

REPORT 2nd QUARTER 2007

REPORT

2nd QUARTER

The acquisition by Eltek Energy AS of Valere Power Inc. was finalized and consolidated with effect from 1 June, 2007. The merger between Eltek and Nera in 2006 was reflected in the Balance Sheet Statement at 30 September, 2006, and included in the consolidated Income Statement from 1 October, 2006. The figures reported below describe the second quarter 2007 and the second quarter 2006 (in brackets). Explicit notice has been made where the reference is to *pro forma* figures for the second quarter 2006, 2006 or the first quarter 2007. *Pro forma* figures are prepared under the assumption that the current activities of Nera and Valere Power were consolidated as of 1 January, 2006.

(NOK million)	Reported					Pro forma		
	2Q '07	2Q '06	1H '07	1H '06	2006	2Q '07	2Q '06	2006
Order entry	1,127	657	2,296	1,263	2,941	1,263	1,370	5,146
Revenue	1,124	632	2,112	1,231	3,121	1,206	1,230	5,048
Gross Profit	266	160	490	318	773	286	283	1,174
Gross margin (%)	23.6	25.4	23.2	25.8	24.8	23.7	23.0	23.3
EBITDA before non-recurring costs	74	65	114	148	310	72	65	309
Depreciation & amortization	-47	-12	-81	-21	-71	-71	-66	-273
EBIT before non-recurring costs	27	53	33	127	239	1	-2	37
Non-recurring costs	-	-	-5	-	-50			
EBIT	27	53	28	127	189			
Pre-tax profit	15	47	5	121	157			
Net profit after tax	-9	33	-29	87	107			
EBIT before amortization of PPA related to the Valere Power acquisition	38		39					

Note: *Pro forma* calculations exclude non-recurring costs in all periods, and are prepared under the assumption that the current activities of Nera and Valere Power Inc. were consolidated as of 1 January, 2006. Reported EBIT includes amortization of PPA with NOK 21 million in 2Q 2007 and NOK 10 million in 1Q 2007.

Structural developments

Eltek in April announced the acquisition of Valere Power Inc. by Eltek Energy, which changes name to Eltek Valere. The new company becomes a leading player in the global telecom power market, with strong market positions in all main regions. The acquisition will in particular strengthen the market position in the globally largest market – the US- and in the globally fastest growing market – India.

The acquisition of Valere Power is consolidated in the Income Statement from 1 June, 2007, and the acquisition is fully recognized in the Balance Sheet as at 30 June, 2007.

The payment for the acquisition was a combination of cash and shares in Eltek Valere and in Eltek Valere Holding which is a US subsidiary of Eltek Valere. Following the acquisition, Eltek ASA owns 90.9 percent of Eltek Valere, which in turn owns 90.1 percent of Eltek Valere Holding.

Headed by former Valere Power CEO Andy Marsh, Eltek Valere has already initiated an organizational consolidation. In the Americas, the operations of Eltek Energy LLC are being integrated into Valere Power, which is headquartered in Richardson, Texas.

Outside of the US, the operations of Valere Power are being integrated into the existing organization structures of Eltek Energy.

The integration of the two organizations is a key element of the cost synergy program, and Eltek Valere expects to charge the Income Statement for the third quarter 2007 with restructuring costs of approximately USD 7 million to cover office lease, severance pay and stay-on bonuses, mainly related to the closure of the Crystal Lake, Chicago facilities.

The acquisition of Valere Power is expected to generate annual cost synergies of approximately USD 15 million and be EPS accretive for Eltek ASA shareholders from 2008 (before amortization of Purchase Price Allocation, PPA).

Separately, Nera Networks finalized the relocation of production from Bergen to Slovakia during the second quarter. This was one of the key elements in the restructuring plan announced in 2006. Most of the costs related with this restructuring were charged to the Income Statement in the fourth quarter 2006, although the Income Statement for the first and second quarters of 2007 have also been negatively affected by some additional non-recurring operational costs related to the relocation of production.

Key financials – quarterly

Reported Group figures

The Eltek Group reported revenue of NOK 1,124 million in the second quarter 2007, compared to NOK 632 million in the second quarter 2006 and NOK 988 million in the first quarter 2007.

Gross profit was NOK 266 million (160), gross margin was 23.6 percent (25.4), and the reported operating costs were NOK 239 million in the quarter (107). Reported EBITDA was NOK 74 million (65) and reported EBIT NOK 27 million (53).

This compares to an EBITDA of NOK 35 million and an EBIT of NOK 1 million in the previous quarter, including restructuring costs of NOK 5 million.

Purchase Price Allocation (PPA) related to the acquisition of Valere Power has not been performed and amortization of PPA is preliminary estimated to approximately NOK 11 million for the second quarter (June 2007). Total amortization of PPA amounts to NOK 21 million in the second quarter 2007 compared with NOK 10 million in the previous quarter. Excluding the estimated amortization of PPA related to the acquisition of Valere Power of NOK 11 million, EBIT for the second quarter was NOK 38 million.

