

# Presentation First Quarter 2007

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# Agenda

- First Quarter Highlights
  - Key Financial Figures for the Eltek Group
- Segment Information
  - Eltek Energy
  - Nera Networks
  - Nera Telecommunications (NeraTel)
- Detailed financials
- Acquisition of Valere Power
- Outlook

## First quarter highlights

- Total order entry roughly in line with Q1 '06
- Slow overall revenue but improvement towards the end of the quarter
- New Eltek Energy operations in Middle East
  - Iran, Egypt, Pakistan (acquisition)
- Nera Networks restructuring ongoing
- Valere Power acquisition adds size and growth

## Key financial figures, reported

NOKm	1Q 07	4Q 06	3Q 06	2Q 06	1Q 06	FY 2006
Order entry	1,169	984	693	657	607	3,017
Revenue	988	1,207	683	632	599	3,121
Gross Profit	225	280	176	160	157	773
Gross Margin (%)	22.7	23.2	25.7	25.4	26.3	24.8
Gain from divestment	-	-	-	-	22.7	22.7
EBIT bef. restruct. cost	6.0	48.2	64.0	52.8	74.1	239.1
Restructuring cost	-5.0	-49.8	-	-	-	-49.8
EBIT	1.0	-1.6	64.0	52.8	74.1	189.3
Net financials	-11.2	-12.7	-13.7	-6.0	0.2	-32.1
Profit before tax	-10.2	-14.2	50.3	46.7	74.4	157.2
Net profit	-19.9	-16.2	36.2	33.3	53.4	106.6



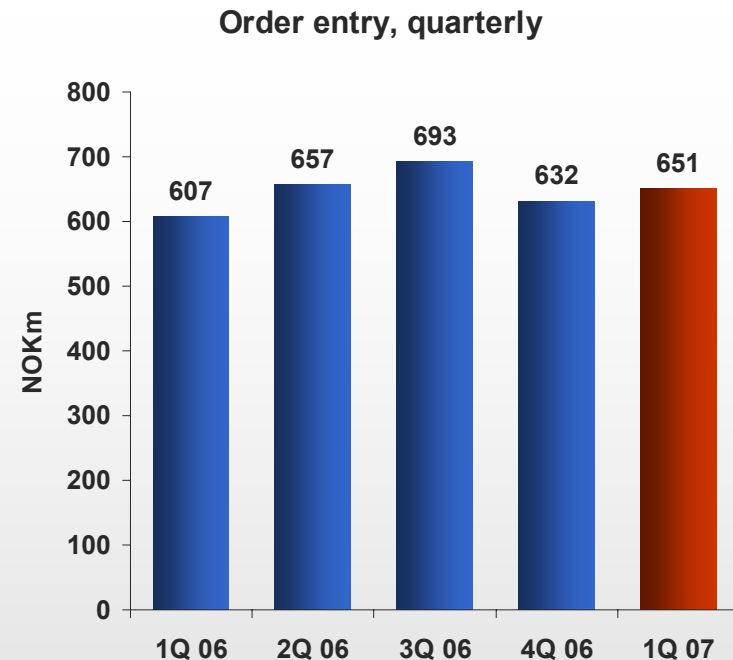
Eltek Energy

## Eltek Energy - Key financial figures

NOKm	<b>1Q 07</b>	4Q 06	3Q 06	2Q 06	1Q 06	FY 2006
Order entry	<b>651</b>	632	693	657	607	2,589
Revenue	<b>597</b>	672	683	632	599	2,585
Gross Profit	<b>146</b>	168	176	160	157	661
Gross Margin (%)	<b>24.4</b>	25.0	25.7	25.4	26.3	25.6
Gain from divestment	-	-	-	-	22.7	22.7
EBIT bef. restructuring	<b>35.0</b>	60.0	71.6	60.5	82.2	274.3
Restructuring cost	<b>-5.0</b>	-	-	-	-	-
EBIT	<b>30.0</b>	60.0	71.6	60.5	82.2	274.3
EBIT margin (%)	<b>5.0</b>	8.9	10.5	9.6	13.7	10.6

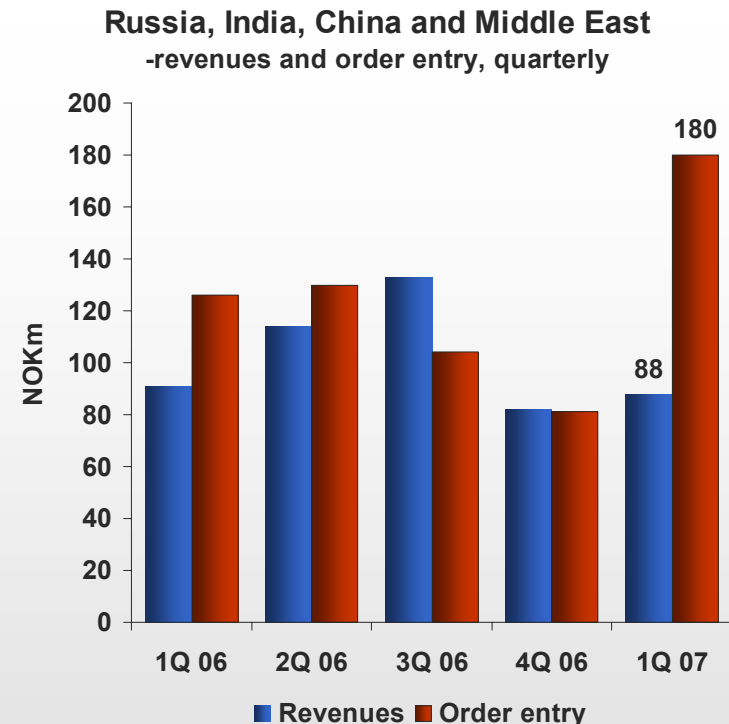
# Eltek Energy – Order entry

- Continued growth
  - 7% increase from 1Q '06
  - 3% increase from 4Q '06
- Sharp increase in Asia Pacific in 1Q '07
  - Driven by India
- Slightly up in EMEA
  - Stronger in Middle East
- Decline in Americas



