REPORT 4th QUARTER 2007

REPORT
4th 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 fourth quarter 2007 and the fourth quarter 2006 (in brackets), and the full-year 2007 and 2006 (in brackets).

(NOK million)	4Q '07	4Q '06	2007	2006
Order entry	1,373	984	5,238	2,941
Revenue	1,427	1,207	4,821	3,121
Gross Profit	332	280	1,132	773
Gross margin (%)	*23.3*	*23.2*	*23.5*	*24.8*
EBITDA before non-recurring items	113	83	321	310
Depreciation & amortization	-50	-34	-170	-71
EBIT before non-recurring items	63	48	151	239
Non-recurring items	-70	-50	-106	-50
EBIT	-7	-2	45	189
Pre-tax profit	15	-14	49	157
Net profit after tax, continuing operations	-41	-16	-63	107
Profit from discontinued operations	-	-	33	-
Net profit	-41	-16	-30	107

Note: EBIT includes amortization of PPA related to M&A of NOK 9 million in 4Q 2007 and NOK 36 million for 2007.

Key financials

The Eltek Group reported revenue of NOK 1,427 million in the fourth quarter 2007, compared to NOK 1,282 million in the third quarter 2007 and NOK 1,207 million in the fourth quarter 2006.

Gross profit was NOK 332 million (280) and gross margin 23.3 percent (23.2). In the previous quarter, the gross margin was 24.2 percent.

EBITDA was NOK 113 million (83) before non-recurring items, compared to NOK 94 million in the previous quarter.

Non-recurring items negatively affected the Income Statement by NOK 70 million in the fourth quarter (-50).

The main items were positive effects of NOK 162 million due to changes in the pension schemes in the Norwegian companies in the Group, and a goodwill write-down of NOK 210 million in Nera Networks. Furthermore, the Income Statement was also negatively affected by NOK 23 million due to provision for potential claims and revaluation of certain balance sheet items in Eltek Valere.

The purchase price allocation (PPA) related to the acquisition of Valere Power has been completed, and amortization of PPA is estimated to NOK 6.4 million for the fourth quarter and for the quarters to come.

Note that the Income Statement has been restated for the second quarter 2007 to account for lower than preliminary estimated amortization of PPA in the quarter. Total amortization of PPA, including NeraTel, amounted to NOK 9 million in the fourth quarter 2007.

Reported EBIT was NOK –7 million (-2), compared to NOK 50 million in the previous quarter.

Net financial items amounted to NOK 23 million in the fourth quarter (-13), compared to NOK 3 million in the previous quarter. Net financials include a share of earnings in associated companies of NOK 1 million. Currency developments positively affected net financial items by NOK 38 million compared with NOK 20 million in the previous quarter.

Reported profit before tax was NOK 15 million in the fourth quarter (-14), compared with NOK 20 million from continuing operations in the previous quarter..

Net cash flow from operations was NOK 156 million (-53) in the fourth quarter 2007, and total net cash flow NOK 248 million (-313).

For the full year 2007, the Eltek Group reported revenue of NOK 4,821 million, corresponding to growth of 54 percent from NOK 3,121 million in 2006.

The growth is primarily explained by the merger with Nera and the acquisition of Valere Power in 2006 and 2007, respectively.

The gross profit was NOK 1,132 million (773), and the gross margin 23.5 percent (24.8). The decline in gross margin is primarily a reflection of a full year of consolidation of Nera Networks and NeraTel.

EBITDA for the full year was NOK 321 million (310) and EBIT NOK 151 million (239) before non-recurring items.

Non-recurring items had a negative effect of NOK 106 million on the Income Statement for the full year 2007 (-50), and reported EBIT was NOK 45 million (189). Profit before tax was NOK 49 million (157) for 2007.

Calculated tax was NOK 112 million for 2007 (51). This includes a write-down of deferred tax assets of NOK 35 million, related with the US operations in Eltek Energy LLC in the fourth quarter 2007.

In the third quarter 2007, Eltek ASA recognized a gain of NOK 33 million which was realized through the final settlement of pension liabilities related to the divesture of Nera SatCom in 2006. The Income Statement for the full year has been restated in accordance with IFRS 5, and the profit from the discontinued operation is presented on a separate line.

Net loss from continuing operations was thus NOK 63 million for the full year 2007 and NOK 30 million including profit from discontinued operations. This compares to a net profit of NOK 107 million in 2006.

Net cash flow from operations was NOK 72 million for the full year (-250), and total net cash flow NOK -158 million (284).

