			22.7				
EBIT	64.0	52.8	74.1	62.8	74.7	227	164
Net financials	-13.7	-6.0	0.2	0.8	-1.5	-2	-9
Pre-tax Profit	50.3	46.7	74.4	65.6	74.3	228	155
EPS	0.78	0.86	1.56	1.47	1.48	4.74	3.74

Order entry

- ▶ **Continued growth**
 - ▶ +15% vs 3Q '05
 - ▶ +5% vs. 2Q '06

- ▶ **3Q vs. 3Q '05**
 - ▶ Increase in all main regions

- ▶ **3Q versus 2Q**
 - ▶ Rebound in the Americas region

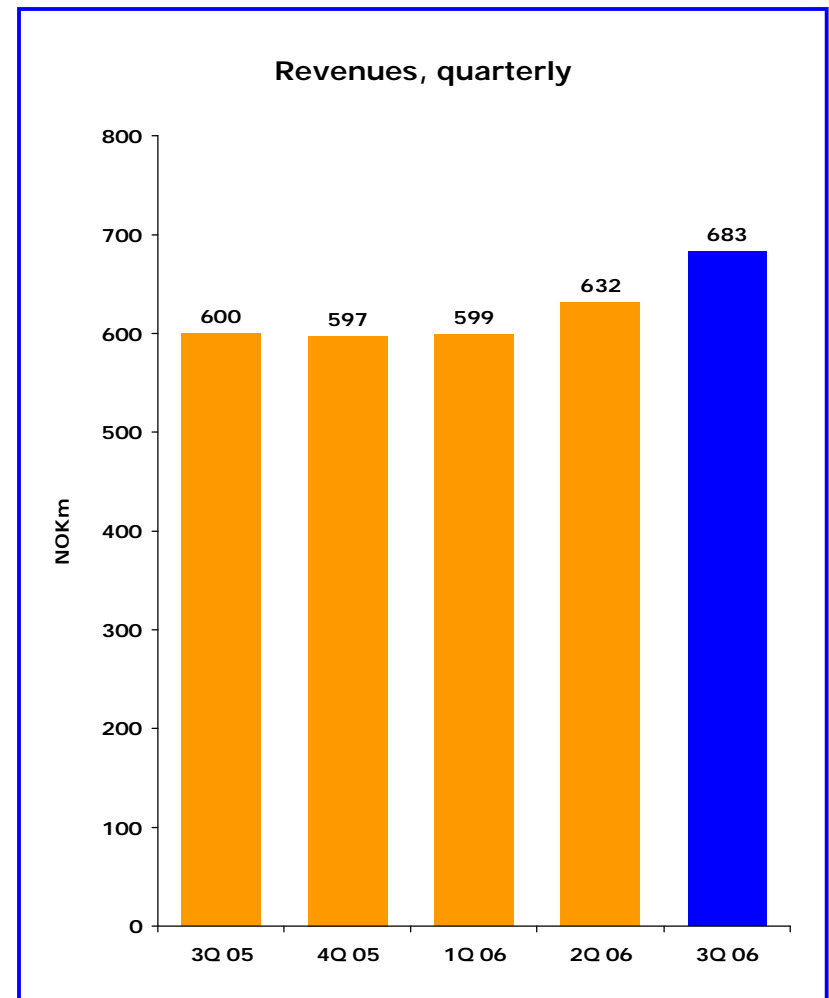


Revenue

- ▶ **Continued growth**
 - ▶ +14% vs. 3Q '05
 - ▶ +8% vs. 2Q '06

- ▶ **3Q vs. 3Q '05**
 - ▶ Growth in EMEA

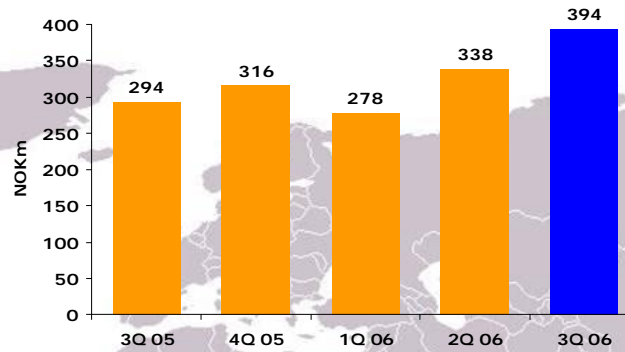
- ▶ **3Q vs. 2Q '06**
 - ▶ Growth in EMEA and Americas
 - ▶ Decline in Asia Pacific
 - ▶ Completed Australia-contract