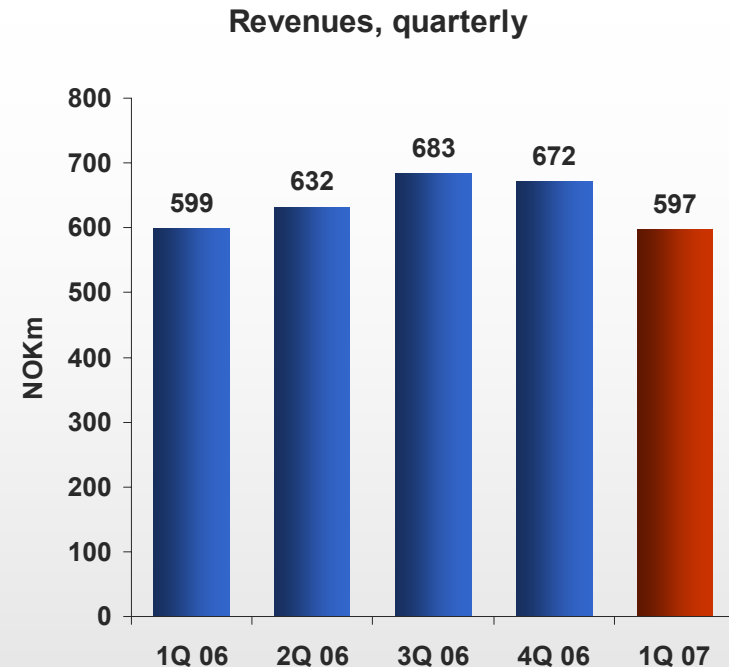
## Growth regions – Russia, India, China and Middle East

- Project delays affected order entry in 2H '06
- India taking off
  - Order entry of close to NOK 100 million in 1Q '07
  - Project pipeline in several markets



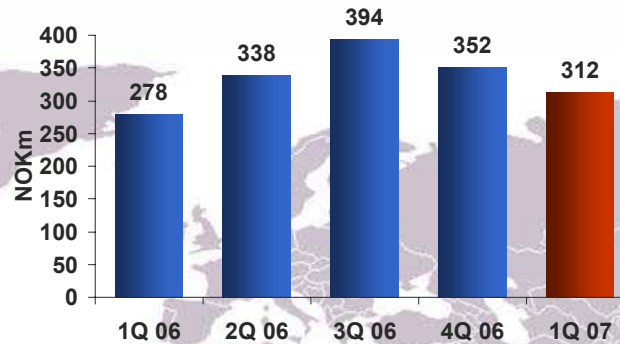
## Eltek Energy – Revenue

- Growth leveled off
- 1Q vs. 1Q '06: flat
  - 7 percent growth adjusted for NOK 41 million deliveries to major Australia-contract in 1Q '06
- 1Q vs. 4Q '06: -11%
  - Traditional seasonal pattern
  - Delays in capital spending from a US wireless customer