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 Valere Holding Inc. The latter comprises the combined operations of Valere Power Inc. and Eltek Energy LLC. 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

	4Q '07	4Q '06	2007	2006
Order entry	865	632	3,095	2,589
Revenue	901	672	3,064	2,585
Gross profit	227	168	770	661
Gross margin	*25.2*	*25.0*	*25.1*	*25.6*
Divestment gain	-	-	-	22
EBITDA bef. non-recurring	92	76	299	326
D&A excl. non-recurring items	-33	-16	-99	-52
EBIT bef. non-recurring items	59	60	200	274
Non-recurring items	-4	-	-40	-
EBIT	54	60	160	274

Notes: Valere Power included with effect from 1 June, 2007. EBIT includes amortization of PPA with NOK 6.4 million in 4Q'07.

Revenue

Eltek Valere reported revenue of NOK 901 million in the fourth quarter 2007 (672), an increase of 7 percent from NOK 840 million in the previous quarter.

EMEA accounted for 47 percent of reported revenue for Eltek Valere, whereas Asia Pacific accounted for 29 percent and the Americas for 24 percent.

Revenue in EMEA was NOK 423 million, which was an increase of 22 percent from the previous quarter. Middle East, Africa and Eastern Europe were the strongest regions, although revenue increased also in Western Europe. Compared to the fourth quarter 2006, the revenue increase in EMEA was 20 percent.

Revenue in Asia Pacific was NOK 258 million, which was a decline of 7 percent from the previous quarter. This reflects a decline from historically high levels in India in the previous quarter, and revenue also declined in Australia and Thailand. Pakistan and Vietnam reported strong revenue increase. Compared to the fourth quarter 2006, the revenue increase in Asia Pacific was 67 percent, reflecting both organic growth and the acquisition of Valere Power.

In the Americas, revenue increased by 3 percent from the previous quarter, to NOK 221 million. Revenue declined in North America but improved in Mexico and Argentina, and remained at strong levels in Brazil. Compared with the fourth quarter 2006, the revenue increase was 34 percent, which primarily can be explained by the acquisition of Valere Power.

Gross margin

The reported fourth quarter gross margin of 25.2 percent was a slight increase from the fourth quarter 2006 (25.0) but a decline from 25.8 percent in the previous quarter.

High deliveries with short lead times generated supply chain challenges during the integration of Eltek Energy and Valere Power, and tight delivery schedules also required extensive use of air-freight and thus additional transportation costs. The supply chain issues have been resolved with the finalization of the integration process.

The gross margin was also adversely affected by relatively higher sales to OEMs in the quarter.

Operating costs

Operating costs were NOK 162 million in the quarter (108), excluding amortization of PPA and non-recurring items.

This is an increase of NOK 13 million from the previous quarter, which mainly relates to increased sales commissions and bonuses relating to sales targets achieved during the year.

Non-recurring items

The Income Statement in Eltek Valere was positively affected by NOK 18 million due to the change from defined benefit to defined contribution pension scheme.

However, the Income Statement was negatively affected by R&D impairment of NOK 8 million, provisions for bad debt of NOK 7 million, and provisions for potential claims of NOK 8 million.

The net negative effect of non-recurring items was thus NOK 4 million in the fourth quarter, whereas Eltek Valere recognized no non-recurring items in the fourth quarter last year.

In the previous quarter, the Income Statement was negatively affected by restructuring costs of NOK 31 million, relating to the consolidation of the US activities following the acquisition of Valere Power.

Operating profit

Eltek Valere achieved EBITDA of NOK 92 million (76) in the fourth quarter, before the effect of non-recurring items. This compares with NOK 86 million in the previous quarter.

Reported EBITDA was NOK 88 million (76) in the fourth quarter, compared with NOK 55 million in the previous quarter.

EBIT was NOK 59 million before non-recurring items (60), compared to NOK 57 million in the previous quarter.

Allowing for the net effect of non-recurring items, the reported EBIT was NOK 54 million (60), compared to NOK 26 million in the previous quarter.

Reported EBIT includes amortization of PPA with NOK 6.4 million in the fourth quarter, which will be the quarterly level also going forward. In the previous quarter, PPA amortization was NOK 10.4 million.

As a result of the completion of PPA, the Income Statement has been restated with a positive effect of NOK 7.9 million in the second quarter 2007.

Order entry and market development

Eltek Valere recorded new orders of NOK 865 million in the fourth quarter 2007 (632), an increase of 3 percent from NOK 841 million in the previous quarter.

Compared to the previous quarter, order entry developed positively in EMEA and the Americas. Order entry declined in Asia Pacific in the fourth quarter. However, Eltek Valere in January 2008 announced a USD 17 million order in India, which is the single largest order the company has ever received.

The higher order entry level primarily reflect orders directly from telecom operators, as orders from OEMs declined compared to the previous quarter. This corresponds with a stronger market for replacements in existing markets as opposed to new networks.

The order backlog stood at NOK 526 million at the end of the fourth quarter (420), down from NOK 563 million at the end of the third quarter. NOK 372 million of the order backlog was for delivery within 90 days (324), down from NOK 480 million at the end of the previous quarter.