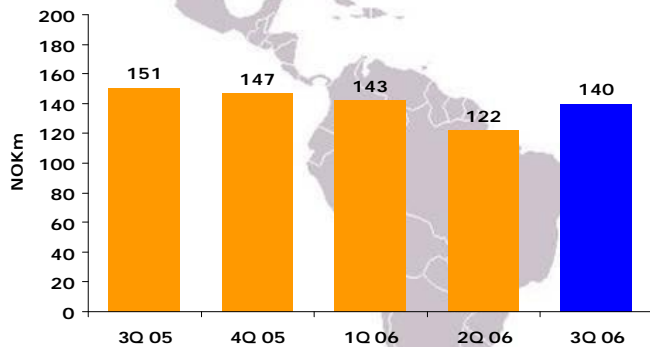


Regional development

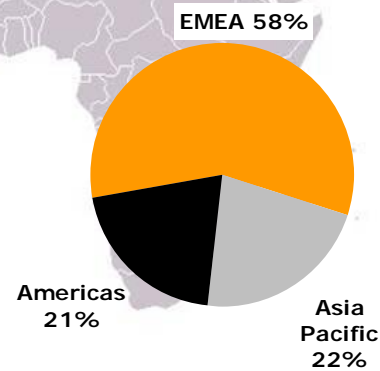
EMEA revenue, quarterly



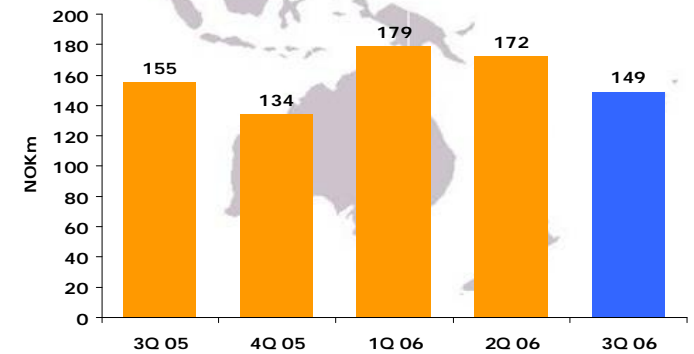
Americas revenue, quarterly



3Q 2006 Revenue by region

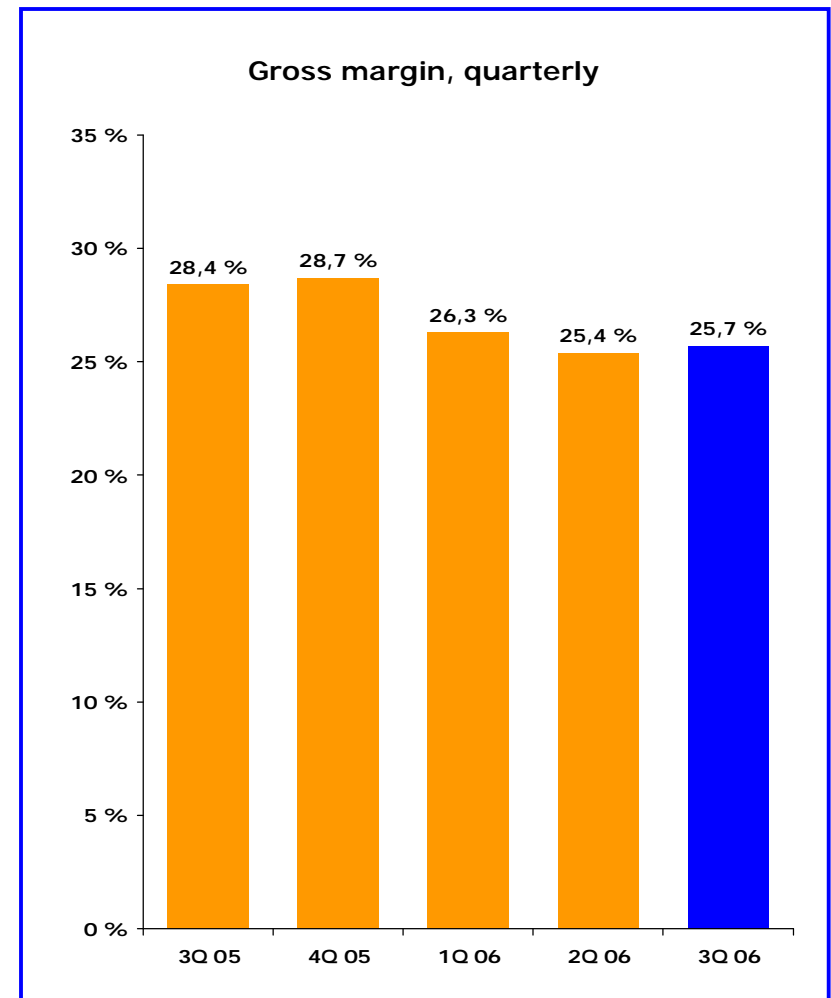


Asia Pacific revenue, quarterly



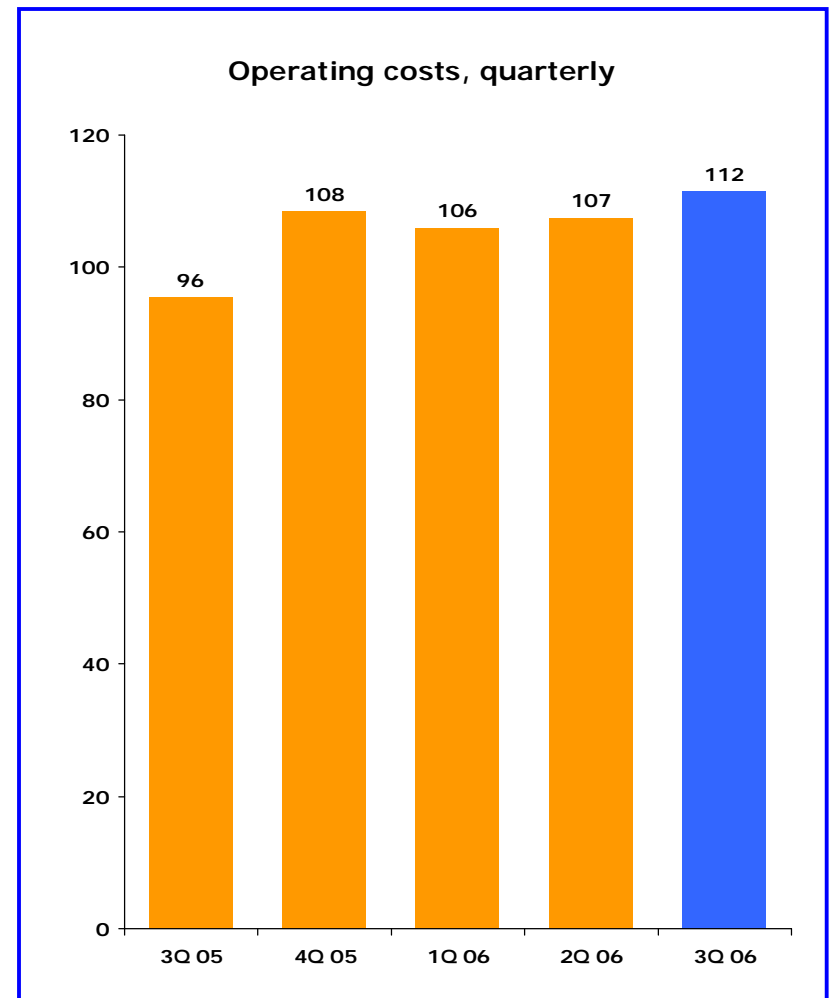
Gross margin

- ▶ The declining trend reversed in 3Q
- ▶ Price pressure
- ▶ Gross margin measures
 - ▶ Migration to higher margin products
 - ▶ Increased production at systems assembly hubs



Operating costs

- ▶ No major changes





Nera review

3rd quarter 2006



Key figures, continued operations

NOKm	3Q 06 excl. non- recurring	Non- recurring	3Q incl. non- recurring	2Q 06	1Q 06	4Q 05	3Q 05
Order entry	458		458	592	590	403	428
Revenue	384		384	463	516	436	548
Gross Profit	74	-77	-3	88	93	71	111
Gross Margin (%)	19.2%		-0.7%	19.0%	18.1%	16.3%	20.3%
EBIT	-28	-134	-162	-16	-2	-11	27
Net financials	-14	-10	-24	4	-4	2	-11
Pre-tax Profit	-41	-144	-186	-12	-7	-10	16
Profit after tax, continued operations	-43	-144	-187	-8	-2	-14	1
Result discontinued operations	144		144	47	0	24	-26
Profit after tax	101	-144	-44	39	-2	10	-25

