

REPORT 1st QUARTER 2007

REPORT

1st QUARTER

The merger between Eltek and Nera was reflected in the Balance Sheet Statement at 30 September 2006, and is included in the consolidated Income Statement from 1 October 2006. The figures reported below describe the first quarter 2007 and the first quarter 2006 (in brackets). Explicit notice has been made where the reference is to pro forma figures for the first quarter 2006.

(NOK million)	1Q '07	1Q '06	2006	Pro forma 1Q '06	Pro forma 2006
Order entry	1,169	607	3,017	1,197	4,581
Revenue	988	599	3,121	1,115	4,484
Gross Profit	224	157	773	252	1,029
Gross margin (%)	22.7	26.3	24.8	22.5	22.9
EBIT before restructuring	6	74	239	62	176
Restructuring costs	-5	-	-50		
EBIT	1	74	189		
Pre-tax profit	-10	74	157		
Net profit after tax	-20	53	107		

Note: Pro forma calculations exclude non-recurring costs in all periods, and are prepared under the assumption that the current activity of Nera was consolidated as of 1 January 2006

Structural developments

The Eltek Group has continued to make progress in the organizational development of the combined activities in Eltek Energy and Nera.

Transfer of transmission production from Bergen to the Group's facilities in Slovakia started in first quarter and will be completed in second quarter. The related restructuring costs were charged to the income statement in the fourth quarter 2006.

During the first quarter 2007, the Eltek Group has continued to investigate and develop opportunities to further consolidate its position in the power supply market, and in April announced Eltek Energy's acquisition of Valere Power. The acquisition significantly strengthens Eltek's position in the largest market in the world – the US – as well as in the world's fastest growing market – India.

The new company Eltek Valere will be a global leader in the power supply industry, with a growth potential far exceeding the average growth rate for the telecom equipment industry

During the first quarter 2007, Eltek Energy also acquired 51 percent of a power supply company in Pakistan.

Key financials – quarterly

The Eltek Group achieved revenues of NOK 988 million in the first quarter 2007, compared to NOK 599 million in the first quarter 2006. Gross profit was NOK 224 million (157), and gross margin 22.7 percent (26.3).

Revenues declined 11 percent compared to *pro forma* revenues of NOK 1,115 million in the first quarter 2006.

Operating expense was NOK 218 million in the first quarter 2007 (106), excluding a restructuring charge of NOK 5 million related to termination of employee contracts in Eltek Energy in the USA and Norway.

The reported EBIT was NOK 1.0 million (74.1). The EBIT in first quarter 2006 included a sales gain of NOK 22.7 million related to the divestment of defence power business.

On a *pro forma* basis – excluding non-recurring costs – EBIT was NOK 62.4 million in the first quarter 2006.

Net financial items amounted to NOK -11.2 million (0.2) reflecting increased borrowings and a negative currency effect of NOK 3 million, Profit before tax and minorities was NOK -10.2 million (74.4). Net profit was NOK -19.9 million (53.4).

Segment information

The Eltek Group reports on three business areas; **Eltek Energy, Nera Networks and NeraTel**, as well as on the reporting area Corporate, which comprises the administrative functions on the Group level.

Eltek Energy comprises the operational activities in former Eltek, whereas Nera Network is a pure transmission business. Historical *pro forma* figures for Nera Networks include costs related with the former holding company Nera ASA.

The 50.1 percent owned subsidiary Nera Telecommunications (NeraTel) is separately listed on the Singapore Stock Exchange. The activities comprise transmission activities, infocom/network activities and a satellite communications operation.

Eltek Energy

	1Q '07	1Q '06	2006
Order entry	651	607	2,589
Revenues	597	599	2,585
Gross profit	146	157	661
Gross margin	24.4	26.3	25.6
Gain from divestment		22	22
EBIT bef. restructuring	35	82	274
Restructuring costs	-5	-	-
EBIT	30	82	274

Note: Pro forma figures for previous periods, taking cost allocation between Eltek Energy and Corporate into account.

Revenues

Eltek Energy reported revenues of NOK 597 million in the first quarter 2007, which was on the same level as in the first quarter 2006.

As communicated in the fourth quarter 2006 report, the market is normally impacted by seasonal effects in the first quarter of the year. In the first quarter 2006 this was counterbalanced by NOK 41 million in deliveries on a major contract in Australia.