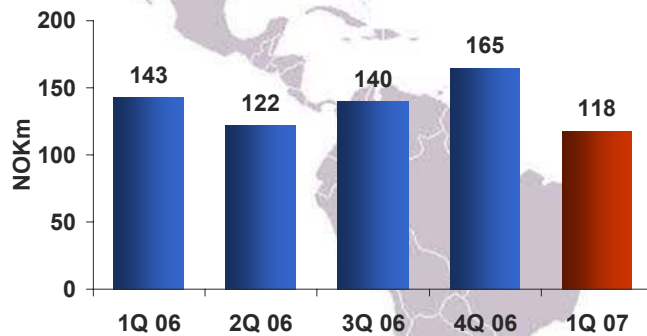


# Eltek Energy - Regional development

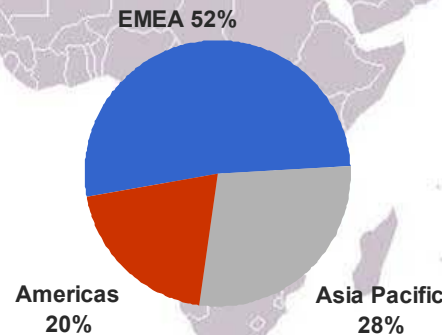
EMEA revenue, quarterly



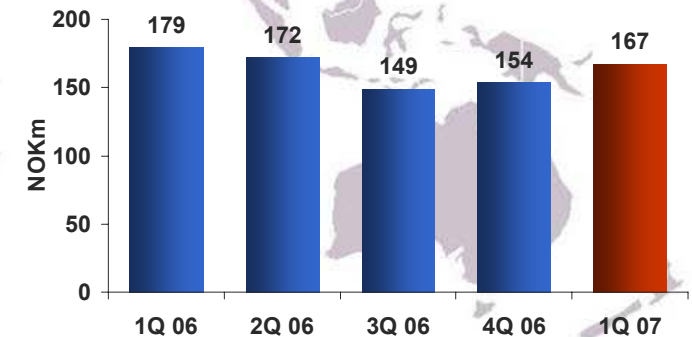
Americas revenue, quarterly



4Q 2006 Revenue by region

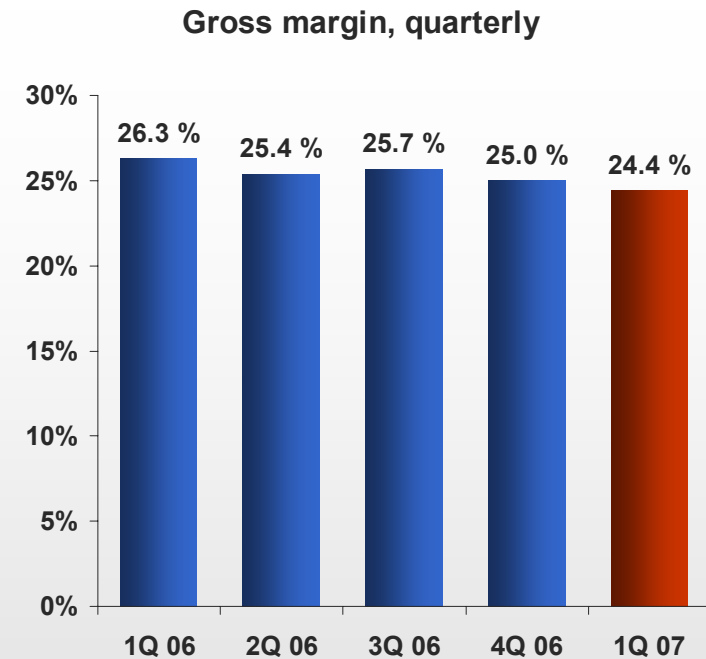


Asia Pacific revenue, quarterly



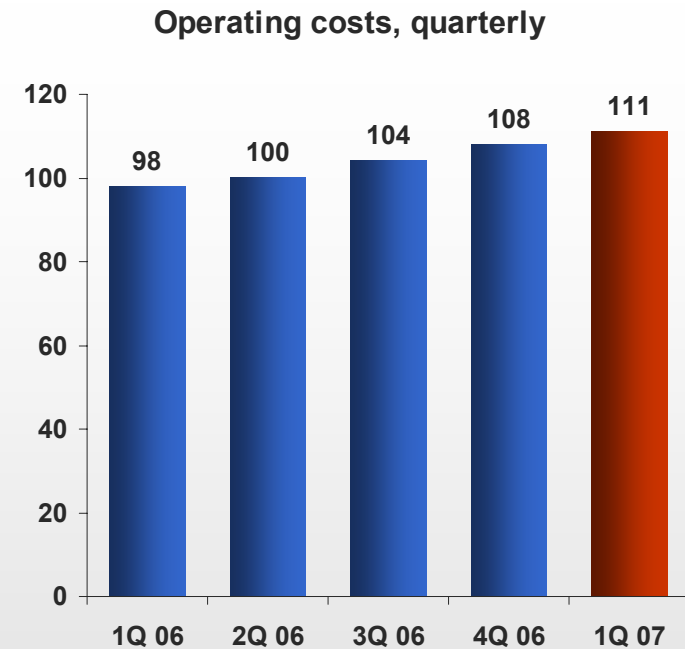
# Eltek Energy – Gross margin

- Affected by lower volumes
  - Relatively higher manufacturing overhead
  - Still too low utilization in the system hubs



# Eltek Energy – Operating costs

- Increased activity level
  - AIAB and Convertronic acquisitions in 2006
  - Established new operations in Middle East in 1Q '07
  - Acquired 51 percent of Nextera in Pakistan in 1Q '07



Notes: Excluding NOK 5 million restructuring charge in 1Q 2007.



# Nera Networks

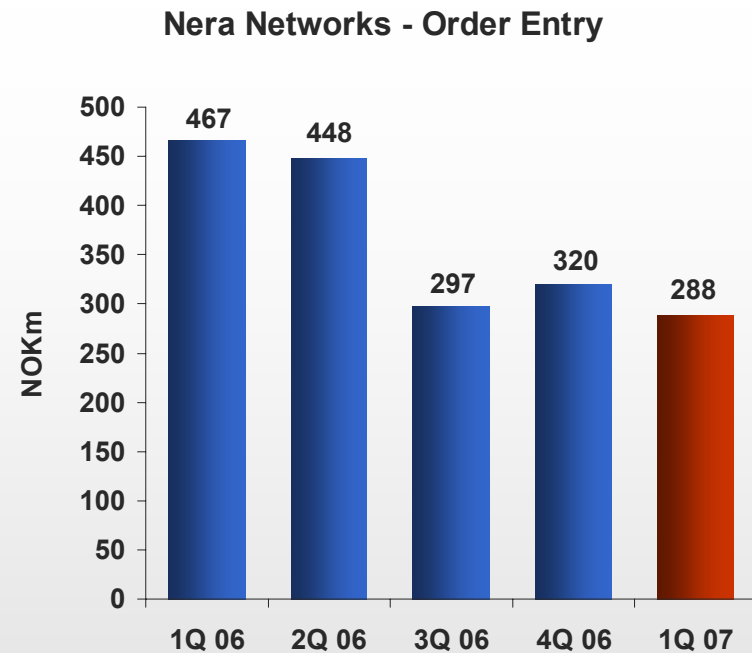
## Nera Networks - Key financials

NOKm	1Q 07	4Q 06	3Q 06	2Q 06	1Q 06	FY 2006
Order entry	288	320	296	447	466	1,529
Revenue	312	399	291	356	333	1,378
Gross Profit	43	73	40	59	61	233
Gross Margin (%)	13.8	18.2	13.6	16.6	18.4	16.9
EBIT before restructuring	-28.3	-10.8	-38.9	-23.0	-18.5	-91.3
Restructuring cost	-	-49.8				
EBIT	-28.3	-60.6				