Net financial items amounted to NOK -11 million (-6) in the second quarter, which was on par with the previous quarter.

Reported profit before tax was NOK 15.4 million in the second quarter (46.7), which compares to a loss before tax of NOK 10.2 million in the first quarter 2007.

The reported figures for the second quarter include Valere Power with effect from 1 June, 2007.

Pro forma Group figures

On a *pro forma* basis – including Valere Power for the full quarter, revenue amounted to NOK 1,206 million in the second quarter 2007. *Pro forma* EBITDA was NOK 72 million and *pro forma* EBIT NOK 1 million, before non-recurring costs. This includes estimated amortization of excess values (Purchase Price Allocation, PPA) of NOK 44 million.

Non-recurring costs of NOK 81 million are described in more detail under Eltek Valere below and are fully accounted for in the Balance Sheet statement for the Eltek Group per 30 June.

Including non-recurring items, the *pro forma* EBIT was NOK -80 million.

Segment information

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

Eltek Valere comprises the operational activities in former Eltek Energy and Valere Power Inc., and is consolidated on a 100 percent basis. In ownership terms, Eltek ASA owns 90.9 of Eltek Valere AS, which in turn owns 90.1 percent of Eltek Energy Holding Inc. The latter comprises the combined operations of Valere Power Inc. and Eltek Energy LLC in the Americas. The remainder of Eltek Valere AS and Eltek Energy Holding Inc is owned by the former shareholders of Valere Power Inc.

Nera Networks is a pure transmission business, whereas Nera Telecommunications (NeraTel) comprises transmission activities as well as infocomm/network activities and a satellite communications operation. Both areas are consolidated on a 100 percent basis. However, NeraTel is 50.1 percent owned by Eltek ASA and separately listed on the Singapore Stock Exchange.

Eltek Valere

	2Q '07	2Q '06	2006	1Q '07
Order entry	739	657	2,589	651
Revenue	727	632	2,585	597
Gross profit	181	160	661	146
Gross margin	25.0	25.4	25.6	24.4
Divestment gain	-	-	22	-
EBITDA bef. non-recurring costs	70	72	326	51
Depr. and amort.	-28	-12	-52	-16
EBIT bef. restruct.	42	61	274	35
Restructuring cost	-	-	-	-5
EBIT	42	61	274	30

Note: Valere Power included with effect from 1 June, 2007. EBIT for 2Q 2007 includes amortization of PPA with NOK 11 million.

Revenue

Eltek Valere reported revenue of NOK 727 million in the second quarter 2007 (632), an increase of 22 percent from NOK 597 million in the previous quarter.

Revenue in Valere Power was skewed towards the end of the quarter and amounted to NOK 76 million from 1 June, 2007. Adjusted for Valere Power, revenue increased by 3 percent year-on-year and by 9 percent quarter on quarter.

EMEA accounted for 46 percent of reported revenue, whereas Asia Pacific and the Americas accounted for 33 percent and 21 percent, respectively.

Revenue in the Americas was NOK 151 million, which was an increase of 24 percent from the second quarter 2006 and 29 percent above the previous quarter. The consolidation of Valere Power's June revenue more than compensated for declining revenue for 'old' Eltek Energy.

US revenue was negatively impacted by delayed spending and a weaker market position in the wireless segment. However, revenue development is stronger in the wireline broadband market, where Valere Power holds a strong position.

Revenue in Asia Pacific was NOK 243 million, which was an increase of 41 percent from the second quarter last year and 45 percent above the previous quarter. The growth is mainly driven by India, which is the fastest growing market globally. Revenue in India was further supported by the acquisition of Valere Power, and overall revenue for Eltek Valere in India was in excess of NOK 120 million in the quarter.

Revenue in EMEA was NOK 332 million, which was a decline of 2 percent from the second quarter 2006 but an increase of 7 percent from the first quarter 2007.

Africa contributed positively to growth in the quarter, whereas revenue in both Europe and Middle East was virtually unchanged from the previous quarter. The acquisition of Valere Power has very limited effect on the EMEA operations.

Gross margin

The reported second quarter gross margin of 25.0 percent (25.4) compares with 24.4 percent in the previous quarter.

The quarter-on-quarter improvement is primarily a reflection of higher volumes, which reduced fixed overhead costs in relative terms.

The consolidation of Valere Power for June had a moderate adverse effect on the reported gross margin in the second quarter.

Operating costs

Eltek Valere had operating costs of NOK 128 million (107) (excluding amortization of PPA), which compares with NOK 111 million (excluding restructuring cost) for Eltek Energy in the first quarter 2007. The increase from last year can primarily be explained by acquisitions and the establishment of new offices over the past year. Operating costs attributable to Valere Power amounted to NOK 12 million on a reported basis.