As a result of this single contract, revenues in the Asia Pacific region decreased by seven percent from the first quarter last year to NOK 166 million in the first quarter 2007.

Revenues in EMEA increased by 12 percent year-over-year to NOK 312 million, and accounted for 52 percent of revenues in the quarter.

The growth was supported by establishment of new operations in the Middle East. Eltek Energy in the first quarter 2007 acquired 51 percent of the power supply company Nextera in Pakistan for NOK 16 million.

In the Americas, revenues decreased by 17 percent, to NOK 118 million. This primarily reflects delayed capital spending from a customer in the wireless sector, as a result of operational consolidation processes.

Compared with the previous quarter, revenues increased by 8 percent in Asia Pacific, and order entry in the region indicates further growth. Revenues in EMEA and the Americas declined by 11 percent and 29 percent, respectively, from the fourth quarter 2006.

Gross margin

The first quarter gross margin of 24.4 percent (26.3) compares with 25.0 percent in the previous quarter, which primarily is explained by higher relative manufacturing overhead cost due to the lower volumes.

Eltek Energy is building up lower-cost system assembly hubs in Slovakia and China but has not yet achieved the volumes necessary on these plants to reap full cost benefits.

Operating costs

Eltek Energy had operating costs of NOK 111 million (98), which compares with NOK 108 million in the fourth quarter 2005.

These cost levels take cost allocation between Eltek Energy and Corporate into account for both periods.

Restructuring costs

Eltek Energy incurred restructuring costs of NOK 5 million in the first quarter 2007, reflecting termination of contracts for 34 employees. 20 of these were in the US, and 14 in the Norwegian operations. The reduction in Norway primarily reflects transfer of activities to Slovakia, whereas the layoffs in the US reflect an adjustment of sales and manufacturing resources.

Operating profit

Eltek Energy's EBIT of NOK 30 million (82) in the first quarter, compares with NOK 60 million in the previous quarter. Adjusted for the restructuring charge of NOK 5 million, EBIT was NOK 35 million.

The quarter-on-quarter decline is primarily an effect of lower volumes, whereas the year-on-year decline reflects lower gross margin and a NOK 23 million gain on divestment in the first quarter 2006.

Order entry and market development

Eltek Energy recorded new orders of NOK 651 million in the first quarter 2006, which was an increase of 7 percent from NOK 607 million in the first quarter 2006 and 3 percent above the fourth quarter 2006.

Compared with the previous quarter, order entry was slightly up in EMEA and declined in the Americas. Order entry in Asia Pacific increased sharply, driven by an order entry of approximately NOK 100 million in India.

The order backlog stood at NOK 476 million at the end of the first quarter (396), of which NOK 390 million was for delivery within 90 days (321). At the end of 2006, the order backlog was NOK 420 million.

After the closing of the quarter, Eltek Energy entered into a framework agreement with Denset Lambda for distribution of power supply products and systems in Japan. Deliveries under the agreement are expected to start in the second quarter.

In April, Eltek Energy also signed an agreement to acquire Valere Power, which is described in more detail later in this report.

Nera Networks

	1Q '07	1Q '06	2006
Order entry	288	466	1,529
Revenues	312	333	1,378
Gross profit	43	61	233
Gross margin	13.8	18.4	16.9
EBIT	-28	-19	-91

Note: Figures for previous periods are *pro forma*, excluding non-recurring costs.

Revenues

Nera Networks reported revenues of NOK 312 million in the first quarter of 2007. This represents a decline of 7 percent compared with *pro forma* revenues for Nera Networks in the first quarter 2006.

Revenues declined by 22 percent compared to the previous quarter. A major part of deliveries were to NeraTel in Asia, where Nera Networks have no additional deliveries of installation services and third-party products.

The transfer of the Interlink production to Slovakia began in late February. The output was low in March but the ramp-up has continued in April and full output is expected during the second quarter.

The move of Evolution started during Easter. One production line remains in operation in Bergen to secure customer deliveries, and will be moved towards the end of the second quarter as production capabilities at the Slovakian plant increases.

There are still technical difficulties related to one of the core outsourced steps in the production stability of the higher frequency Evolution radios. Progress is being made, and the production stability is expected to improve in the second quarter.