Note: All figures except 4Q 06 and 1Q 07 are *pro forma* figures, which exclude non-recurring items

## Nera Networks – Order entry

- Cautious order entry level in 1Q '07
  - Technical difficulties at Evolution production partner
  - Interlink transferred to Slovakia from late February
- EMEA accounts for roughly 50%
- Remainder split evenly between Asia Pacific and Americas

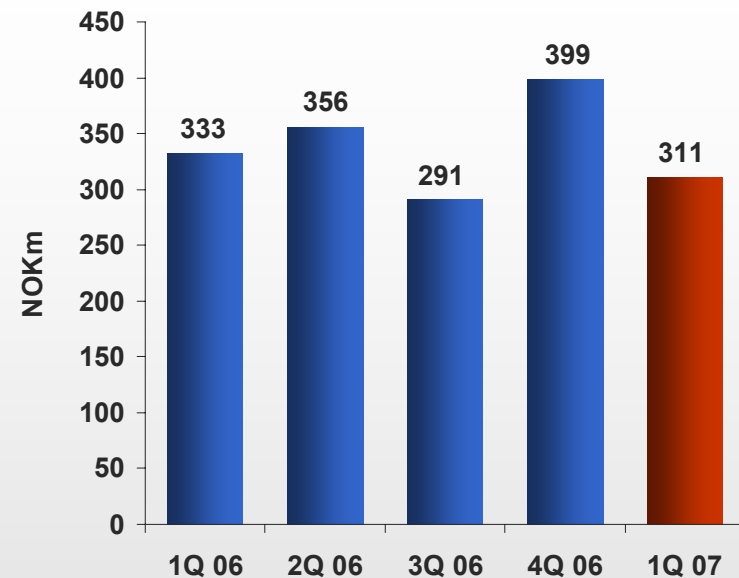


Note: Gross order entry, including deliveries to NeraTel (*Pro forma* figures 1Q-3Q 2006)

# Nera Networks – Revenue

- High deliveries to NeraTel
  - No related installation, service or third-party product revenues
  - Reflected in a high order backlog in NeraTel
- Decline from high 4Q '06 level in EMEA
- Low sales in Americas

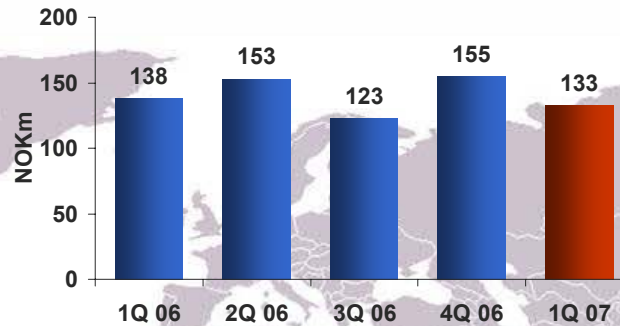
Nera Networks - Revenue



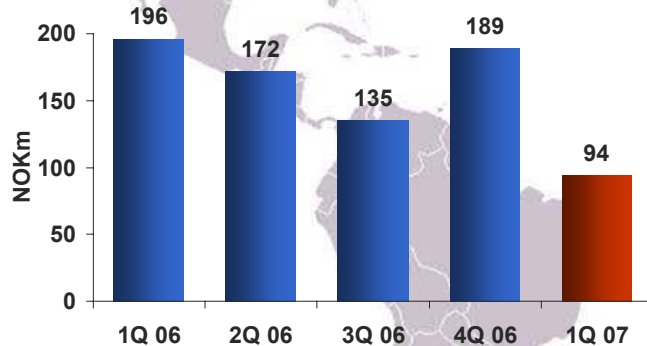
Note: Gross revenues, including deliveries to NeraTel (*Pro forma* figures 1Q-3Q 2006)

