REPORT 3rd QUARTER 2008

REPORT

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Highlights

- **Continued growth in revenue and operating results**
- **Improved operating results in both Eltek Valere and Nera Networks**
- **Lower demand visibility due to global financial turmoil and uncertain credit availability**
- **High financial costs due to increased debt, higher interest rates and currency effects**
- **Continued negative net cash flow due to increased receivables, higher inventories and currency changes**

(NOK million, unaudited)	3Q '08	3Q '07	9M 2008	9M 2007	2007
Order entry	**1 558**	1 569	**4 482**	3 865	5 238
Revenue	**1 407**	1 282	**4 086**	3 394	4 821
Gross Profit	**360**	310	**998**	800	1 132
EBITDA	**138**	64	**320**	173	424
Depreciation & amortization	**-53**	-47	**-144**	-120	-379
EBIT	**85**	17	**176**	52	45
Pre-tax profit	**-8**	20	**110**	33	49
Net profit after tax	**-23**	31	**56**	10	-70
Gross margin (%)	***25.6 %***	*24.2 %*	***24.4 %***	*23.6 %*	*23.5 %*
Non-recurring operational items	***0***	*-31*	***-19***	*-36*	*-106*
EBITDA before non-recurring items	***138***	*94*	***339***	*208*	*321*
EBIT before non-recurring items	***85***	*48*	***194***	*89*	*151*

Note: EBIT includes amortization of PPA related with M&A of NOK 9 million in 3Q'08 (15), NOK 26 million first 9M 2008 (27), and NOK 36 million in 2007.

Key Financials

The figures below describe developments in the third quarter 2008 and the third quarter 2007 (in brackets), and in the first nine months 2008 and the first nine months 2007 (in brackets). Note that the acquisition of Valere Power Inc. by Eltek Energy AS was finalized and consolidated with effect from 1 June, 2007.

Eltek reported revenue of NOK 1,407 million in the third quarter 2008, which was an increase of 10 percent from the third quarter 2007 (1,282) and a marginal decline from the previous quarter (1,413). Adjusted for currency developments, revenue increased 12 percent organically from the third quarter 2007.

For the first nine months 2008, revenue increased by 20 percent to NOK 4,086 million (3,394). Adjusted for currency developments, revenue growth was 28 percent. The growth rate was positively affected by acquisitions during 2007 although currency adjusted organic growth was 20 percent in the first nine months of the year.

Both Eltek Valere and Nera Networks reported strong growth figures for the first nine months, whereas NeraTel revenue has declined over the past year due to delayed Transmission orders.

Order entry was NOK 1,558 million in the third quarter, which was slightly below the third quarter last year (1,569) but eight percent higher than in the second quarter (1,448). Order entry increased year-on-year in both Eltek Valere and Nera Networks but declined in NeraTel. For the first nine months 2008, order entry increased by 16 percent to NOK 4,482 million (3,865).

Gross profit was NOK 360 million (310) in the third quarter, which was an increase of seven percent from NOK 335 million in the previous quarter.

The third quarter gross margin of 25.6 percent (24.2) improved from 23.7 percent in the previous quarter. This reflects a continued gradual improvement in Nera Networks, continued high margin in NeraTel, and a normalisation in Eltek Valere after provisions lowered the margin in the second quarter.

For the first nine months, gross profit was NOK 998 million (800) and gross margin 24.4 percent (23.6).

EBITDA was NOK 138 million in the third quarter (64). EBITDA was not charged with any non-recurring costs in the third quarter, whereas EBITDA in the third quarter 2007 was charged with NOK 31 million in non-recurring costs related to the closing of US operations in Chicago in connection with the integration at new US headquarters in Dallas after the acquisition of Valere Power.

EBITDA increased 38 percent from NOK 100 million in the previous quarter, when the Income Statement was charged with NOK 15 million in non-recurring costs related to changes in Group management.