Launch of Flatpack 2 High Efficiency Rectifier

Eltek Valere in January 2008 announced that the Flatpack2 High Efficiency rectifier will be ready for deliveries in the global market in April 2008.

The new rectifier has a proven energy efficiency of more than 96 percent, and more than halves energy waste compared with the current industry standard of 88-92 percent.

Eltek Valere already offers the most energy efficient rectifiers on the market, and the launch of Flatpack2 HE further strengthens the company's position as the innovative leader in the global telecom power market.

For the customers, the new product offers opportunities for energy cost savings. The product also offers significantly lower operating costs, the cost payback for telecom operators will likely be only 1.5-2 years.

The Flatpack2 HE rectifier is part of a green-line product strategy, and Eltek Valere will extend its power savings technology across the entire rectifier product line as well as to controllers and systems.

Nera Networks

	4Q '07	4Q '06	2007	2006
Order entry	416	320	1,432	1,529
Revenue	379	399	1,311	1,378
Gross profit	69	73	213	233
Gross margin	*18.1*	*18.2*	*16.2*	*16.9*
EBITDA bef. non - recurring items	12	1	-5	-43
D&A excl. non-recurring items	-11	-12	-47	-48
EBIT bef. non-recurring items	1	-11	-52	-91
Non-recurring items	-65	-50	-65	
EBIT	-65	-61	-117	

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

Revenue

Nera Networks reported revenue of NOK 379 million in the fourth quarter of 2007 (399), which was an increase of 22 percent from NOK 310 million in the previous quarter.

EMEA accounted for NOK 171 million, or 45 percent of revenue, whereas revenue in Americas was NOK 164 million, or 43 percent. Asia Pacific accounted for the remaining NOK 43 million, or 11 percent.

Compared to the previous quarter, these figures reflect growth of 56 percent in Americas. Revenue increased 2 percent in EMEA and 16 percent in Asia Pacific.

The overall number of radios produced continued to increase significantly in the fourth quarter, following the move of production from Norway to Slovakia earlier in the year. Technical difficulties and sourcing issues which hampered production in the first half of the year have had gradually less impact during the second half of the year.

The number of Evolution radios produced increased by 25 percent from the previous quarter, whereas the number of Interlink radios increased by 15 percent. As the price is lower for the smaller Evolution radios, the unit growth figures are not directly transferable to revenue or order entry values.

Gross margin

Gross profit was NOK 69 million in Nera Networks in the fourth quarter (73), and the gross margin 18.1 percent (18.2).

The gross margin declined slightly from 18.3 percent in the previous quarter. Positive margin effects of higher volumes were counterbalanced by continued high materials cost in the Evolution ramp-up phase, and impact of some low margin projects that have now been completed.

Going forward, Nera Networks expects gradually increasing scale benefits in the Evolution production. The broadening of the Evolution product range with long-haul products is also expected to affect the margin positively from the second quarter of 2008.

Operating costs

Nera Networks had operating costs before non-recurring items of NOK 68 million in the fourth quarter 2007 (84), compared to NOK 66 million in the previous quarter.

The lower cost level in 2007 is in tune with the expected effect of the restructuring program for Nera Networks, and the slight increase from the previous quarter is explained by increased selling cost.

Non-recurring items

The Income Statement in Nera Networks was positively affected by NOK 144 million due to the change from defined benefit to defined contribution pension scheme.

However, after the annual review, the company has decided to write-down all goodwill related to the acquisition of Nera Networks. This had an negative effect of NOK 210 million in the Income Statement.

The write-down has no effects on cash flow, tax position or loan covenants, nor any impact on the operations.

The net negative effect of non-recurring items was thus NOK 65 million in the fourth quarter 2007.

In the fourth quarter 2006, the Income Statement was negatively affected with NOK 50 million in restructuring costs, primarily related with the move of production from Norway to Slovakia in 2007.

Operating profit

Before non-recurring items, Nera Networks achieved a positive EBITDA of NOK 12 million in the fourth quarter 2007 (1), and an EBIT of NOK 1 million (-11). This compares to EBITDA of NOK 3 million and EBIT of NOK -9 million in the previous quarter.

Including the non-recurring items, Nera Networks reported an EBITDA loss of NOK 53 million and an EBIT loss of NOK 65 million (-61).

Order entry - market development

Nera Networks recorded new orders of NOK 416 million in the fourth quarter 2007 (320), which was a slight improvement from NOK 408 million in the previous quarter.

Order entry was strong in EMEA, accounting for 66 percent of new orders. The Americas accounted for 24 percent and Asia Pacific 10 percent of the order entry in forth quarter.

The order backlog stood at NOK 616 million at the end of the fourth quarter, up from NOK 579 million at the end of the previous quarter. NOK 290 million was for delivery within 90 days, compared to NOK 331 million at the end of the third quarter 2007.

Evolution update

The production ramp-up has continued into 2008, and further broadening of the Evolution product range will be an important growth driver going forward.