Operating profit

Eltek Valere achieved EBITDA of NOK 70 million (72), and EBIT of NOK 42 million (61) in the second quarter. This compares with an EBITDA of NOK 46 million and an EBIT of NOK 30 million in the previous quarter, including restructuring charges of 5 million.

The second quarter EBIT includes preliminary estimated amortization of excess value (Purchase Price Allocation, PPA) of NOK 11 million related to the Valere Power acquisition.

Order entry and market development

Eltek Valere recorded new orders of NOK 739 million in the second quarter 2007 (657), which compares to NOK 657 million in the previous quarter. Valere Power accounted for NOK 39 million of the order entries.

Compared to the previous quarter, order entry increased in all areas, although the consolidation of Valere Power in particular supported order entry in the US and India.

The order backlog stood at NOK 597 million at the end of the second quarter (444), up from NOK 476 million at the end of the first quarter 2007. NOK 463 million of the order backlog was for delivery within 90 days (391).

Eltek Valere - pro forma figures

Pro forma revenue for Eltek Valere -including Valere Power for the whole period- was NOK 809 million for the second quarter 2007.

Pro forma order entry was NOK 875 million in the second quarter 2007.

Adjusted for non-recurring items, *pro forma* gross margin was 24.9 percent in the second quarter 2007, and *pro forma* operating costs NOK 185 million. *Pro forma* EBITDA was NOK 68 million and *pro forma* EBIT NOK 16 million in the second quarter 2007.

The *pro forma* EBIT includes preliminary estimated amortization of excess value (Purchase Price Allocation, PPA) of NOK 34 million.

Eltek Valere has charged the *pro forma* Income Statement for the second quarter 2007 with non-recurring items of NOK 81 million. NOK 39 million of the charges refer to payments to Valere Power employees, related to the acquisition. These payments were reflected in estimated net debt of Valere Power at the time of the acquisition.

The remaining charges of NOK 42 million refer to revaluation of assets and liabilities concerning inventories, account receivables, other assets and warranty provisions in Valere Power.

The charges are fully reflected in the opening balance statement for Eltek Valere and the Eltek Group as of 30 June, 2007.

Restructuring plans

As a part of the integration of Eltek Energy and Valere Power, Eltek Energy's US operations will be moved from the current premises in Chicago to Valere Power's facilities in Richardson, Texas, which will become the headquarters of Eltek Valere.

Outside of the Americas, Valere Power's existing operations will be integrated into Eltek Energy's existing organization.

The restructuring plan requires cash expenses and provisions related to the moving process, termination of office leases in Crystal Lake, Chicago, and severance pay and stay-on bonuses.

The restructuring costs are expected to amount to approximately USD 7 million, which will be charged to the Income Statement for the third quarter 2007.

The integration of the two organizations is a key element in the synergy program which is expected to yield cost reductions of approximately USD 15 million annually.

Nera Networks

	2Q '07	2Q '06	2006	1Q '07
Order entry	319	447	1,529	288
Revenue	310	356	1,378	312
Gross profit	45	59	233	43
Gross margin	14.3	16.6	16.9	13.8
EBITDA	-4	-11	-43	-17
Depr. and amort.	-12	-12	-48	-12
EBIT	-16	-23	-91	-28

Note: Figures for 2006 are pro forma, excluding non-recurring costs.

Revenue

Nera Networks reported revenue of NOK 310 million in the second quarter of 2007 (356), which were marginally lower than in the previous quarter.

EMEA accounted for NOK 133 million, or 43 percent of revenue, whereas revenue in Americas was NOK 104 million, or 34 percent. Asia Pacific accounted for the remaining NOK 73 million, or 24 percent.

Compared to the previous quarter, these figures reflect unchanged revenue of NOK 133 million in EMEA, and a revenue growth of 11 percent to NOK 104 million in the Americas. Revenue in Asia Pacific declined by 13 percent to NOK 73 million compared to the first quarter 2007.

The move of production from Norway to Slovakia was finalized late in June, when the last of the production lines for the Evolution radio was transferred.

Production of Evolution radios increased by 61 percent compared to the previous quarter, which was somewhat less than expected. This primarily reflects technical difficulties reducing deliveries from a core components supplier. Capacity utilization is expected to increase in Slovakia as the production stability is expected to improve further in the coming quarters.

Gross margin

Gross margin in Nera Networks was 14.3 percent in the second first quarter 2007 (16.6), compared to 13.8 percent in the previous quarter.

As in the first quarter of the year, overall manufacturing overhead cost remained high in relative terms, due to the low revenue level.

Cost of goods sold was negatively affected by costs of NOK 7 million relating to the move of production from Bergen to Slovakia, which was in line with previous communication. Similar costs amounted to NOK 9 million in the previous quarter. The costs primarily reflect training of Slovakian personnel and ramp-up of production in Slovakia.

Improvement in cost of goods sold is a key element in the restructuring program for the transmission activities, and the gross margin is expected to benefit from increased volumes going forward.