Migration to Evolution



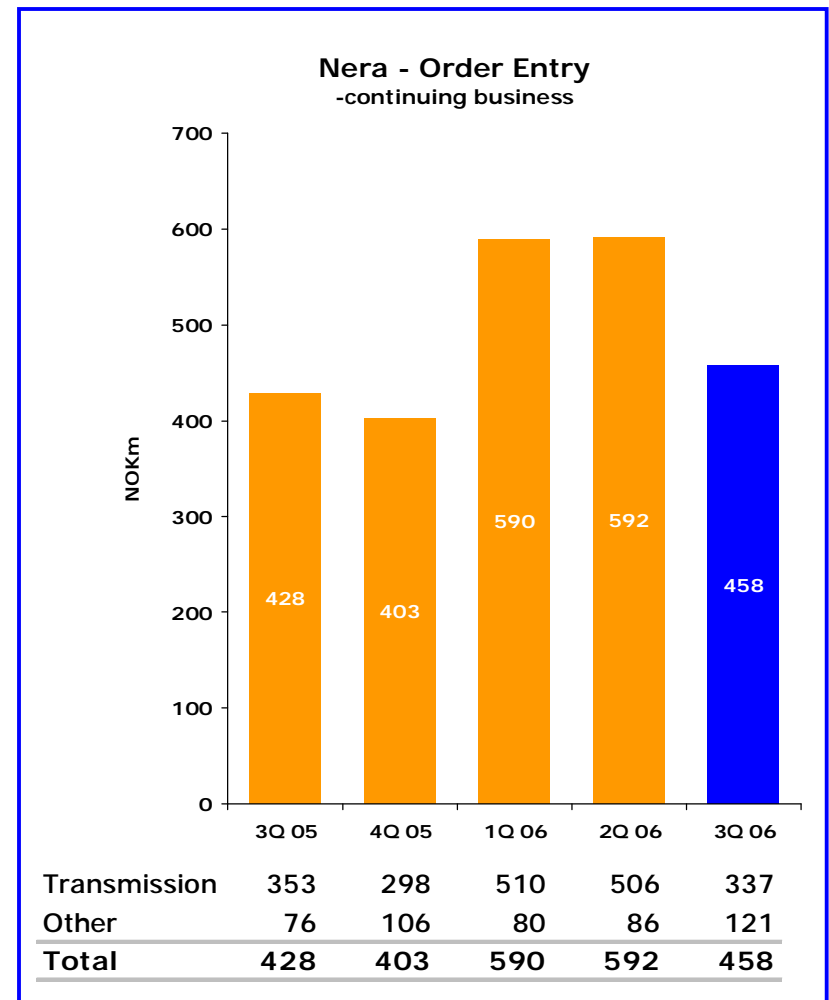
- ▶ Start-up issues affected both revenue and new orders in 3Q

- ▶ Status:
 - ▶ Robust design for the 6-15 GHz frequencies
 - ▶ Other frequencies will be released continuously