So far, Evolution has only been available in the short-haul transmission segment, where the number of competitors is relatively large and Nera Networks historically has had a small market share.

Nera Networks has now completed the development of Evolution series for long-haul transmission, and is currently delivering on test orders to a limited number of customers. A broader product release is expected during the second quarter.

Nera Networks has a significantly stronger market position in the long-haul segment, and believes the launch of Evolution long-haul will add momentum both to revenue growth and margin development.

NeraTel

	4Q '07	4Q '06	2007	2006
Order entry	132	108	897	667
Revenue	185	179	679	629
Gross profit	37	40	149	135
Gross margin	*19.8*	*22.2*	*22.0*	*21.5*
EBITDA	17	13	62	52
D&A	-5	-7	-24	-27
EBIT	11	7	38	25

Note: Figures for 2006 are pro forma. EBIT includes quarterly amortization of PPA with NOK 2 million for 4Q 2007 and NOK 16 million for 2007.

NeraTel reported revenue of NOK 185 million (179) in the fourth quarter 2007, which was an increase of 6 percent from NOK 175 million in the previous quarter.

The reported gross margin of 19.8 percent (22.2) compared to 21.0 percent in the third quarter 2007. The decline in gross margin is primarily explained by larger Transmission-projects with low margin.

EBITDA was NOK 17 million (13) in the fourth quarter 2007, and EBIT NOK 11 million (7). This compares with NOK 15 million and NOK 9 million, respectively, in the previous quarter.

As orders for delivery to major telecom network roll-outs are bulky, the order entry varies significantly between the quarters. In the fourth quarter NeraTel had an order entry of NOK 132 million (108), compared to NOK 359 million in the previous quarter.

Order backlog declined to NOK 450 million from NOK 503 million at the end of the previous quarter. NOK 174 million was for delivery within 90 days.

NeraTel is a separately listed company on the Singapore Stock Exchange. The company presented its interim results for the fourth quarter 2007 on 31 January 2008. For further information, please see www.neratel.com.sg.

Corporate

Corporate costs amounted to NOK 8 million in the fourth quarter 2007 (9), compared to NOK 9 million in the previous quarter.

Balance sheet

The changes in the consolidated Balance Sheet from 31 December 2006 (in brackets) primarily relate to the acquisition of Valere Power, which was fully reflected in the Balance Sheet per 30 June 2007. The merger of former Nera into Eltek was consolidated in the Balance Sheet per 30 September 2006.

Total assets were NOK 5,675 million (4,786) at 31 December 2007, compared to NOK 5,547 million at the end of the third quarter.

Equity was NOK 2,441 million (2,404) at 31 December, corresponding to an equity ratio of 43.0 percent (50.2).

Eltek had a gross cash position of NOK 592 million (750) at the end of 2007, and a net debt position of NOK 634 million. This compares to a gross cash position of NOK 345 million and net debt of NOK 696 million at the end of the previous quarter.

Cash Flow Statement

Cash flow from operation was NOK 156 million in the fourth quarter 2007 (-53). Net cash flow from investment was NOK -97 million (422), which includes capitalized R&D of NOK 44 million and other investments of NOK 53 million. Net cash flow from financing was NOK 188 million (-683).

Total net cash flow was NOK 248 million (-313) in the fourth quarter.

Organizational developments

In agreement with Morten Angelil and Lars Jervan, the Board of Directors in Eltek ASA, Eltek Valere and Nera Networks have appointed new CEOs on a temporary basis.

As announced earlier in February, the two have been charged with insider trading, and agreed to temporarily step down from the positions in the Eltek Group.

Jørgen Larsen has replaced Morten Angelil as CEO in Eltek ASA on a temporary basis. Larsen has been with the company for 12 years, 11.5 of which as CFO. Per Arne Henæs replaces Lars Jervan as CEO in Nera Networks on a temporary basis. Henæs comes from the position as EVP Sales in Nera Networks. Knut Aven has taken on Morten Angelil's responsibility as CEO of Eltek Valere on a temporary basis. Aven has long industry experience, and was President of Eltek Energy before the acquisition of Valere Power in 2007.

The Board acknowledges that the personal difficulties of Messieurs Angelil and Jervan are unfortunate and distracting, but the Board has great confidence that, given their significant experience and tenure with the Company, Messieurs Larsen, Aven and Henæs are well qualified to lead the organization.

Outlook

The integration of Eltek Energy and Valere Power into Eltek Valere has increased the scale and broadened the company's operations in the telecom power supply market, and firmly positioned the company as one of the truly global industry leaders. The forthcoming release of the Flatpack2 High Energy rectifier establishes a new standard for energy efficiency, and fortifies the company's position as an innovator in the industry.

Eltek Valere has allocated significant resources to facilitate the integration process during 2007, and expects to see gradually increasing positive effects of the integration going forward.