# Nera Networks - Regional development

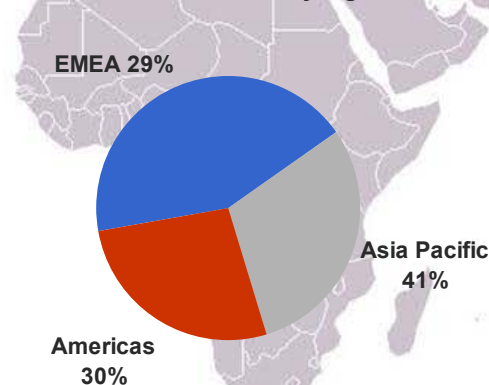
EMEA revenue, quarterly



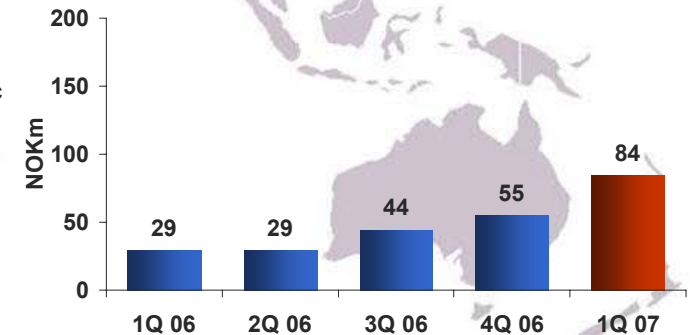
Americas revenue, quarterly



1Q 2007 Revenue by region



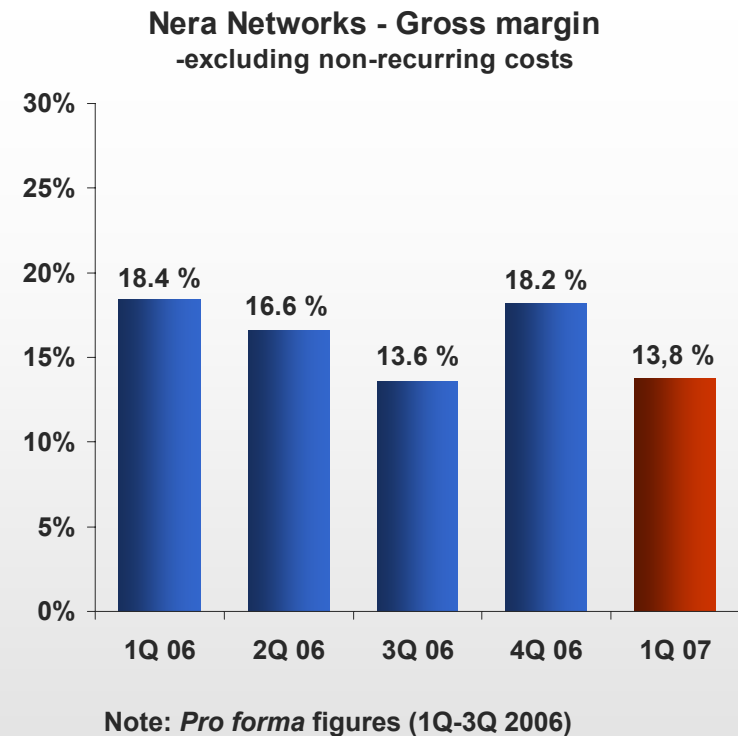
Asia Pacific revenue, quarterly



Notes: *Pro forma* figures (1Q-3Q 2006)  
 Split between EMEA/Asia Pacific restated in alignment with Eltek Group principles

# Nera Networks – Gross margin

- Negatively affected by the low volumes
  - High relative manufacturing overhead cost
- The high deliveries to NeraTel has low margin
- Transfer/relocation costs of NOK 9 million
- Significant improvement expected from restructuring and improved Evolution volumes



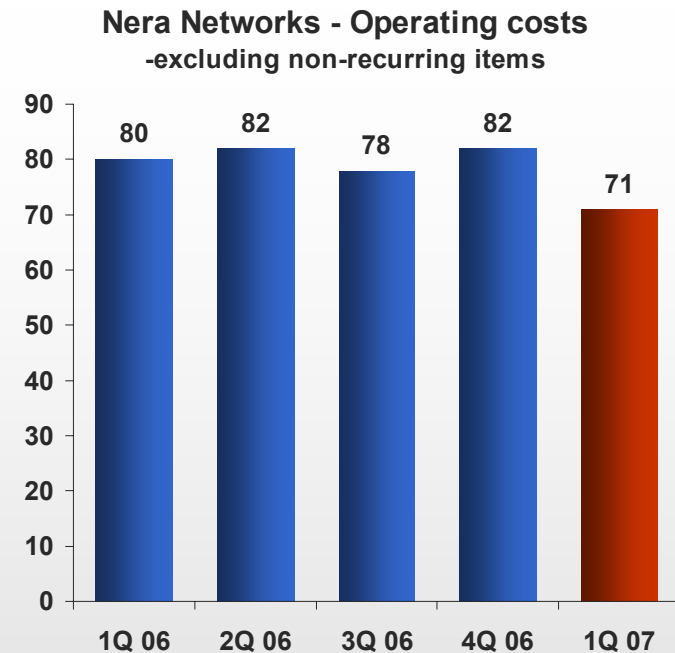
# Evolution

- Increased production...
  - The number of Evolution radios increased by 65 percent from 4Q '06
- ...but still production problems in outsourcing
  - Core components from sub-supplier
- Problems expected to be resolved during 2Q '06
  - Doubling of number of Evolution radios expected in 2Q



# Nera Networks – Operating costs

- Restructuring taking effect
- High capitalization of R&D cost



Note: *Pro forma* figures (1Q-3Q 2006)

## Restructuring Plan Update

- On track with the key restructuring elements
  - Interlink transfer began late February
    - Low production in March
    - Increasing production in April, full output expected in May
  - Evolution transfer began early April
    - One production line remaining in Bergen, to be transferred during 2Q '07
- Incurred additional costs of ~NOK 9 million in 1Q '07
- Similar costs expected for 2Q '07
- The cost reduction targets remain unchanged