Operating costs

Nera Networks had operating costs of NOK 60 million in the second quarter 2007, compared to NOK 82 million on a pro forma level in the second quarter 2006 and NOK 71 million in the previous quarter.

This declining trend in operating costs is in tune with the expected effect of the restructuring program.

Operating profit

Nera Networks reported an EBITDA-loss of NOK 4 million (-11), and an EBIT loss of NOK -16 million (-23) in the second quarter 2007. The historical figures are pro forma.

In the first quarter 2007 Nera Networks reported EBITDA of NOK -17 million and an EBIT of NOK -28 million.

Order entry - market development

Nera Networks recorded new orders of NOK 319 million in the second quarter 2007 (447), which was an increase of 11 percent from NOK 288 million in the previous quarter.

The higher quarter-on-quarter order entry is a reflection of gradually improving production capabilities during the second quarter. The market conditions are generally healthy, and Nera Networks should increasingly benefit from this as the production capacity is expected to improve further going forward.

The Americas accounted for roughly 40 percent of new orders, with Asia Pacific and EMEA each at roughly 30 percent.

The order backlog stood at NOK 508 million at the end of the second quarter 2007 (595), up from NOK 499 million at the end of the first quarter. NOK 221 million was for delivery within 90 days.

NeraTel

	2Q '07	2Q '06	2006	1Q '07
Order entry	114	205	667	292
Revenue	163	138	629	157
Gross profit	40	29	135	36
Gross margin	24.4	21.1	21.5	22.9
EBITDA	17	10	52	14
Depr. and amort.	-6	-7	-27	-6
EBIT	11	3	24	7

Note: Figures for 2006 are *pro forma*. EBIT includes quarterly amortization of PPA with NOK 5 million.

NeraTel reported revenue of NOK 163 million in the second quarter 2007 (138), which was an increase of 4 percent from NOK 157 million in the previous quarter.

The reported gross margin of 24.4 percent (21.1) also compares favourably with the 22.9 percent reported for the first quarter 2007.

EBITDA was NOK 17 million (10) in the second quarter 2007, and EBIT NOK 11 million (3). Historical figures are *pro forma*. This compares with EBITDA of NOK 14 million and EBIT of NOK 6 million in the previous quarter.

Order entry was NOK 114 million (205), compared to a high level of NOK 292 million in the previous quarter.

Order backlog declined to NOK 345 million from NOK 429 million at the end of the previous quarter. The backlog has been adjusted for cancellation of an order of NOK 40 million received in the fourth quarter 2006. The order was dependent on a joint venture in which NeraTel decided not to participate.

NeraTel is a separately listed company on the Singapore Stock Exchange. The company presented its interim results for the second quarter 2007 on Thursday 2 August. For further information, please see www.neratel.com.sg.

Corporate

Corporate costs amounted to NOK 10 million in the second quarter 2007, compared to NOK 8 million in both the second quarter 2006 (*pro forma*) and in the first quarter 2007.

Balance sheet

The changes in the consolidated Balance Sheet from 30 June 2006 (in brackets) primarily relate to the merger of former Nera into Eltek and the acquisition of Valere Power.

Total assets were NOK 5,601 million (2,242) at 30 June 2007, compared with NOK 4,786 million at the end of 2006.

Equity was NOK 2,554 million (976) at 30 June, corresponding to an equity ratio of 45.6 percent (43.5).

Eltek had a gross cash position of NOK 397 million (327) at the end of the second quarter, and a net debt position of NOK 613 million. At the end of the previous quarter the company had a net cash position of NOK 27 million, and the increased debt primarily reflects the financing of the acquisition of Valere Power.

Cash Flow Statement

Cash flow from operation was NOK 21 million in the second quarter 2007 (-66). Net cash flow from investment activities was NOK -598 million (-329), which includes acquisitions of NOK 499 million, capitalized R&D of NOK 44 million and other investments of NOK 55 million. Net cash flow from financing was NOK 371 million (300). Total net cash flow was NOK -206 million (-94) in the second quarter 2007.

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.