- ▶ Positive customer response on delivered products

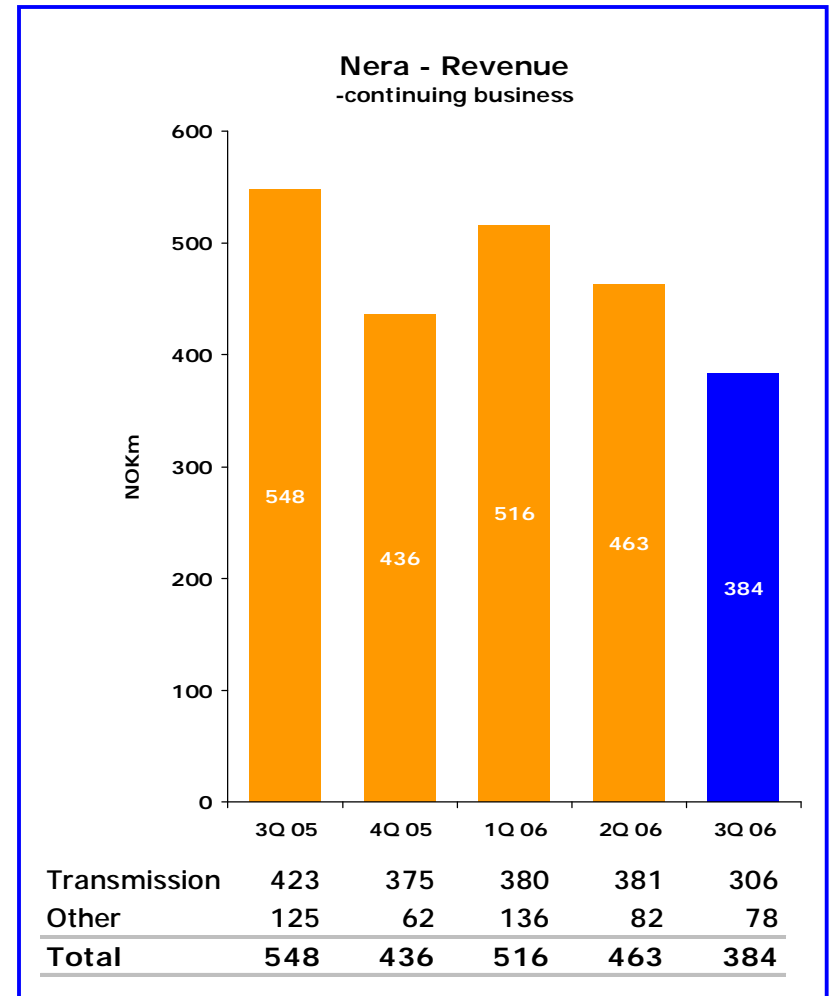
Order entry

- ▶ Evolution
- ▶ Project delays
 - ▶ No contracts lost
- ▶ Positive market outlook



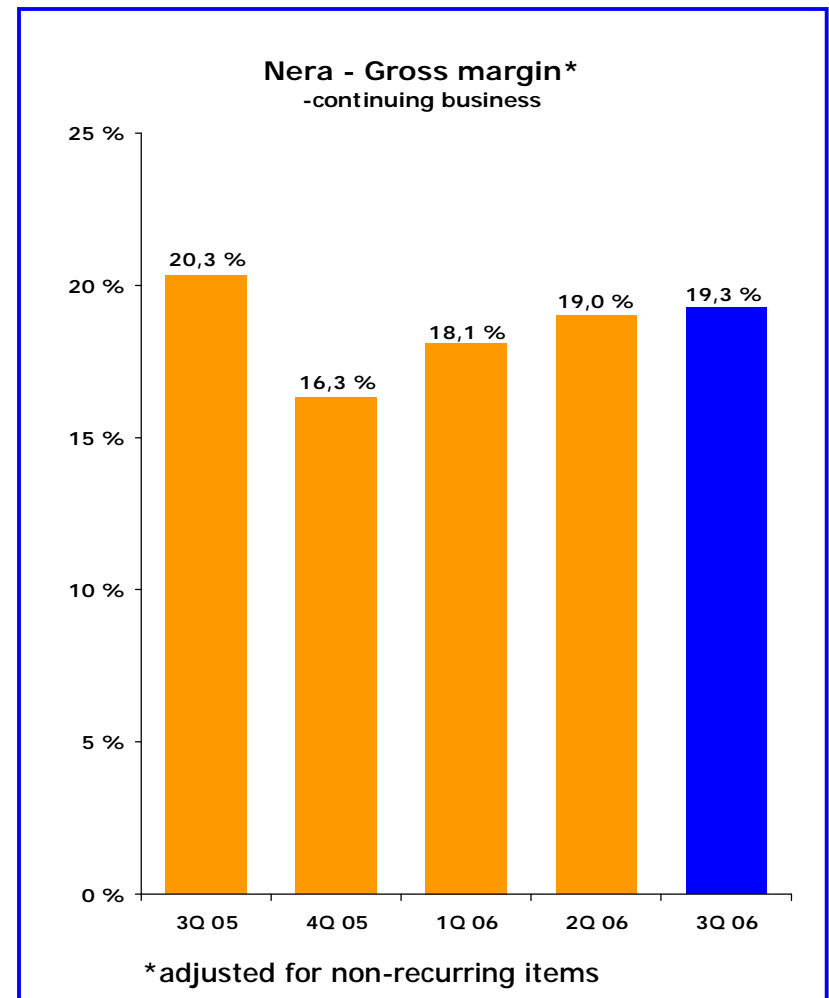
Revenue

- ▶ Evolution
- ▶ Component shortage for InterLink
- ▶ Late deliveries to be completed in Q4