NeraTel

## NeraTel - Key financials

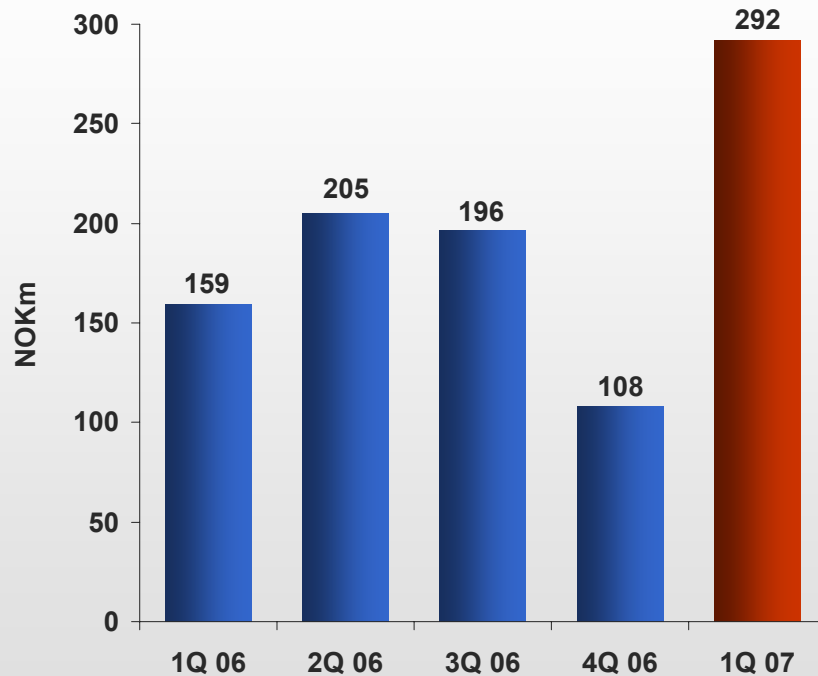
NOKm	1Q 07	4Q 06	3Q 06	2Q 06	1Q 06	FY 2006
Order entry	292	108	196	205	159	667
Revenue	157	179	119	138	193	629
Gross Profit	36	40	34	29	32	135
Gross Margin (%)	22.9	22.2	28.8	21.1	16.6	21.5
EBIT	7.4	6.8	7.8	3.2	6.8	24.6

**Note: All figures except 4Q 06 are *pro forma* figures**

- EBIT includes quarterly amortization of PPA of NOK 5 million
- Strong order backlog
  - Major transmission orders from Indonesia
  - Several Infocom orders
- NeraTel reported 1Q '07 figures on 19 April 2007
  - Please also see [www.neratel.com.sg](http://www.neratel.com.sg)

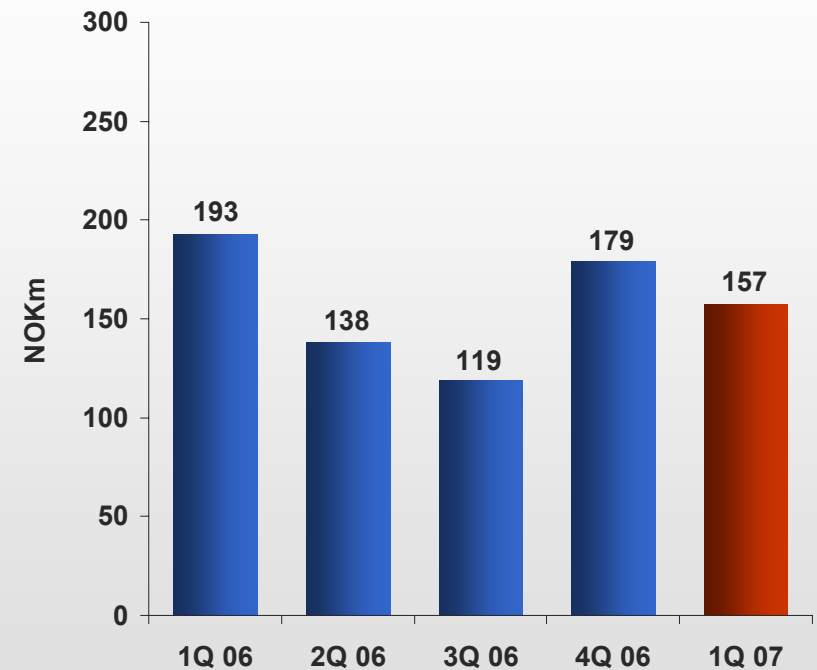
# NeraTel – Order entry and Revenues

NeraTel - Orders entry



Note: *Pro forma* figures (1Q-3Q 2006)

NeraTel - Revenues



Eltek Group –  
orders and revenue per product group

## Orders and Revenue per product group

Order entry (NOKm)	1Q 07	4Q 06	3Q 06	2Q 06	1Q 06
Energy Solutions	651	632	693	657	607
Transmission Networks	400	311	337	506	510
Other	118	41	121	86	80
<b>Total</b>	<b>1,169</b>	<b>984</b>	<b>1,151</b>	<b>1,249</b>	<b>1,197</b>

Revenue (NOKm)	1Q 07	4Q 06	3Q 06	2Q 06	1Q 06
Energy Solutions	597	672	683	632	599
Transmission Networks	312	451	310	379	387
Other	79	85	74	82	130
<b>Total</b>	<b>988</b>	<b>1,207</b>	<b>1,067</b>	<b>1,095</b>	<b>1,115</b>

# Detailed Financials

Income Statement

Balance Sheet

Cash Flow

# Income Statement - unaudited

Amounts in NOK million	1Q 2007	1Q 2006	2006
Revenue	988	599	3 121
Cost of sales	-763	-442	-2 348
Gross profit	225	157	773
Selling and marketing costs	-106	-43	-243
Administrative expenses	-68	-40	-179
R&D and engineering costs	-46	-23	-137
Other operating items	-4	23	-25
Operating profit	1	74	189
Share of result in ass. companies	-	-	1
Net financial items	-11	0	-33
Profit before income tax	-10	74	157
Income tax expense	-10	-21	-51
Net profit	-20	53	107
Attributable to:			
Equity holders	-31	50	87
Minority interests	11	3	20