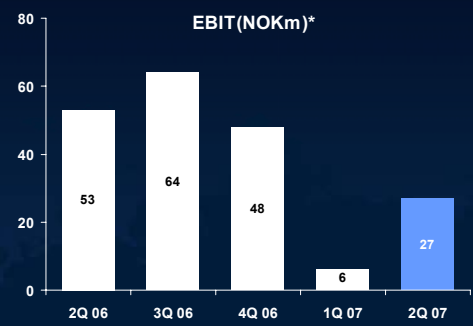
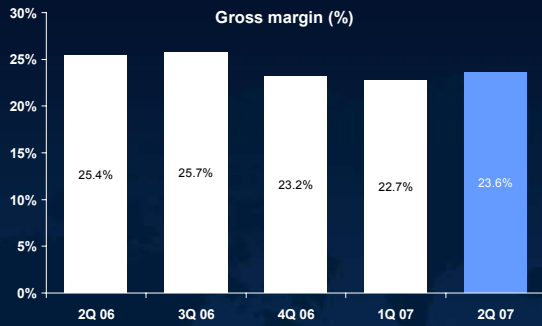
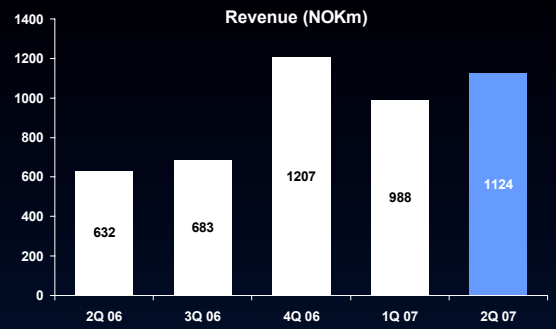
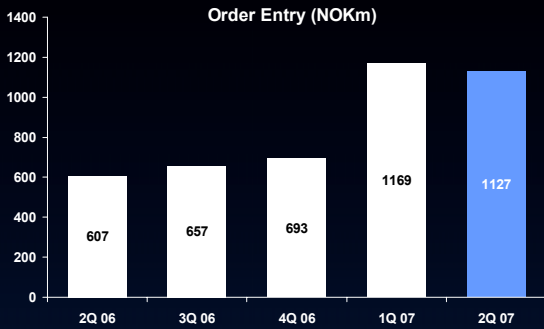
Based on order entry and projects in the pipeline, Eltek Valere expects to continue growing revenue in the third quarter.

Eltek Valere is expected to incur restructuring costs of approximately USD 7 million in the third quarter, related to the integration of Eltek Energy and Valere Power. This is a key element in the synergy program which is expected to generate annual cost savings of approximately USD 15 million.

Nera Networks has completed the transfer of production from Bergen to Slovakia and will remain focused on improving delivery capabilities. With a lower cost base, Nera Networks should increasingly benefit from an overall healthy transmission market development in the second half of the year. The overriding target of regaining profitability during 2007 remains intact.

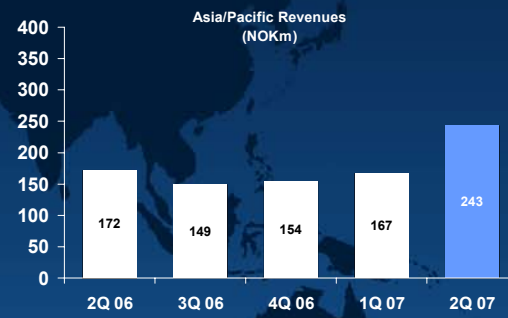
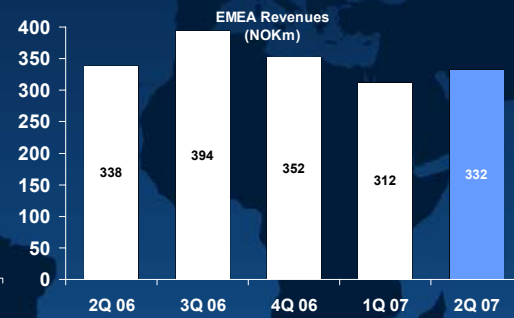
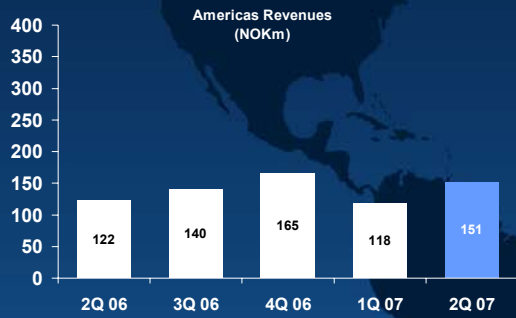
Drammen, 15 August 2007
The Board of Directors, Eltek ASA

QUARTERLY DEVELOPMENT ELTEK GROUP

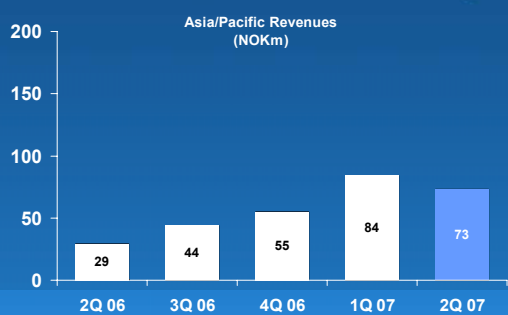
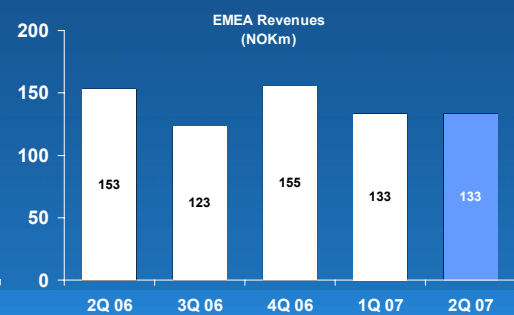
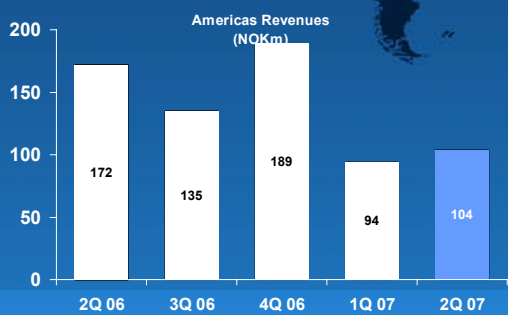