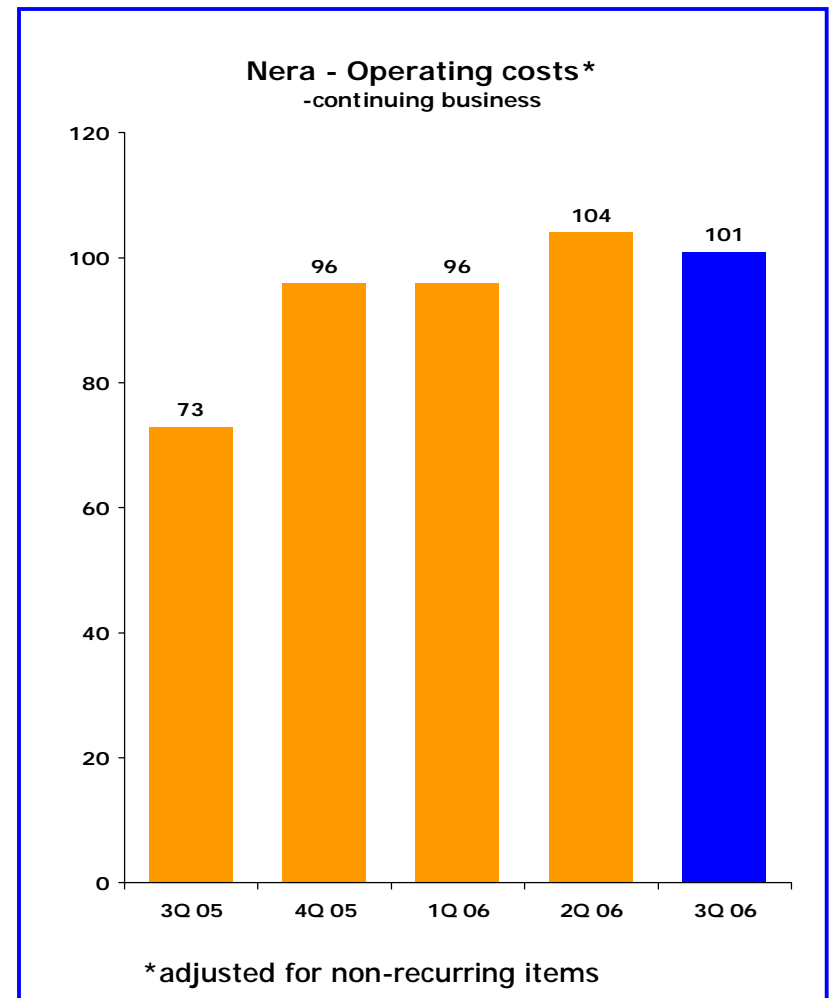
Nera gross margin

- ▶ Stable but too low
- ▶ Introduction of Evolution
- ▶ Restructuring program



Nera operating costs

- ▶ Stable development
- ▶ Restructuring program

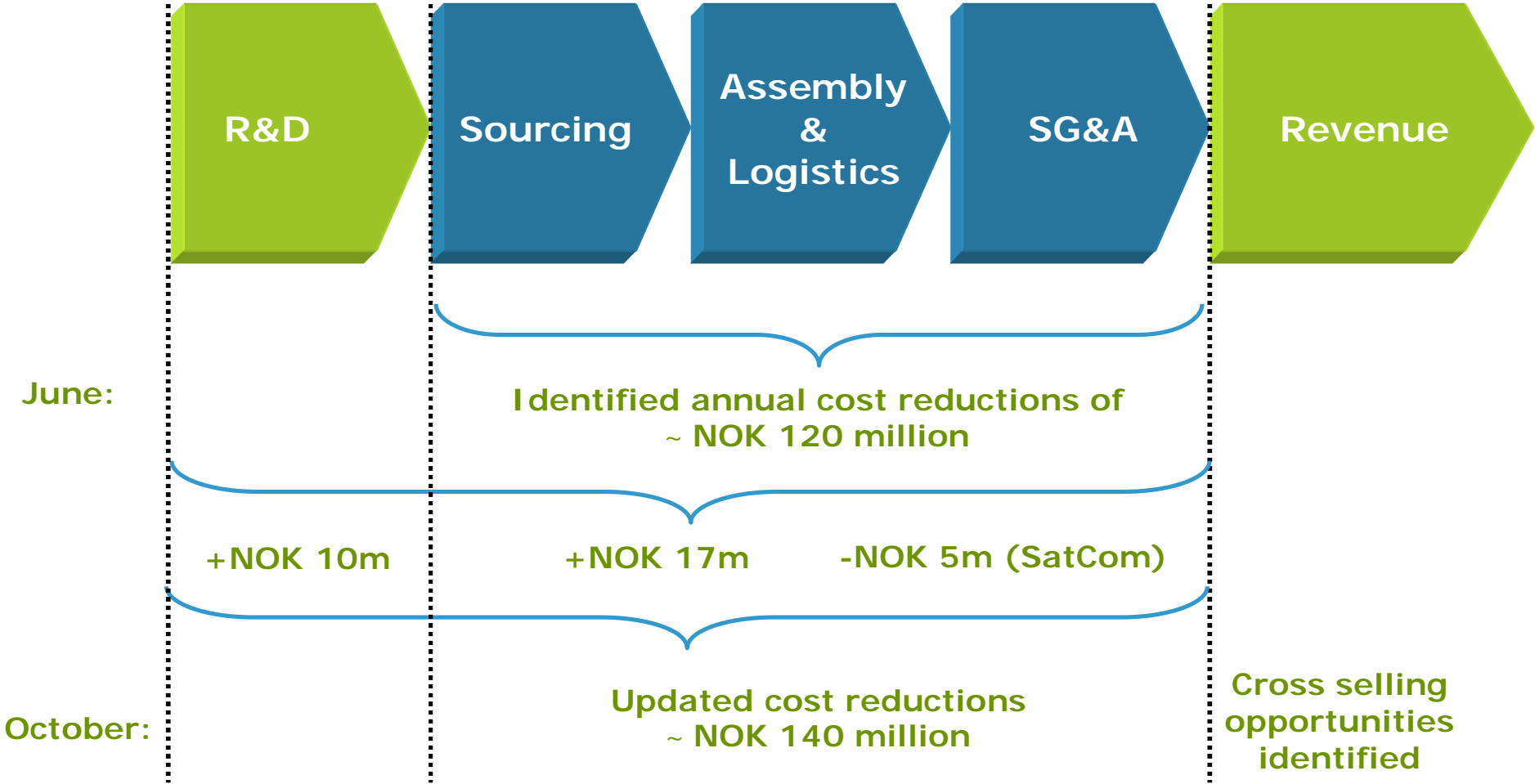




Restructuring of Nera

'Restoring profitability in 2007'

Overview cost reduction program



Restructuring plan

▶ Key restructuring elements

- ▶ Move manufacturing to Slovakia by 1Q 07
- ▶ Affects 130 of total headcount of 413 in Bergen
- ▶ Co-location of global offices started with UK and Russia

▶ Cost reductions

- ▶ Expected COGS reductions approx. NOK 65 million
 - ▶ Effect from 2Q 07 – full effect from 4Q 07
- ▶ Expected OPEX reductions approx. NOK 75 million
 - ▶ Effect from 4Q 06 – full effect from 3Q 07

▶ Total savings of approx. NOK 140 million

Restructuring costs

- ▶ **Restructuring costs of NOK 63m in 4Q 06**
 - ▶ Severance pay, etc. of NOK 21 million
 - ▶ Relocation costs NOK 6 million
 - ▶ Provisions for rent NOK 36 million