# Balance Sheet

## -unaudited

### Assets

Amounts in NOK million	1Q 2007	1Q 2006	2006
Property, plant & equipment	240	88	223
Intangible assets	781	232	757
Deferred income tax asset	469	52	478
Other non-current assets	14	5	16
<b>Total non-current assets</b>	<b>1 504</b>	<b>377</b>	<b>1 475</b>
Inventories	778	415	766
Trade and other receivables	1 778	706	1 794
Financial assets	-	-	-
Cash and cash equivalents	603	422	750
<b>Total current assets</b>	<b>3 159</b>	<b>1 543</b>	<b>3 311</b>
<b>Total assets</b>	<b>4 663</b>	<b>1 920</b>	<b>4 786</b>

### Equity and liabilities

Amounts in NOK million	1Q 2007	1Q 2006	2006
Share capital	49	33	49
Other reserves	2 104	894	2 141
Capital and reserves attr. to equity holders	2 153	926	2 191
Minority interest	223	37	214
<b>Total equity</b>	<b>2 376</b>	<b>964</b>	<b>2 405</b>
Borrowings	460	214	465
Deferred income tax liabilities	-0	1	11
Retirement benefit obligations	311	33	311
Provisions for other liabilities and charges	43	-	43
<b>Total non-current liabilities</b>	<b>813</b>	<b>248</b>	<b>829</b>
Borrowings	117	77	104
Trade creditors and other payables	1 186	569	1 265
Current income tax payable	38	36	39
Provisions for other liabilities and charges	134	25	144
<b>Total current liabilities</b>	<b>1 474</b>	<b>708</b>	<b>1 552</b>
<b>Total liabilities</b>	<b>2 287</b>	<b>956</b>	<b>2 381</b>
<b>Total equity and liabilities</b>	<b>4 663</b>	<b>1 920</b>	<b>4 786</b>
<b>Equity ratio</b>	<b>50,9 %</b>	<b>50,2 %</b>	<b>50,2 %</b>

## Cash flow Statement - unaudited

<b>Amounts in NOK million</b>	<b>1Q 2007</b>	<b>1Q 2006</b>	<b>2006</b>
Net cash flow from operations	-78	-71	-250
Net cash flow from investments	-78	-0	779
Net cash flow from financing	9	27	-245
Net change in cash and cash equivalents	-147	-45	284
Cash and cash equivalents, beginning of period	750	467	467
Cash and cash equivalents, end of period	603	422	750

# Cash flow from operations

Amounts in NOK million

Net profit	-20
Depr./amort. etc.	38
Working capital	-96
	<hr/>
	-78
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Working capital change	
Inventories	-11
Trade receivables	53
Other receivables	-48
Trade payables	-45
Restructuring	-13
Other payables	-32
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	-96
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# Eltek Energy acquiring Valere Power

## Eltek Valere

- Creating the fastest growing global power company
  - A global leader with revenues of ~USD 500 million in 2006
- Balanced geographical footprint
  - Eltek Energy more than doubles its revenues in the US
  - Significantly increased scale in India – the fastest growing market in the world
- Excellent blue-chip customer base
  - Very limited customer overlap in the US
- Enhanced product portfolio and advanced technology capabilities
  - Significantly increased R&D capacity