*EBIT before restructuring costs

QUARTERLY DEVELOPMENT BY REGION - ELTEK VALERE



QUARTERLY DEVELOPMENT BY REGION - NERA NETWORKS*



*Pro forma figures 2Q-3Q 2006

Consolidated income statement (unaudited)

Amounts in NOK 1 000	2Q 2007	2Q 2006	YTD 2007	YTD 2006	2006
Revenue	1 123 666	631 650	2 111 571	1 230 924	3 121 116
Cost of sales	-858 014	-471 513	-1 621 205	-913 334	-2 347 655
Gross profit	265 652	160 137	490 366	317 590	773 461
Selling and marketing costs	-107 432	-43 397	-213 517	-85 910	-242 973
Administrative expenses	-70 447	-38 040	-138 000	-78 232	-179 230
R&D and engineering costs	-49 896	-26 267	-95 632	-49 550	-136 602
Other operating items	-11 117	320	-15 446	22 981	-25 341
Operating profit	26 760	52 752	27 772	126 879	189 316
Share of result in associated companies	-	-	-	-	907
Net financial items	-11 383	-6 028	-22 602	-5 785	-33 030
Profit before income tax	15 378	46 724	5 170	121 095	157 193
Income tax expense	-24 207	-13 432	-33 898	-34 416	-50 583
Net profit	-8 829	33 292	-28 728	86 679	106 610
Attributable to:					
Equity holders	-21 476	28 123	-52 616	78 311	86 524
Minority interests	12 647	5 169	23 888	8 368	20 086
Basic EPS (NOK)	-0,44	0,86	-1,07	2,42	2,36
Diluted EPS (NOK)	-0,44	0,85	-1,08	2,39	2,35

Consolidated balance sheet (unaudited)

Amounts in NOK 1 000	30.06.2007	30.06.2006	31.12.2006
Property, plant & equipment	285 618	128 815	223 052
Fair value in excess of book value, unallocated	735 338		
Intangible assets	797 035	247 391	757 277
Deferred income tax asset	472 709	52 140	478 470
Other non-current assets	14 806	231 120	16 469
Total non-current assets	2 305 506	659 466	1 475 268
Inventories	888 157	508 844	766 299
Trade and other receivables	2 009 901	746 504	1 794 268
Cash and cash equivalents	397 047	327 371	750 075
Total current assets	3 295 105	1 582 718	3 310 642
Total assets	5 600 611	2 242 184	4 785 909
Share capital	49 206	32 522	49 206
Other reserves	2 080 360	902 057	2 141 400
Capital and reserves attributable to equity holders of the Company	2 129 566	934 579	2 190 606
Minority interest	424 146	41 393	213 967
Total equity	2 553 712	975 972	2 404 572
Borrowings	944 841	213 843	464 594
Deferred income tax liabilities	0	1 076	10 543
Retirement benefit obligations	310 294	33 258	310 927
Provisions for other liabilities and charges	42 962	-	42 964
Total non-current liabilities	1 298 097	248 176	829 028
Borrowings	65 021	398 188	104 261
Trade creditors and other payables	1 503 794	561 681	1 265 171
Current income tax payable	37 275	32 668	39 301
Provisions for other liabilities and charges	142 713	25 498	143 575
Total current liabilities	1 748 803	1 018 035	1 552 308
Total liabilities	3 046 900	1 266 211	2 381 336
Total equity and liabilities	5 600 611	2 242 184	4 785 909
Equity ratio	45,6 %	43,5 %	50,2 %

Cash flow analysis (unaudited)

Amounts in NOK 1 000

	<u>2Q 2007</u>	<u>2Q 2006</u>	<u>YTD 2007</u>	<u>YTD 2006</u>	<u>2006</u>
Net cash flow from operations	21 026	-65 924	-56 620	-137 223	-250 114
Net cash flow from investments	-598 455	-328 589	-676 040	-328 798	779 062
Net cash flow from financing	371 091	300 097	379 633	326 819	-245 445
Net change in cash and cash equivalents	-206 339	-94 416	-353 028	-139 202	283 503
Cash and cash equivalents, beginning of period	603 386	421 787	750 075	466 573	466 573
Cash and cash equivalents, end of period	397 047	327 371	397 047	327 371	750 076