- ▶ **Additional expenses of NOK 15 million over the next three quarters**
 - ▶ Training, etc. of the team in Slovakia



Summary

- ▶ **Significant progress in Nera restructuring**
- ▶ **Overall healthy market development**
 - ▶ Price pressure affecting gross margin
- ▶ **Continued growth in Eltek Energy**
- ▶ **Evolution well received by customers**
- ▶ **Expected annual cost savings of NOK 140 million**



POWERFUL TECHNOLOGY

Q & A



ENCLOSURES



Pro forma Income statement 3Q

NOKm	Pro forma excl. non- recurring	Non- recurring	Pro forma incl. non recurring	Pro forma adj.	Nera	Eltek
Revenue	1,067		1,067		384	682
Cost of Sales	-817	77	-894		-387	-507
Gross Profit	249	77	173		-3	176
Gross Margin (%)	23.4%					
Sales & Mkt costs	-95		-95		-50	-45
Administration	-67	58	-125	-1	-84	-39
R&D and Engineering	-53		-53		-36	-28
Other OPEX	1		1		-	1
Operating Profit	36	134	-99	-1	-162	64
Net Financial Items	-28	10	-38		-24	-14
Profit Before Tax	8	144	-137	-1	-186	50
Income Tax Expense	-19		-19	-3	-2	-14
Net Profit	-11	144	-156	-4	-187	36