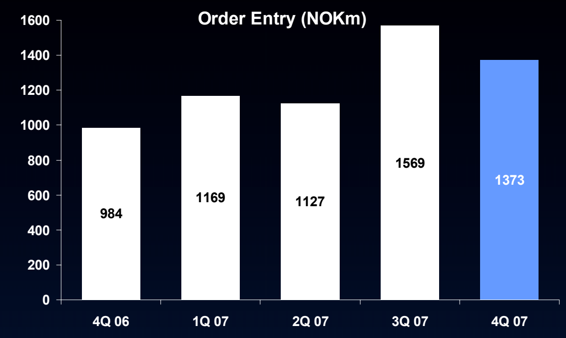
Nera Networks has seen improved production and capacity utilization during the second half of the year, after the transfer of production from Bergen to Slovakia. The production ramp-up of Evolution will continue in 2008, and the product range will be broadened with long-haul products during the year.

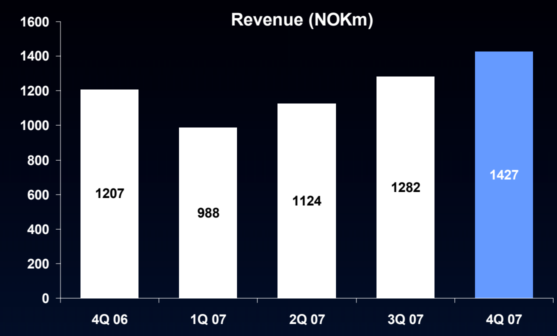
Having established a significantly lower cost base, Nera Networks expects that continued improved order entry and revenue will generate further earnings improvements in 2008.

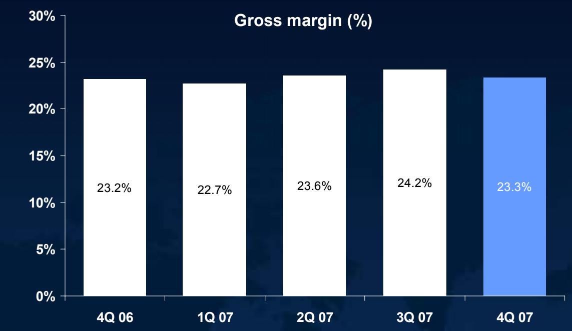
While 2007 was a year of acquisition, restructuring and integration, 2008 will be a year of consolidation and focus on operational excellence, targeting revenue growth above market growth and improved earnings and cash flow.

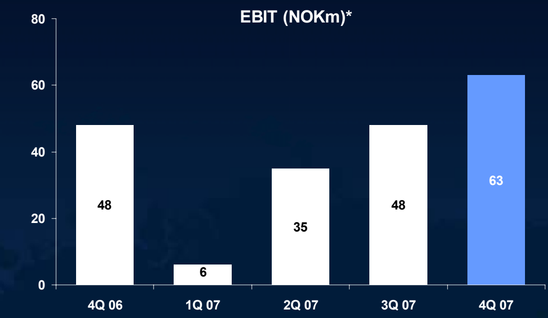
Drammen, 14 February 2008
The Board of Directors, Eltek ASA