Despite the difficulties, the production of Evolution units increased by 65 percent from the previous quarter and is expected to double in the second quarter.

In geographical terms, EMEA was the largest region in the first quarter, with revenues of NOK 133 million or 43 percent of the total. Revenues in the Americas were NOK 94 million or 30 percent, whereas Asia Pacific accounted for NOK 84 million or 27 percent.

Gross margin

Gross margin in Nera Networks was 13.8 percent in the first quarter 2007, compared with 18.4 percent in the first quarter last year (*pro forma*) and 18.2 percent in the previous quarter.

Due to lower revenue in the first quarter, overall manufacturing overhead cost was high in relative terms. Furthermore, a large portion of products delivered in the first quarter were internal deliveries to NeraTel, with lower-than-average margin.

Cost of goods sold was also affected by costs of NOK 9 million relating to the move of production from Bergen to Slovakia. This primarily reflects training of Slovakian personnel and preparations for production in Slovakia. Similar costs are expected also for the second quarter.

Improvement in cost of goods sold is a key element in the ongoing restructuring of the transmission activities. The company believes that relocation of production and increasing sales and delivery capabilities for the new Evolution series will significantly contribute to the gross margin improvement.

Operating costs

Nera Networks had operating costs of NOK 71 million in the first quarter 2007, compared with NOK 80 million on a *pro forma* level in the first quarter 2006 and NOK 82 million in the previous quarter.

Operating profit

Nera Networks had an EBIT of NOK -28 million in the first quarter 2007, compared with NOK -19 million on a *pro forma* basis in the first quarter 2006.

In the fourth quarter 2006 Nera Networks had an EBIT of NOK -11 million, excluding restructuring costs of NOK 50 million. Reported EBIT was thus NOK -61 million in the previous quarter.

Order entry - market development

Nera Networks recorded new orders of NOK 288 million in the first quarter 2007, which was a decline of 11 percent from the previous quarter and a decline of 62 percent compared with the *pro forma* order level in the first quarter 2006.

The declining order entry is a reflection of the limited production capabilities in the first quarter, and the company should increasingly benefit from a healthy market development as the production capacity improves.

EMEA accounted for a little less than half of the order entry, with the remaining split almost evenly between Asia Pacific and the Americas.

The order backlog stood at NOK 454 million at the end of the first quarter, compared with NOK 464 million at the end of 2006. NOK 363 million was for delivery within 90 days.

NeraTel

	1Q '07	1Q '06	2006
Order entry	292	159	667
Revenues	157	193	629
Gross profit	36	32	135
<i>Gross margin</i>	22.9	16.6	21.5
EBIT	7	7	24

Note: Figures for previous periods are pro forma. EBIT includes quarterly amortization of PPA with NOK 5 million.

NeraTel reported revenues of NOK 157 million in the first quarter 2007, compared with *pro forma* revenues of NOK 193 million in the same period in 2006 and NOK 179 million in the previous quarter.

The reported gross margin of 22.9 percent compares favourably with the *pro forma* gross margin of 16.6 percent for the first quarter 2006 and was also slightly above the 22.2 percent reported in the fourth quarter 2006.

EBIT was NOK 7 million in the first quarter 2006, which was on par with the NOK 7 million reported for both the first quarter last year (*pro forma*) and the fourth quarter 2006.

The EBIT figures include amortization of PPA of NOK 5 million for all quarters.

The strong order entry of NOK 292 million reflects several major orders from a wireless operator in Indonesia and an IP network supply and maintenance contract with a global telecom operator. For comparison, the order entry was NOK 108 million in the previous quarter and NOK 159 million on a *pro forma* basis in the first quarter 2006.

Order backlog was NOK 429 million at the end of the first quarter 2007. At the end of 2006, the order backlog stood at NOK 284 million.

NeraTel is a separately listed company on the Singapore Stock Exchange. The company presented its interim results for the fourth quarter 2006 on Thursday 19 April. For further information, please see www.neratel.com.sg.

Corporate

Corporate costs amounted to NOK 8 million in the first quarter 2007, which compares with NOK 9 million in both the previous quarter and the first quarter 2006 (*pro forma*).

Balance sheet

The changes in the consolidated Balance Sheet from 31 March 2006 (in brackets) primarily relate to the merger of former Nera into Eltek.