Consolidated statement of recognized income and expense (unaudited)

Amounts in NOK 1 000

	<u>2Q 2007</u>	<u>2Q 2006</u>	<u>30.06.2007</u>	<u>30.06.2006</u>	<u>31.12.2006</u>
Actuarial gains/losses	-	-	-	-	-3 908
Currency translation effects	-35 615	-22 613	-52 253	-32 699	-20 508
Taxes on items taken directly to equity	-	-	-	-	-
Net income recognized directly in equity	-35 615	-22 613	-52 253	-32 699	-24 416
Profit for the period	-8 829	33 292	-28 728	86 679	106 610
Total recognized income for the year	-44 444	10 679	-80 981	53 980	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

Tree months ended 30 June 2007

	<u>Intangible assets</u>				<u>Tangible assets</u>
	<u>Goodwill</u>	<u>R&D</u>	<u>Other *</u>	<u>Total</u>	
Net book amount at 01.04.2007	419 304	268 060	93 738	781 102	240 167
Additions	2 780	37 498	766 602	806 880	61 152
Disposals	0	-	-508	-508	161
Depreciation	-	-15 965	-18 369	-34 334	-12 502
Foreign currency translation effects	-4 035	-588	-16 144	-20 767	-3 360
Net book amount at 30.06.2007	418 050	289 004	825 319	1 532 373	285 618

Three months ended 30 June 2006

	<u>Intangible assets</u>				<u>Tangible assets</u>
	<u>Goodwill</u>	<u>R&D</u>	<u>Other</u>	<u>Total</u>	
Net book amount at 01.04.2006	113 836	106 130	11 963	231 929	87 800
Additions	13 547	13 922	2 312	29 781	57 904
Disposals	-	-	-	-	-115
Depreciation	-	-7 213	-821	-8 034	-3 949
Foreign currency translation effects	-4 882	-184	-1 219	-6 285	-12 825
Net book amount at 30.06.2006	122 501	112 655	12 235	247 391	128 815

2. Property, plant & equipment and Intangible assets (cont.)

Six months ended 30 June 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	16 400	72 810	767 608	856 818	92 124
Disposals	0	-	-508	-508	-761
Depreciation		-31 771	-25 713	-57 484	-23 688
Foreign currency translation effects	-5 186	-1 153	-17 391	-23 730	-5 109
Net book amount at 30.06.2007	418 050	289 004	825 319	1 532 373	285 618

Six months ended 30 June 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	51 042	26 525	3 902	81 469	67 390
Disposals				-	-253
Depreciation		-11 679	-1 716	-13 395	-7 540
Foreign currency translation effects	-6 050	-316	-1 141	-7 507	-12 882
Net book amount at 30.06.2006	122 501	112 655	12 235	247 391	128 815

* Includes excess value on the Valere acquisition of 761 mill NOK and amortization of 11 mill NOK.

3. Reconciliation of movements in capital and reserves

	2Q 2007	2Q 2006	30.06.2007	30.06.2006	31.12.2006
Equity end of previous period	2 375 991	963 724	2 404 572	915 957	915 957
Adoption of IAS 32 and IAS 39	-	-	-	-	-
Equity beginning of this period	2 375 991	963 724	2 404 572	915 957	915 957
Total recognized income for the period	-44 444	10 679	-80 981	53 980	82 194
Issue of shares	-	-	-	-	-
Stock options exercised by employees	-	-997	-	11 672	12 338
Own shares	-4 155	-	-901	-	-4 672
Sales & acquisitions	245 372	930	248 290	-10 203	1 504 589
Cost of stock options	1 531	3 226	4 170	6 157	10 218
Dividends	-20 583	-1 590	-21 439	-1 591	-116 050
Equity end of period	2 553 712	975 972	2 553 711	975 972	2 404 573

4. Business combinations

Acquisition of Valere Power Inc

In second quarter 2007, Eltek (through Eltek Energy) acquired Valere Power Inc, a US-based company operating in the Telcom Power market. The transaction was finalized 1 June 2007 and Valere Power Inc is consolidated into Eltek Group as from this date.

Valere Power's shareholders received USD 83 million in cash, 9.1 percent of Eltek Energy AS, and 9.9 percent of the shares in Eltek Energy Holding Inc. The latter comprises the activities in Valere Power Inc. and in Eltek Energy LLC in the Americas.

The purchase price allocation (PPA) has not yet been performed, but some preliminary estimates of the excess value and amortization of this excess value are included in this report (excess value being the difference between the fair value of the shares issued and the cash element given to the shareholders of Valere Power Inc and the book value of the shareholders equity in Valere Power Inc). These preliminary estimates are based on the following assumptions; : i) cost of Valere Power Inc is USD 135 mill, ii) 50 % of the excess value is allocated to identifiable intangible assets and 50 % to goodwill and iii) average economic lifetime for identifiable intangible assets is 3 years.