QUARTERLY DEVELOPMENT ELTEK GROUP



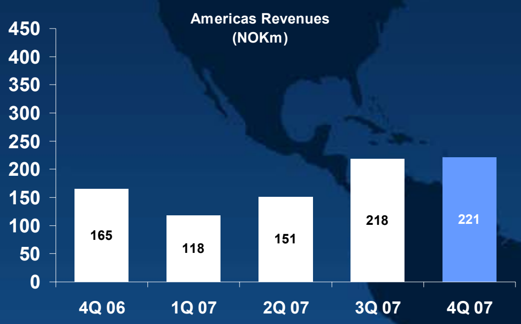


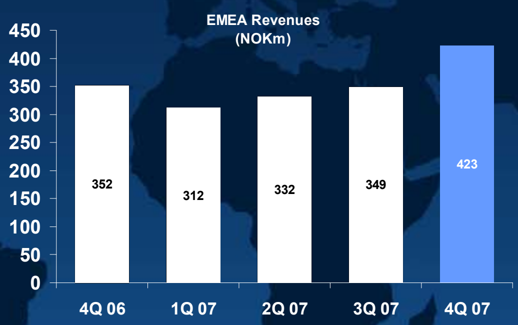


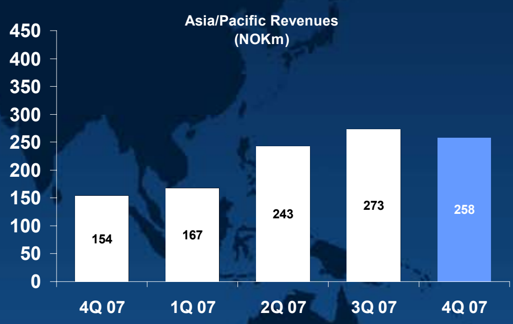


*EBIT before non-recurring items

QUARTERLY DEVELOPMENT BY REGION - ELTEK VALERE







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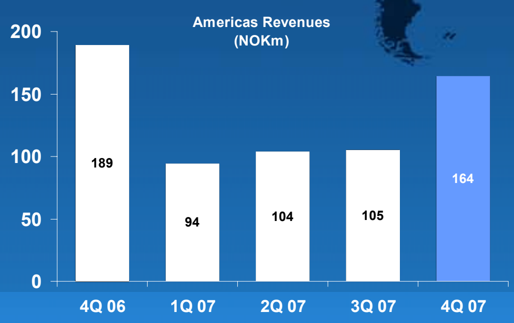

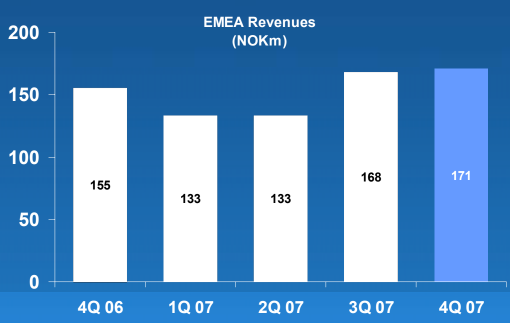

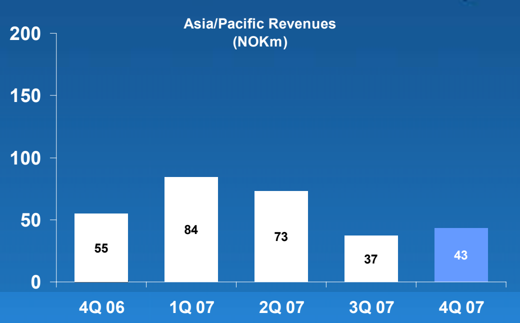

Consolidated income statement (unaudited)

Amounts in NOK 1 000	4Q 2007	4Q 2006	2007	2006
Revenue	1 427 326	1 207 388	4 820 790	3 121 116
Cost of sales	-1 095 202	-927 032	-3 688 640	-2 347 655
Gross profit	**332 124**	**280 356**	**1 132 150**	**773 461**
Selling and marketing costs	-131 177	-111 942	-467 129	-242 973
Administrative expenses	-85 996	-61 664	-301 049	-179 230
R&D and engineering costs	-70 047	-59 448	-231 403	-136 602
Other operating items	-52 028	-48 881	-87 418	-25 341
Operating profit	**-7 123**	**-1 579**	**45 151**	**189 316**
Share of result in associated companies	885	907	885	907
Net financial items	21 732	-13 560	2 627	-33 030
Profit before income tax	**15 494**	**-14 232**	**48 663**	**157 193**
Income tax expense	-56 133	-1 988	-112 122	-50 583
Net profit from continuing operations	**-40 640**	**-16 220**	**-63 459**	**106 610**
Profit from discontinued operations			33 000	
Net profit	**-40 640**	**-16 220**	**-30 459**	**106 610**
Attributable to:				
Equity holders	-41 020	-22 516	-65 061	86 524
Minority interests	381	6 296	34 602	20 086
Basic EPS (NOK)	-0.83	-0.46	-1.32	2.36
Diluted EPS (NOK)	-0.83	-0.46	-1.32	2.35

Consolidated balance sheet (unaudited)

Amounts in NOK 1 000	31.12.2007	31.12.2006
Property, plant & equipment	358 735	223 052
Intangible assets	1 270 380	757 277
Deferred income tax asset	441 033	478 470
Other non-current assets	16 783	16 469
Total non-current assets	**2 086 931**	**1 475 268**
Inventories	830 343	766 299
Trade and other receivables	2 165 738	1 794 268
Cash and cash equivalents	592 152	750 075
Total current assets	**3 588 233**	**3 310 642**
Total assets	**5 675 164**	**4 785 909**
Share capital	49 206	49 206
Other reserves	1 955 477	2 141 400
Capital and reserves attributable to equity holders of the Company	2 004 683	2 190 606
Minority interest	435 958	213 967
Total equity	**2 440 641**	**2 404 572**
Borrowings	787 921	464 594
Deferred income tax liabilities	0	10 543
Retirement benefit obligations	153 012	310 927
Provisions for other liabilities and charges	35 524	42 964
Total non-current liabilities	**976 457**	**829 028**
Borrowings	437 960	104 261
Trade creditors and other payables	1 631 688	1 265 171
Current income tax payable	48 805	39 301
Provisions for other liabilities and charges	139 612	143 575
Total current liabilities	**2 258 066**	**1 552 308**
Liabilities related to assets held for sale		
Total liabilities	**3 234 523**	**2 381 336**
Total equity and liabilities	**5 675 164**	**4 785 909**
Equity ratio	43.0 %	50.2 %