Total assets were NOK 4,663 million (1,920) at 31 March 2007, compared with NOK 4,786 million at the end of 2006.

Equity was NOK 2,376 million (965) at 31 March, corresponding to an equity ratio of 50.9 percent (50.2).

Eltek had a gross cash position of NOK 603 million (422) at the end of the first quarter, and a net cash position of NOK 27 million. The net cash position at the end of 2006 was NOK 181 million. The decline reflects changes in working capital and in particular reductions in short-term liabilities.

Cash Flow

Cash flow from operations was NOK -78 million in the first quarter 2007 (-71), which in its entirety relates to Nera Networks. For the Group, net working capital increased by NOK 96 million. Trade receivables were reduced by NOK 53 million. Inventories increased by NOK 11 million, including a NOK 43 million build-up in Nera Networks to increase delivery capability. The main cash outflow came from prepayment of taxes and expenses which is normal in the first quarter of the year, and payments of trade payables and other short term liabilities including restructuring cost, bonuses, taxes etc.

Net cash flow from investment activities was NOK -77 million, which includes the acquisition in Pakistan, purchase of an office building in Dubai, test equipment, equipment for lease out in NeraTel, and capitalized R&D.

Net cash flow from financing was NOK 8 million.

Total net cash flow was NOK -147 million in the first quarter 2007, compared with NOK -45 million in the first quarter 2006.

Events after the end of the quarter

On 16 April Eltek announced Eltek Energy's acquisition of Valere Power, which creates the world's fastest growing telecom power company. The new company, Eltek Valere, will significantly strengthen Eltek Energy's US position, as its revenues in the globally largest market will more than double as a result of the acquisition. Eltek Valere will also increase its scale significantly in India, which is the fastest growing market for the telecom power industry.

Eltek Energy pays USD 83 million in cash, and Valere's shareholders will also receive 9.1 percent ownership of Eltek Energy AS and 9.9 percent direct ownership of an Eltek Energy subsidiary comprising Valere Power Inc. and Eltek Energy LLC (Americas). At the time of closing, the combined company Eltek Valere is expected to have a net debt of approximately USD 100 million.

Given Valere Power's current financial position, growth prospects and margin development, the transaction is expected to be accretive on an EPS basis for Eltek ASA shareholders before effects related to purchasing price allocation (PPA). Identified annual cost synergies are expected to amount to USD 15 million from 2008.

Eltek ASA will appoint the majority of directors and the Chairman of the Board in Eltek Valere. Valere Power's CEO and co-founder Andrew Marsh will become CEO in Eltek Valere, which will be a 90.9 percent owned subsidiary of Eltek ASA.

The transaction, which was described in more detail in separate stock exchange notifications on 16 April, 2007, will not influence Eltek ASA's microwave transmission activities in the 100 percent owned subsidiary Nera Networks of the 50.1 percent owned subsidiary Nera Telecommunications.

Subject to customary closing conditions, the transaction is expected to be closed during the second quarter.

Outlook

The Eltek Group continues to expand with the acquisition of Valere Power, which increases the company's scale and adds further growth opportunities in the telecom power market. Eltek Valere will continue to be a driving force in the consolidation of the industry to establish itself as the industry leader.

Based on order entry and projects in the pipeline, Eltek Energy expects to return to revenue growth in the second quarter.