For the first nine months 2008, reported EBITDA was NOK 320 million (172), including a negative net effect of non-recurring items of NOK 19 million (-36).

Reported EBIT was NOK 85 million in the third quarter (17), an increase from NOK 52 million in the previous quarter. EBIT in the first nine months amounted to NOK 176 million (53).

Net financial costs were NOK 92 million in the third quarter (3), including negative currency effects of NOK 63million. In the previous quarter net financial items amounted to NOK -1 million, including positive currency effects of NOK 23 million.

Excluding currency effects, net financial items were NOK -30 million in the third quarter (-17), up from NOK -24 million in the previous quarter. This reflects both higher average net debt in the third quarter, and higher floating interest rates.

For the first nine months 2008, net financial costs amounted to NOK 66 million (19), including negative net currency effects of NOK 16 million and a financial gain of NOK 18 million stemming from early redemption of a bond loan in the second quarter 2008.

As a result of the high net financial costs, Eltek reported a negative profit before tax of NOK 8 million in the third quarter despite the improvement in operating profit. Profit before tax was NOK 20 million in the third quarter last year and NOK 51 million in the second quarter 2008.

For the first nine months, reported profit before tax totalled NOK 110 million, which is still a sharp improvement from NOK 34 million in the first nine months 2007.

Balance Sheet and Cash Flow

Please note that the acquisition of Valere Power 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. The figures in brackets refer to figures for the first nine months 2007.

Net cash flow from operating activities was NOK -22 million in the third quarter (-27), and NOK -35 million for the first nine months (-84).

The reason for the continued weak cash flow is mainly higher work-in-progress in Nera Networks and NeraTel. Receivables also increased as a result of higher deliveries, a change in the geographical sales mix in Eltek Valere, and relatively higher sales towards the end of the quarter.

Net cash flow from investment was NOK 76 million (104), including capitalized R&D of NOK 31 million (40). Net cash flow from investing activities was NOK -279 million in the first nine months (-780), with capitalization of R&D accounting for NOK 112 million (113).

Net cash flow from financing activities was NOK 33 million in the third quarter (79) and NOK 247 million in the first nine months (458).

The total net cash flow was thus NOK -66 million in the third quarter (-52), and NOK -67 million in the first nine months (-406).

Correspondingly, the gross cash position was reduced from NOK 590 million at 30 June to NOK 525 million at 30 September, 2008.

Eltek had a net debt position of NOK 1,074 million at the end of the third quarter (696), an increase from NOK 879 million at the end of the second quarter and NOK 634 million at the end of the last year.

The increase in net debt during the quarter reflects negative net cash flow and revaluation of balance sheet items. The value of USD-denominated debt increased by NOK 86 million due to the strengthening of USD versus NOK in the quarter.

Gross borrowings amounted to NOK 1,598 million at 30 September 2008, up from NOK 1,226 million at 31 December, 2007.

Eltek has been granted a six-month postponement of a USD 16.7 million installment which was scheduled in November 2008, and no borrowings are due for repayment in the final quarter of the year.

Gross holdings of cash and cash equivalents amounted to NOK 525 million at 30 September, compared to NOK 590 million at 30 June and NOK 592 million at the end of 2007.

Total assets amounted to NOK 6,389 million at 30 September 2008, compared to NOK 5,629 million at the end of 2007. The increase is mainly explained by higher current assets, in particular trade and other receivables.

Equity was NOK 2,469 million and the equity ratio corresponding 38.7 percent. At the end of 2007, equity stood at NOK 2,394 million and the equity ratio at 42.5 percent.

Segment information

Eltek 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 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 radio 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 and separately listed on the Singapore Exchange.