Cash flow analysis (unaudited)

Amounts in NOK 1 000	4Q 2007	4Q 2006	2007	2006
Net cash flow from operations	155 824	-52 823	72 235	-250 114
Net cash flow from investments	-96 665	422 408	-876 988	779 062
Net cash flow from financing	188 387	-682 691	646 829	-245 445
Net change in cash and cash equivalents	**247 546**	**-313 106**	**-157 924**	**283 503**
Cash and cash equivalents, beginning of period	344 606	1 063 182	750 075	466 573
Cash and cash equivalents, end of period	592 152	750 076	592 152	750 076

Consolidated statement of recognized income and expense (unaudited)

Amounts in NOK 1 000	4Q 2007	4Q 2006	31.12.2007	31.12.2006
Actuarial gains/losses	391	-3 908	391	-3 908
Currency translation effects	9 570	-14 417	-167 240	-20 508
Taxes on items taken directly to equity	-	-		
Net income recognized directly in equity	**9 961**	**-18 325**	**-166 849**	**-24 416**
Profit for the period	-40 640	-16 220	-30 459	106 610
Total recognized income for the year	**-30 679**	**-34 545**	**-197 308**	**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 31 December 2007

	Intangible assets				Tangible
	Goodwill	R&D	Other	Total	assets
Net book amount at 01.10.2007	419 228	311 329	744 861	1 475 418	316 471
Restated 01.10.2007 *	563 894	66 160	-622 163	7 890	
Net book amount restated at 01.10.2007	983 121	377 488	122 698	1 483 308	316 471
Additions		43 523	-6 156	37 367	56 592
Disposals		-337	-62	-399	-2 579
Depreciation/write down	-209 627	-28 614	-7 520	-245 762	-22 276
Foreign currency translation effects	-69 344	-3 973	69 183	-4 134	10 527
Net book amount at 31.12.2007	**704 150**	**388 087**	**178 143**	**1 270 380**	**358 735**

Three months ended 31 December 2006

	Intangible assets				Tangible
	Goodwill	R&D	Other	Total	assets
Net book amount at 30.09.2006	138 443	297 289	22 413	458 145	214 360
Effect of Purchase price allocation	263 003	-70 289	78 137	270 851	-
Net book amount at 01.10.2006	401 446	227 000	100 550	728 996	214 360
Additions	6 557	36 261	7 131	49 948	20 017
Disposals			17	17	-203
Depreciation		-14 181	-8 329	-22 510	-11 864
Foreign currency translation effects	-1 168	39	1 954	825	743
Net book amount at 31.12.2006	**406 835**	**249 119**	**101 323**	**757 277**	**223 052**

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

Twelve months ended 31 December 2007

	Intangible assets				Tangible
	Goodwill	**R&D**	**Other**	**Total**	**assets**
Net book amount at 01.01.2007	406 835	249 119	101 323	757 277	223 052
Restated addition Valere *	563 894	70 830	126 012	760 736	14 562
Additions	24 330	156 808	2 859	183 997	195 201
Disposals		-337	-1 101	-1 438	-6 926
Depreciation/write down	-209 627	-81 083	-36 934	-327 644	-60 191
Foreign currency translation effects	-81 282	-7 250	-14 016	-102 548	-6 963
Net book amount at 31.12.2007	**704 150**	**388 087**	**178 143**	**1 270 380**	**358 735**

Twelve months ended 31 December 2006

	Intangible assets				Tangible
	Goodwill	**R&D**	**Other**	**Total**	**assets**
Net book amount at 01.01.2006	77 509	98 125	11 190	186 824	82 100
Additions, Nera Merger	274 730	106 168	87 867	468 765	70 659
Additions	57 479	79 823	10 624	147 926	94 227
Disposals			-1	-1	-480
Depreciation		-35 302	-10 952	-46 255	-24 505
Foreign currency translation effects	-2 883	306	2 595	18	1 051
Net book amount at 31.12.2006	**406 835**	**249 119**	**101 323**	**757 277**	**223 052**

* Final allocation of excess values NOK 761 million related to the Valere acquisition. Amortization of excess values (restated) of NOK 3.4 million in 2Q 07, NOK 10.4 million in 3Q 07 and NOK 6.4 million in 4Q 07. See also Note 4 Business combination.

3. Reconciliation of movements in capital and reserves

	4Q 2007	**4Q 2006**	**31.12.2007**	**31.12.2006**
Equity end of previous period	2 458 732	2 527 300	2 404 572	915 957
Restating effect amortizing PPA	7 890			
Equity beginning of this period	2 466 622	2 527 300	2 404 572	915 957
Total recognized income for the period	-30 679	-34 545	-197 308	82 194
Issue of shares, Nera merger		1 609		
Stock options exercised by employees				12 338
Own shares		-4 672	-901	-4 672
Sales & acquisitions		25 883	244 803	1 504 589
Cost of stock options	4 698	2 098	10 914	10 218
Dividends		-113 100	-21 439	-116 050
Equity end of period	**2 440 641**	**2 404 573**	**2 440 641**	**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 Telecom Power market. The transaction was finalized 1 June 2007 and Valere Power Inc was consolidated into Eltek Group as from this date.