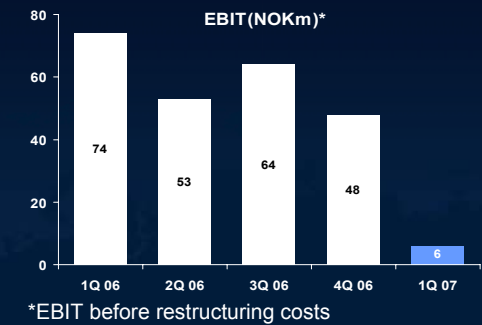
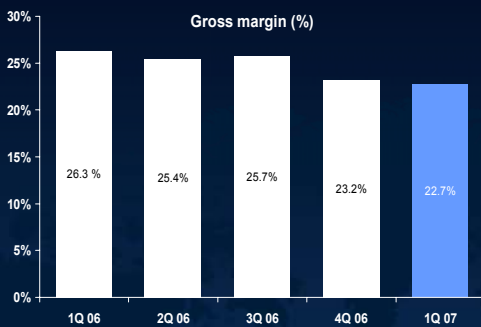
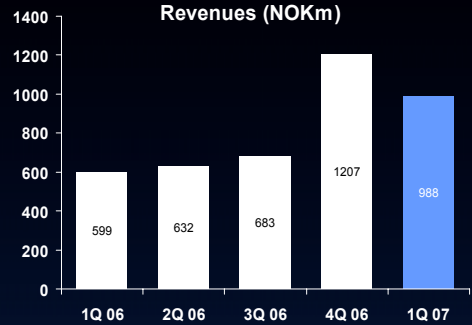
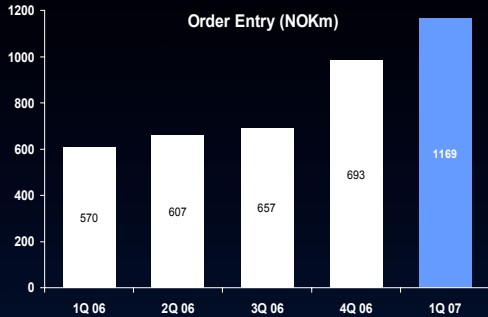
In Nera Networks the main near-term focus will be on increasing delivery capabilities after the transfer of production to the new location in Slovakia. With lower cost base and improved delivery capacity for both Interlink and Evolution, Nera Networks will be positioned to increasingly benefit from an overall healthy

transmission market in the second half of the year. The overriding target of regaining profitability during 2007 remains intact.

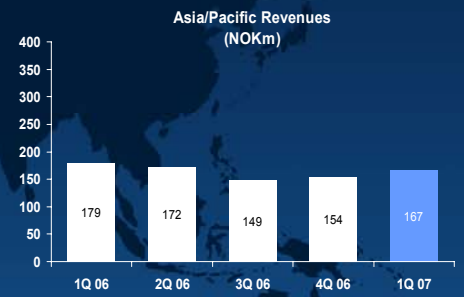
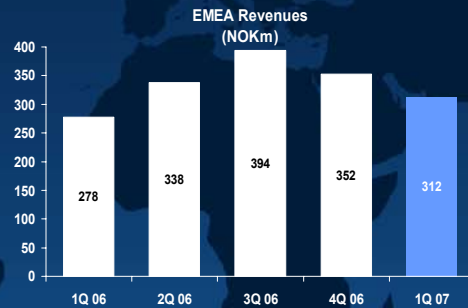
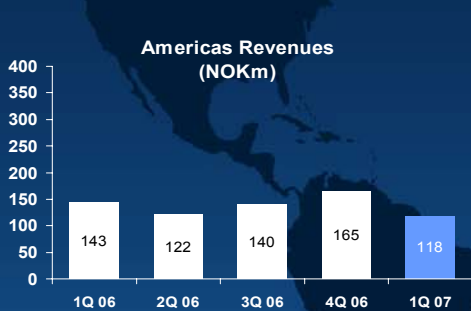
On a Group level, Eltek has implemented a program to improve cash flow from operations. The main focus areas will be inventory reductions, better credit terms from suppliers and improved collection of accounts receivable.

Drammen, 25 April 2007
The Board of Directors, Eltek ASA

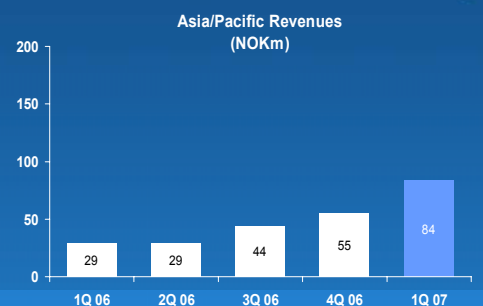
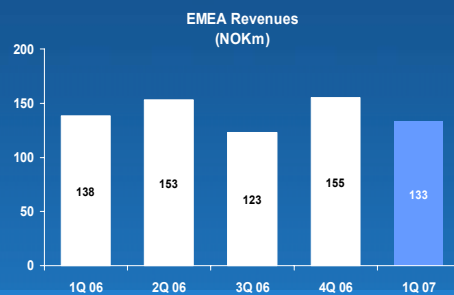
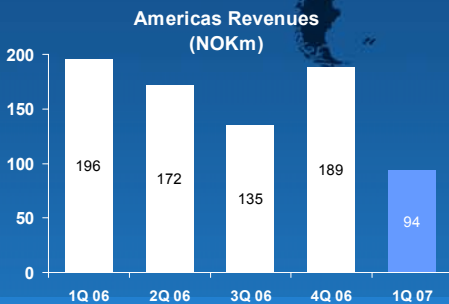
QUARTERLY DEVELOPMENT ELTEK GROUP