Eltek Valere

NOKm	3Q 2008	3Q 2007	9M '08	9M '07	2007
Order entry	**861**	841	**2 658**	2 231	3 096
Revenue	**929**	840	**2 581**	2 164	3 065
Gross profit	**232**	216	**633**	543	770
EBITDA	**100**	54	**240**	170	259
Depreciation and amortization	**-31**	-29	**-86**	-65	-99
EBIT	**70**	26	**155**	106	160
Gross margin (%)	***25.0 %***	*25.7 %*	***24.5 %***	*25.1 %*	*25.1 %*
GM (%) before non-recurring items	***25.0 %***	*25.7 %*	***0.0 %***	*0.0 %*	*25.1 %*
Non-recurring items	***-***	*-31*	***-4***	*-36*	*-40*
EBITDA before non-recurring items	***100***	*85*	***244***	*206*	*299*
EBIT before non-recurring items	***70***	*57*	***158***	*142*	*200*

Notes: Valere Power included with effect from 1 June, 2007. EBIT includes amortization of PPA with NOK 6 million per quarter in 2008 and NOK 19 million in 2007.

Revenue

Although global demand for telecom equipment has continued to be modest throughout 2008, Eltek Valere was able to achieve a 4 percent growth in the third quarter compared to the second quarter of 2008. Growth was relatively flat in the more mature markets in Europe, but significant growth in the Middle East, South America and China more than offset a decline in India and North America.

Eltek Valere reported revenue of NOK 929 million in the third quarter 2008, an 11 percent increase from NOK 840 million in the third quarter last year and four percent above the NOK 894 million in the previous quarter.

Adjusted for currency developments, revenue increased 13 percent from the third quarter last year.

Despite a somewhat lower growth rate compared to previous quarters, Eltek Valere continues to show higher growth than the overall market.

EMEA accounted for 44 percent of revenue in the third quarter, whereas Asia Pacific and Americas accounted for 28 percent each.

Revenue in EMEA amounted to NOK 408 million, which was an increase of 17 percent from the previous quarter. This reflects improved revenue in Russia and UK, and in Saudi Arabia, whereas revenue declined in the European Mediterranean region. Revenue in EMEA was flat from the third quarter last year.

Revenue in the Americas amounted to NOK 263 million, an increase of 13 percent from the previous quarter. Revenue in South America reflected a continued quarter-over-quarter growth trend, with Brazil leading the way, whereas demand remained weak in North America. Revenue in the Americas increased nine percent from the third quarter 2007.

Revenue in Asia Pacific was NOK 258 million, which was a decline of 17 of percent from the second quarter. As expected, revenue in India declined from historically high levels in the first half of the year, and revenue was also weak in Vietnam and the Philippines. Partially offsetting these reductions, revenue increased in Thailand, Pakistan and China. Compared to the third quarter 2007, Asia Pacific showed a revenue increase of 12 percent.

For the first nine months 2008, Eltek Valere posted revenue of NOK 2,581 million, which was an increase of 19 percent from NOK 2,164 million in the first nine months 2007. Adjusted for currency developments, the revenue growth was 27 percent.

Gross margin

Eltek Valere reported a gross profit of NOK 232 million in the third quarter (216), and a gross margin of 25.0 percent (25.7).

This was an improvement from NOK 209 million and 23.4 percent, respectively, in the second quarter 2008. Excluding a warranty provision of NOK 18 million, second quarter gross margin would have been 25.4 percent. The warranty provisions related to estimated costs of repairing a product tailor-made for a European mobile operator.

For the first nine months 2008, the gross margin was 24.5 percent (25.1). Adjusted for the warranty provision in the second quarter the gross margin was 25.2 percent, indicating that the underlying gross margin has been relatively stable.

Operating costs

Operating costs amounted to NOK 157 million in the third quarter (149), excluding non-recurring items and amortization of PPA. This was an increase of NOK 4 million from the previous quarter, which mainly reflects higher volumes and currency effects increased costs in NOK in the international operations.

For the first nine months 2008, operating costs amounted to NOK 457 million (388), excluding non-recurring items and amortisation of PPA. The increase primarily reflects the acquisition of Valere Power and higher volumes.

Operating profit

EBITDA was NOK 100 million in the third quarter 2008 (54), which was an improvement from NOK 79 million in the second quarter.