Pro forma income statement YTD

NOKm	Pro forma excl. non- recurring	Non- recurring	Pro forma incl. non recurring	Pro forma adj.	Nera	Eltek
Revenue	3,277		3,277		1,363	1,914
Cost of Sales	-2,528	77	-2,605		-1,184	-1,421
Gross Profit	749	77	672		179	493
Gross Margin (%)	22.8%					
Sales & Mkt costs	-281		-281		-150	-131
Administration	-206	58	-264	-4	-142	-118
R&D and Engineering	-144		-144		-67	-77
Other OPEX	24		24		-	24
Operating Profit	141	134	7	-4	-180	191
Net Financial Items	-34	10	-44		-25	-19
Profit Before Tax	107	144	-37	-4	-205	171
Income Tax Expense	-59		-59	-18	7	-49
Net Profit	48	144	-97	-22	-198	123



Consolidated Balance Sheet

Amounts in NOK 1 000	30.09.2006	30.09.2005	31.12.2005
Property, plant & equipment	214 360	78 813	82 100
Fair value in excess of book value, unallocated	571 138		
Intangible assets	458 144	165 148	186 824
Deferred income tax asset	54 995	69 540	56 447
Other non-current assets	18 343	3 463	3 706
Total non-current assets	1 316 981	317 765	329 077
Inventories	727 805	338 331	368 648
Trade and other receivables	1 772 089	639 613	604 378
Cash and cash equivalents	1 063 182	364 063	488 573
Total current assets	3 562 876	1 342 007	1 439 597
Assets held for sale	892 851		
Total assets	5 772 708	1 659 772	1 768 674
Share capital	49 206	32 140	32 261
Other reserves	2 181 267	766 611	839 673
Capital and reserves attributable to equity holders of the Company	2 230 473	798 751	871 934
Minority interest	296 827	42 619	44 023
Total equity	2 527 301	841 370	916 967
Borrowings	512 432	228 437	227 663
Deferred income tax liabilities	-	3 297	-
Provisions for other liabilities and charges	14 670		
Retirement benefit obligations	274 322	29 500	33 502
Total non-current liabilities	801 423	281 233	261 164
Borrowings	518 858	55 352	52 784
Trade creditors and other payables	1 531 156	432 617	472 329
Current income tax payable	38 130	46 514	38 716
Provisions for other liabilities and charges	118 321	22 884	27 724
Total current liabilities	2 208 465	557 166	591 553
Total liabilities	3 009 888	818 399	852 717
Liabilities related to assets held for sale	235 519		
Total equity and liabilities	5 772 708	1 659 770	1 768 674
Equity ratio	43,9 %	50,7 %	61,8 %



Consolidated Cash Flow Statement

Cash flow analysis (unaudited)

Amounts in NOK 1 000	3Q 2006	3Q 2005	YTD 2006	YTD 2005	2005
Net cash flow from operations	-60 068	68 964	-197 291	27 435	163 417
Net cash flow from investments	685 453	-15 866	356 654	-61 574	-96 279
Net cash flow from financing	110 427	-21 761	437 246	17 168	18 403
Net change in cash and cash equivalents	735 812	31 337	596 609	-16 970	85 541
Cash and cash equivalents, beginning of period	327 371	332 724	466 573	381 031	381 031
Cash and cash equivalents, end of period	1 063 183	364 061	1 063 182	364 061	466 573

Consolidated statement of recognized income and expense (unaudited)

Amounts in NOK 1 000	3Q 2006	3Q 2005	30.09.2006	30.09.2005	31.12.2005
Actuarial gains/losses	-	-	-	-	422
Currency translation effects	26 608	3 763	-6 091	24 054	38 287
Taxes on items taken directly to or transferred from equity	-	-	-	-	-118
Net Income recognized directly in equity	26 608	3 763	-6 091	24 054	38 591
Profit for the period	36 151	52 715	122 830	118 410	171 878
Total recognized income for the year	62 759	56 478	116 739	142 464	210 469