QUARTERLY DEVELOPMENT BY REGION - ELTEK ENERGY



QUARTERLY DEVELOPMENT BY REGION - NERA NETWORKS*



*Pro forma figures 1Q-3Q 2006

Consolidated income statement (unaudited)

Amounts in NOK 1 000

	<u>YTD 2007</u>	<u>YTD 2006</u>	<u>2006</u>
Revenue	987 905	599 274	3 121 116
Cost of sales	-763 191	-441 821	-2 347 655
Gross profit	224 713	157 453	773 461
Selling and marketing costs	-106 085	-42 513	-242 973
Administrative expenses	-67 553	-40 192	-179 230
R&D and engineering costs	-45 736	-23 283	-136 602
Other operating items	-4 329	22 661	-25 341
Operating profit	1 011	74 127	189 316
Share of result in associated companies	-	-	907
Net financial items	-11 219	243	-33 030
Profit before income tax	-10 208	74 371	157 193
Income tax expense	-9 691	-20 984	-50 583
Net profit	-19 899	53 387	106 610
Attributable to:			
Equity holders	-31 140	50 355	86 524
Minority interests	11 241	3 032	20 086
Basic EPS (NOK)	-0.69	1.56	2.36
Diluted EPS (NOK)	-0.69	1.54	2.35

Consolidated balance sheet (unaudited)

Amounts in NOK 1 000

	<u>31.03.2007</u>	<u>31.03.2006</u>	<u>31.12.2006</u>
Property, plant & equipment	240 167	87 800	223 052
Intangible assets	781 102	231 929	757 277
Deferred income tax asset	468 762	52 394	478 470
Other non-current assets	13 932	5 026	16 469
Total non-current assets	1 503 963	377 149	1 475 268
Inventories	778 480	414 933	766 299
Trade and other receivables	1 777 622	705 785	1 794 268
Cash and cash equivalents	603 386	421 787	750 075
Total current assets	3 159 488	1 542 504	3 310 642
Total assets	4 663 451	1 919 653	4 785 909
Share capital	49 206	32 522	49 206
Other reserves	2 103 745	893 926	2 141 400
Capital and reserves attributable to equity holders of the Company	2 152 951	926 449	2 190 606
Minority interest	223 041	37 275	213 967
Total equity	2 375 992	963 724	2 404 572
Borrowings	459 620	213 742	464 594
Deferred income tax liabilities	-0	821	10 543
Retirement benefit obligations	310 599	33 393	310 927
Provisions for other liabilities and charges	42 962	-	42 964
Total non-current liabilities	813 182	247 957	829 028
Borrowings	116 642	77 401	104 261
Trade creditors and other payables	1 186 459	568 836	1 265 171
Current income tax payable	37 567	36 237	39 301
Provisions for other liabilities and charges	133 609	25 498	143 575
Total current liabilities	1 474 278	707 972	1 552 308
Total liabilities	2 287 459	955 929	2 381 336
Total equity and liabilities	4 663 451	1 919 653	4 785 909
Equity ratio	50.9 %	50.2 %	50.2 %

Cash flow analysis (unaudited)

Amounts in NOK 1 000

	YTD 2007	YTD 2006	2006
Net cash flow from operations	-77 647	-71 299	-250 114
Net cash flow from investments	-77 585	-209	779 062
Net cash flow from financing	8 542	26 722	-245 445
Net change in cash and cash equivalents	-146 690	-44 786	283 503
Cash and cash equivalents, beginning of period	750 075	466 573	466 573
Cash and cash equivalents, end of period	603 386	421 787	750 076

Consolidated statement of recognized income and expense (unaudited)

Amounts in NOK 1 000

	31.03.2007	31.03.2006	31.12.2006
Actuarial gains/losses	-	-	-3 908
Currency translation effects	-16 638	-10 086	-20 508
Taxes on items taken directly to equity	-	-	-
Net income recognized directly in equity	-16 638	-10 086	-24 416
Profit for the period	-19 899	53 387	106 610
Total recognized income for the year	-36 537	43 301	82 194

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 2006, ref Annual report 2006 for further description.