The purchase price allocation (PPA) is finalized in 4Q 2007. 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). Total cost of Valere Power Inc is USD 134 million and total excess value is USD 126 million (NOK 761 million). Total excess value is in accordance with previously reported value. Excess value of USD 33 million (NOK 197 million) is allocated to amortizable intangible assets and USD 93 million (NOK 564 million) is allocated to goodwill. The USD 33 million (NOK 197 million) representing amortizable intangible assets are further allocated to R&D with USD 12 million (NOK 71 million) and Other intangible assets with USD 21 million (NOK 126 million). The amortizable intangible assets are amortized over a period from 3 months (order backlog) to 7 years (customer list). The amortization amounts are charged to “Selling and marketing costs” and “R&D and engineering costs” in the Income statement.

The company originally reported amortization of these excess values with NOK 11 million in 2Q 2007 and NOK 10 million in 3Q 2007. Amortization has been reported as “Other operating items”. Based on the final PPA the amortization charge is NOK 3 million in 2Q 2007, NOK 10 million in 3Q 2007 and NOK 7 million in 4Q 2007. The income statements for 2Q and 3Q have been restated according to the final PPA. See also Note 5.

The acquired business contributed revenues of NOK 352 million to the Group for the period from acquisition to December 31, 2007. If the acquisition had occurred on January 1, 2007 consolidated revenue for the period ending December 31, 2007 would have been NOK 5,067 million.

5. Restated consolidated income statement 2Q 2007 and 3Q 2007 (unaudited)

Amounts in NOK 1 000	Reported 2Q 2007	Restated 2Q 2007	Reported 3Q 2007	Restated 3Q 2007
Revenue	1 123 666	1 123 666	1 281 893	1 281 893
Cost of sales	-858 014	-858 014	-972 233	-972 233
Gross profit	**265 652**	**265 652**	**309 660**	**309 660**
Selling and marketing costs	-107 432	-109 632	-113 313	-120 236
Administrative expenses	-70 447	-70 447	-77 053	-77 053
R&D and engineering costs	-49 896	-51 068	-61 054	-64 553
Other operating items	-11 117	145	-8 628	-31 206
Operating profit	**26 760**	**34 650**	**49 612**	**16 612**
Share of result in associated companies		-		-
Net financial items	-11 382	-11 382	3 498	3 498
Profit before income tax	**15 378**	**23 268**	**53 110**	**20 110**
Income tax expense	-24 207	-24 207	-22 091	-22 091
Net profit from continuing operations	**-8 829**	**-939**	**31 019**	**-1 981**
Profit from discontinued operations	-			33 000
Net profit	**-8 829**	**-939**	**31 019**	**31 019**

The restated 2Q 2007 income statement reflect the final PPA of Valere Power Inc. The reported 2Q income statement include amortization of NOK 11 262 reported as "Other operating items". The restated income statement include amortization charge of NOK 3,372 split between "Selling and marketing costs" and "R&D and engineering costs".

The restated 3Q income statement include PPA Valere Power Inc reclassifying effect of NOK 10,421 from "Other operating items" to "Selling and marketing costs" and "R&D and engineering costs". In addition the gain of NOK 33,000 for the final settlement of pensions liabilities related to the divestiture of Nera Satcom in 2006 has been reclassified from "Other operating items" to "Profit from discontinued operations" in accordance with IFRS 5.

6. Other operating items 4Q 2007 and YTD 2007

The following main items are included in Other operating items:

Impairment charge to goodwill - negative effect NOK 210 million (4Q 2007)

Based on an annual review of capitalized goodwill the income statement has been charged with a write-down of goodwill related to the aquisition of Nera Networks.

Changes in pension schemes - positive effect NOK 162 million (4Q 2007)

The pension schemes applicable for the Norwegian companies within the Group has been changed in 2007. The companies have moved from a defined benefit pension plan to a defined contribution plan.

Restructuring costs - negative effect NOK 31 million (3Q 2007) and NOK 5 million (1Q 2007)

In 3Q 2007 the operating profit was charged with restructuring costs related to the integration of Eltek Energy LLC and Valere Power Inc. in the US. In 1Q 2007 Eltek Energy LLC incurred restructuring costs related to an reduction of sales and manufacturing resources.

7. Income tax expense - 4Q 2007

The income tax expense in Q4 2007 includes a write down of deferred tax asset of NOK 35 million related to the US operations of Eltek Energy LLC.

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