Eltek Valere did not recognize any non-recurring items in either the third or the second quarter 2008 but for comparison it should be noted that the Income Statement in the third quarter 2007 was charged with NOK 31 million of non-recurring costs related to the closure of the Chicago facilities due to the integration at new US headquarters in Dallas after the acquisition of Valere Power earlier in the year.

Reported EBIT was NOK 70 million (26), which was an increase from NOK 50 million in the previous quarter.

Amortization of excess value (PPA) relating to the acquisition of Valere Power has been stable at NOK 6 million per quarter in 2008.

For the first nine months 2008, EBITDA amounted to NOK 240 million (170), whereas EBIT was NOK 155 million (106). These figures include non-recurring costs of NOK 4 million in the first nine months of 2008 and NOK 36 million in the first nine months 2007.

Order entry

Eltek Valere recorded new orders of NOK 861 million in the third quarter (841), compared to NOK 873 million in the previous quarter.

For the first nine months 2008, order entry amounted to NOK 2,657 million, which was an increase of 19 percent from NOK 2,231 million in the first nine months 2007.

The increase in order entry has been most significant in South America and Asia Pacific over the past year, whereas the development has been weaker in the more mature markets in North America and Europe.

Order backlog was NOK 601 million at the end of the third quarter (563), a decrease of 10 percent from the end of the second quarter and an increase of 14 percent from NOK 526 million at the end of 2007.

NOK 451 million was for delivery within 90 days, down from NOK 540 million at the end of the second quarter but up from NOK 372 million at the end of 2007.

Nera Networks

NOKm	3Q 2008	3Q 2007	9M '08	9M '07	2007
Order entry	**504**	408	**1 425**	1 015	1 431
Revenue	**420**	310	**1 194**	932	1 311
Gross profit	**95**	57	**256**	145	214
EBITDA	**38**	3	**84**	-18	-70
Depreciation and amortization	**-17**	-12	**-44**	-36	-47
EBIT	**21**	-9	**41**	-53	-118
Gross margin (%)	***22.6 %***	*18.4 %*	***21.5 %***	*15.6 %*	*16.3 %*
Non-recurring items	***0***	*0*	***0***	*0*	*-65*
EBITDA before non-recurring items	***38***	*3*	***84***	*-18*	*-6*
EBIT before non-recurring items	***21***	*-9*	***41***	*-53*	*-52*

Revenue

Nera Networks continued to show improvements in delivery capabilities and order entry and in revenue and margin also in the third quarter. The developments in the quarter confirmed the positive market reception of its new generation of software defined transmission radios.

Revenue in Nera Networks amounted to NOK 420 million in the third quarter 2008, which was an increase of 36 percent from NOK 310 million in the third quarter last year and four percent above the NOK 402 million in the previous quarter.

Adjusted for currency developments, revenue growth was 38 percent from the third quarter last year, driven by gradually increasing production and deliveries of radios in the new Evolution Series.

EMEA accounted for some 41 percent of revenue and Americas for a little over 40 percent, with Asia Pacific making up the remaining 18 percent. Compared with the previous quarter, revenue declined in EMEA but increased significantly in both the other main regions.

EMEA accounted for NOK 174 million, which was a decline of 18 percent from the previous quarter. In Europe, revenue increased in Italy but declined in the Russia. Western Europe remains weak. Saudi Arabia drove revenue in the Middle East upwards. In Africa, revenue improved in South Africa and Morocco but declined in Equatorial Guinea from high levels in the first half of the year. EMEA revenue was four percent higher than in the third quarter 2007.

Revenue in the Americas was NOK 170 million, which was an increase of 22 percent from the previous quarter and 62 percent from the third quarter last year. Brazil continues to develop positively, whereas US revenue remained low.

Asia Pacific accounted for NOK 76 million, which was an increase of 48 percent from the previous quarter and more than a doubling from the third quarter last year. The increase from the second quarter primarily reflects higher deliveries to NeraTel.