2. Property, plant & equipment and Intangible assets

Three months ended 31 March 2007

	Intangible assets				Tangible assets
	Goodwill	R&D	Other	Total	
Net book amount at 01.01.2007	406 835	249 119	101 323	757 277	223 052
Additions	13 620	35 312	1 006	49 938	30 972
Disposals	-	-	-	-	-922
Depreciation	-	-15 806	-7 344	-23 150	-11 186
Foreign currency translation effects	-1 151	-565	-1 247	-2 963	-1 749
Net book amount at 31.03.2007	419 304	268 060	93 738	781 102	240 167

Three months ended 31 March 2006

	Intangible assets				Tangible assets
	Goodwill	R&D	Other	Total	
Net book amount at 01.01.2006	77 509	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 31.03.2006	113 836	106 130	11 963	231 929	87 800

3. Reconciliation of movements in capital and reserves

	<u>31.03.2007</u>	<u>31.03.2006</u>	<u>31.12.2006</u>
Equity end of previous period	2 404 572	915 957	915 957
Adoption of IAS 32 and IAS 39			
Equity beginning of this period	2 404 572	915 957	915 957
Total recognized income for the period	-36 537	43 301	82 194
Issue of shares			
Stock options exercised by employees		12 669	12 338
Own shares	3 254		-4 672
Sales & acquisitions	2 918	-11 133	1 504 589
Cost of stock options	2 639	2 931	10 218
Dividends	-855		-116 050
Equity end of period	<u>2 375 992</u>	<u>963 725</u>	<u>2 404 573</u>

4. Business combinations

Acquisitions

In first quarter Eltek acquired 51 percent of Nextera, a power supply company in Pakistan, at a cost of NOK 16 million. In addition new group companies were set up in Iran and Egypt.

5. Pro forma consolidated income statement

The consolidated pro forma income statement presented below shows Eltek and Nera as if they had been operating as one unit from 1 January 2006. The pro forma financial information is based on certain assumptions that not necessarily would have been applicable if Eltek and Nera were one company since that date. Because of its nature, the pro forma financial information addresses a hypothetical situation.

Eltek Group

Consolidated pro forma income statement 2006 (unaudited)

	1Q 2007	2006		
		<u>Pro forma consolidated</u>	<u>Pro forma consol., including non-recurr items</u>	<u>Non- recurring items</u>
Amounts in NOK 1 000				
Revenue	1 115 438	4 484 432	0	4 484 432
Cost of sales	-864 520	-3 531 965	76 500	-3 455 465
Gross profit	250 918	952 467	76 500	1 028 967
Selling and marketing costs	-97 076	-406 068	0	-406 068
Administrative expenses	-70 718	-321 365	57 900	-263 465
R&D and engineering costs	-43 411	-207 488	0	-207 488
Other operating items	22 661	-25 341	49 745	24 404
Operating profit	62 375	-7 795	184 145	176 350
Share of result in associated compan	0	907	0	907
Net financial items	-4 133	-57 839	10 000	-47 839
Profit before income tax	58 241	-64 728	194 145	129 417
Income tax expense	-16 228	-43 784	0	-43 784
Net profit	<u>42 013</u>	<u>-108 512</u>	<u>194 145</u>	<u>85 633</u>
Gross margin %	22.5%	21.2%		22.9%
Operating profit %	5.6%	-0.2%		3.9%
Net profit %	3.8%	-2.4%		1.9%

Comments to the pro forma income statement

The pro forma income statement is presented for continuing operations, which is exclusive any results from divested assets.

The pro forma consolidated income statement for full year 2006 is shown both inclusive and exclusive non-recurring items. Non-recurring items include restructuring costs of NOK 50 million in Nera Networks in fourth quarter and NOK 144 million charged to the Nera income statement in the third quarter (mainly revaluation of assets).

The pro forma income statement includes amortization of assets identified in the preliminary purchase price allocation.