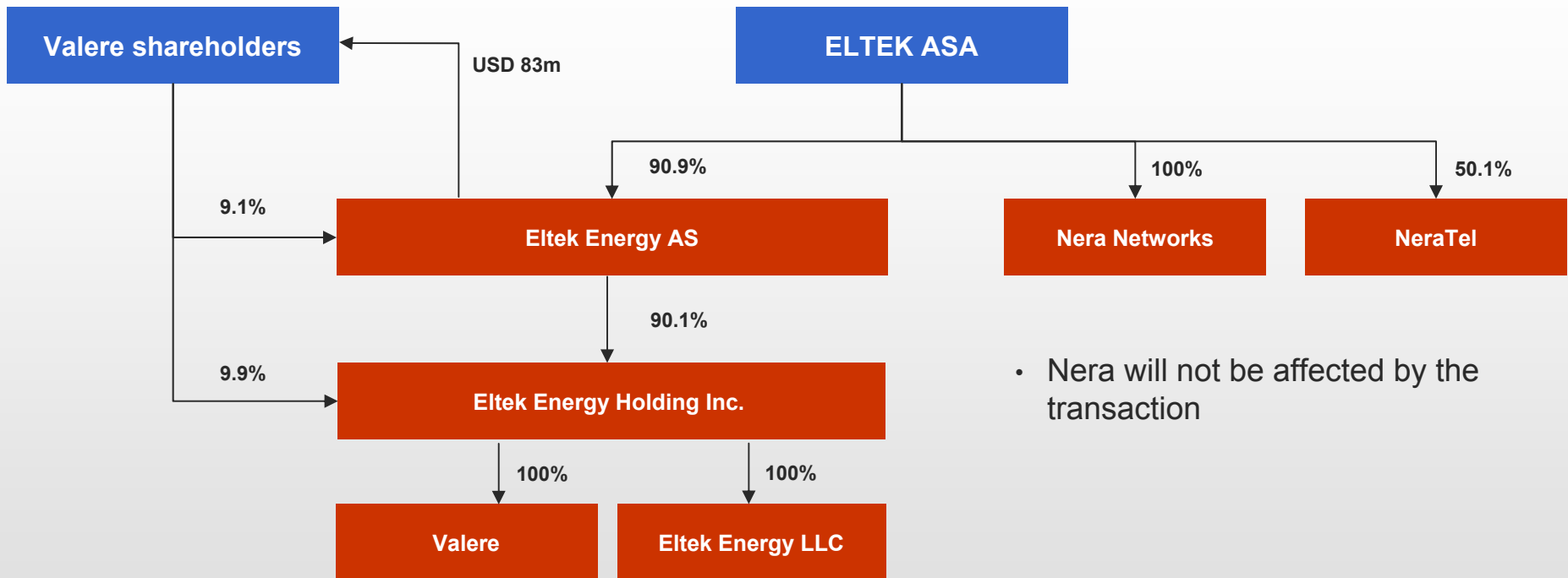
## Valere Power

- The fastest growing company in the telecom power market
  - Revenue of USD 88 million in 2006
  - Average annual growth of 74% in 2004-2006
  - Approximately 40% growth expected for 2007
  - Turned profitable during 2006; margin expansion in 2007
- Strong blue-chip customer base in US and India
  - AT&T, Verizon Communications, Verizon Wireless, T-Mobile, BSNL, Reliance
- Highly innovative product portfolio
  - Specially designed for US requirements

# Transaction terms

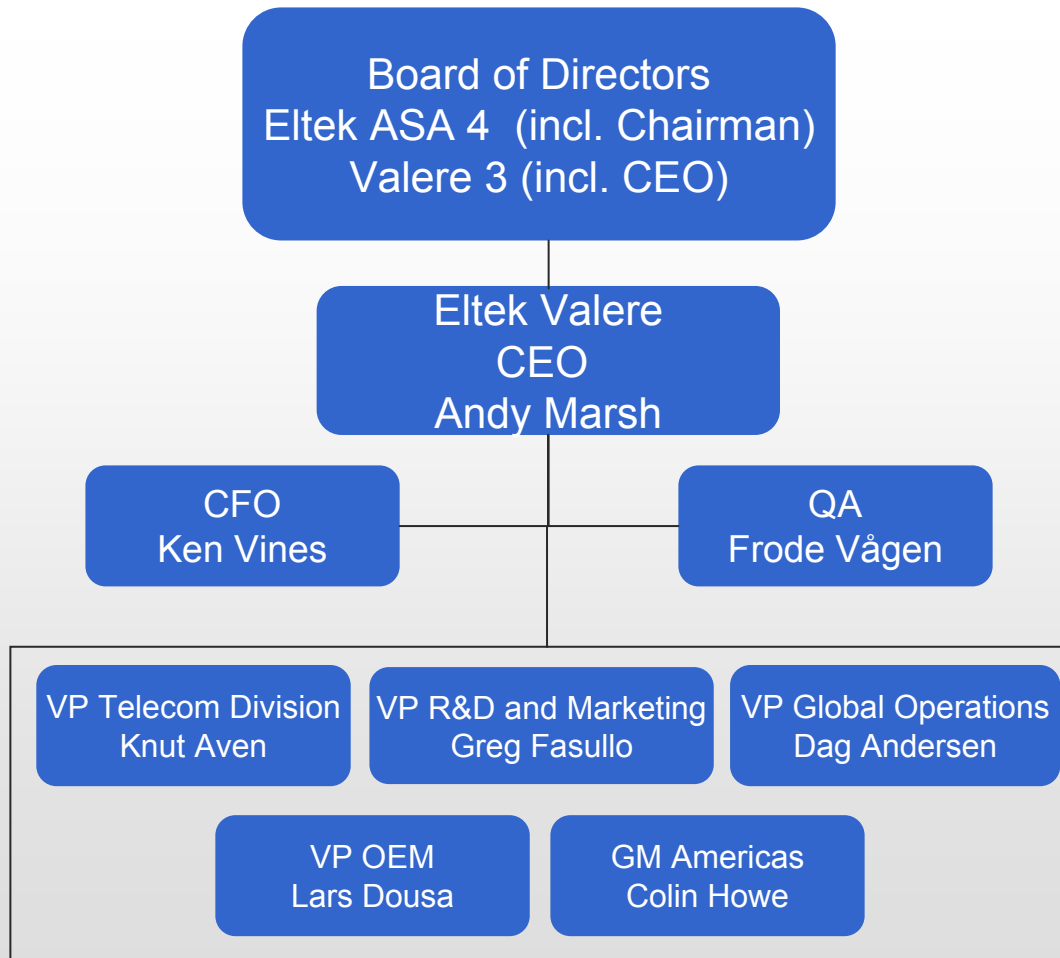
- Eltek Energy pays USD 83 million in cash
  - Financed by existing cash holding and new loan facilities
- Valere Power's shareholders also receive;
  - 9.1% of Eltek Energy AS, and
  - 9.9% of wholly owned subsidiary comprising Valere Power Inc and Eltek Energy LLC (Americas)
- Total net debt in Eltek Valere of approximately USD 100 million
  - Approximately USD 90 million in Eltek Energy + approximately USD 12 million in Valere Power
- Acquisition is expected to be EPS accretive from 2008
  - Before amortization of purchase price allocation (PPA)
  - Including expected cost synergies of ~USD 15 million

# Transaction structure



- Nera will not be affected by the transaction

# Eltek Valere - Organizational Structure



- **Strong combined management team**
  - **Andy Marsh** will become CEO of the new energy entity and oversee the integration
  - **Knut Aven** will retain responsibility for telecom sales and co-ordinate activities outside Americas

## Outlook

- Eltek Energy positioned for new growth phase
  - Improving order entry
  - Strong project pipeline
  - Acquisition of Valere Power adds size and growth
- Nera Networks targets remain unchanged
  - Restructuring will yield margin expansion
  - Evolution will offer growth opportunities
  - Set to benefit from overall healthy market outlook

# Q&A