The preliminary estimated excess value of NOK 735 million, net of amortization and currency translation difference, is presented as "Fair value in excess of book value, unallocated" on a separate line in the balance sheet as of 30 June 2007. The amortization charge related to this acquisition is preliminary estimated to be NOK 34 million on a quarterly basis. In second quarter 2007 an amortization charge of NOK 11 million (for June) is included in Other operating costs in the Income statement.

The PPA that is to be performed may lead to a different fair value assessment of Valere Power Inc and/or a different allocation of the purchase price. This could result in an increase/decrease in total assets and liabilities compared to what has been presented in the balance sheet by end of June, to the extent that more/less than 50 % of value in excess of book value is made to identifiable assets and liabilities and/or to deferred taxes. The depreciation/amortization charged to the Income statement may also change dependant on the allocation of the purchase price and the economic lifetime of identifiable assets and liabilities, and consequently this could have significant impact on net profit. The PPA may also have significant impact on calculation of minority interests.

The PPA that is to be performed may lead to a different fair value assessment of Valere Power Inc and/or a different allocation of the purchase price. This will lead to an increase/decrease in total assets and liabilities compared to what has been presented in the balance sheet by end of June, to the extent that more/less than 50 % of value in excess of book value is made to identifiable assets and liabilities and/or to deferred taxes. The depreciation/amortization charged to the Income statement may also change dependant on the allocation of the purchase price and the economic lifetime of identifiable assets and liabilities, and consequently this could have significant impact on net profit. The PPA may also have significant impact on calculation of minority interests.

The acquired business contributed revenues of NOK 76 million and profit before tax of NOK 7 million to the Group for the period from 1 June to 30 June 2007.

Other acquisitions and establishment

In second quarter 2007, the Group acquired the remaining 25.1 % of the share capital of privately held Convertronic Holding GmbH from the minority shareholder at a cost of NOK 6 million.

5. Pro forma consolidated income statement

The consolidated pro forma income statement presented below shows Eltek, Nera Networks, Nera Telecommunications and Valere 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 they 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 (unaudited)

Amounts in NOK 1 000	Pro forma 2Q 07			Pro forma 1H 07	Pro forma 2006		
	Proforma consol, incl non-recurr items	Non- recurring items	Pro forma consolidated, excluding non- recurring items	Pro forma consolidated, excluding non- recurring items	Proforma consol, incl non-recurr items	Non- recurring items	Pro forma consolidated excluding non recurring item:
Revenue	1,205,877		1,205,877	2,357,276	5,048,155		5,048,155
Cost of sales	-950,812	30,579	-920,233	-1,803,072	-3,950,186	76,500	-3,873,686
Gross profit	255,065	30,579	285,644	554,204	1,097,969	76,500	1,174,469
Selling and marketing exp.	-127,791	11,076	-116,715	-236,182	-470,984		-470,984
Admin expenses	-118,501	39,065	-79,436	-157,169	-370,191	57,900	-312,291
R&D and engin. costs	-55,638	-	-55,638	-113,037	-244,123		-244,123
Other operating items	-32,775		-32,775	-70,836	-160,269	49,745	-110,524
Operating profit	-79,641	80,720	1,079	-23,019	-147,597	184,145	36,548
Result in associate	-		-	-	907		907
Net financial items	-12,930		-12,930	-25,190	-61,461	10,000	-51,461
Profit before tax	-92,571	80,720	-11,851	-48,209	-208,151	194,145	-14,006

Comments to the pro forma income statements

- The pro forma income statements are presented for continuing operations, that is exclusive any results from divested assets
- The pro forma consolidated income statement for second quarter 2007 is shown both inclusive and exclusive non-recurring items of NOK 80.7 million:
 - NOK 39.1 million of the charges refer to payments to Valere Power employees, related to the acquisition. These payments were reflected in estimated net debt of Valere Power at the time the acquisition.
 - NOK 41.6 million of the charges refer to revaluation of assets and liabilities concerning inventories, account receivables, other assets and warranty provisions.

The charges are fully reflected in the opening balance statement for Eltek Valere and the Eltek Group as of 30 June, 2007.

- The pro forma consolidated income statement for first half 2007 is presented exclusive non-recurring items of NOK 80.7 million, reference made to previous bullet point.
- 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 49.7 million in Nera Networks in fourth quarter and NOK 144.0 million charged to the Nera income statement in the third quarter (mainly revaluation of assets)
- Figures for Valere are translated from US GAAP to IFRS accounting principles based on an assumption of 30 % capitalization of the Valere's R&D and engineering costs.

The pro forma income statement includes a preliminary estimated amortization of PPA of NOK 34 million on a quarterly basis, ref note 4 for further details.