For the first nine months 2008, Nera Networks achieved revenue of NOK 1,194 million, which was an increase of 28 percent from NOK 932 million in the first nine months 2007. On a currency adjusted basis the increase was 35 percent.

The high growth rates reflect that Nera Networks has started to recapture market shares after the launch of the Evolution Series radios, and the software-defined Evolution Series also covers a larger share of the transmission market than Nera Networks' earlier product generation.

Gross margin

Nera Networks reported a gross profit of NOK 95 million in the third quarter (57), which was an increase of eight percent from the second quarter.

The gross margin increased to 22.6 percent (18.4), from 22.0 percent in the previous quarter.

The improvement reflects that higher production of Evolution radios improve the overall manufacturing efficiency and capacity utilisation. Sales of high-margin license and software upgrades are also an increasing positive contribution, as the installed base of Evolution Series radios is growing.

For the first nine months 2008, gross profit amounted to NOK 256 million (21.5 percent), a sharp increase from NOK 145 million (15.6 percent) in the first nine months 2007.

Further production ramp-up, increased breadth in the Evolution Series portfolio, and increased sales of software and licenses are expected to continue to support the positive margin development going forward.

Operating costs

Nera Networks had operating costs of NOK 74 million in the third quarter (66), which was a marginal increase from NOK 73 million in the second quarter.

Operating costs thus continue to decline as a percentage of revenue. The ratio was 17.5 percent in the third quarter (21.2), compared to 18.2 percent in the previous quarter.

For the first nine months 2008 operating costs amounted to NOK 216 million, compared to NOK 197 million in the first nine months 2007. The cost ratio declined to 18.1 percent of revenue, from 21.2 percent in the first nine months of 2007.

Operating profit

Nera Networks achieved an EBITDA of NOK 38 million in the third quarter (3), which was an increase from NOK 29 million in the previous quarter.

For the first nine months 2008 EBITDA amounted to NOK 84 million, which compares to an EBITDA-loss of NOK 18 million in the first nine months 2007.

The sharp EBITDA-improvement over the past year reflects both higher revenue and improved gross margin as a result of higher capacity utilization and a more cost-efficient product portfolio.

EBIT was NOK 21 million in the third quarter 2008 (-9), which was an increase from NOK 15 million in the second quarter.

In the first nine months 2008 EBIT was NOK 41 million, which compares to an EBIT-loss of NOK 53 million for the first nine months 2007.

Order entry

Order entry increased for the fifth consecutive quarter. New orders amounted to NOK 504 million in the third quarter (408), which was an increase of 7 percent from the previous quarter. For the first nine months 2008 order entry increased by 40 percent to NOK 1,425 million (1,015).

Order entry continued on a strong note in Latin-America, in particular in Brazil and Argentina. In EMEA, order entry was boosted by a large order in Bulgaria. Order entry also increased in Asia Pacific. The market remained weak in the US and Western Europe.

The order backlog stood at NOK 847 million at the end of the third quarter (579), an increase of 11 percent from NOK 764 million at the end of the second quarter. NOK 484 million was for delivery within 90 days, an increase from NOK 330 million at the end of the previous quarter.

Given that the order backlog remains relatively high in historical terms, the main focus remains on continued increased delivery capability.

Evolution update

The growth in revenue and order entry demonstrate the competitiveness of the software defined Evolution Series radios, which have enabled Nera Networks to regain market share over the last year.

The number of Evolution radios produced increased by 40 percent from the previous quarter, and accounts for close to 90 percent of the total number of radios produced by Nera Networks. Due to increased orders from Asia Pacific, the number of Interlink radios increased some 60 percent from the previous quarter, although from low levels.

The Evolution Series portfolio enables Nera Networks to address a larger portion of the PtP transmission market than the company was able to target with its older product generations. Market analysts Skylight Research also points to software defined radios as one of the growth drivers going forward.

Evolution was first launched in the mid-capacity range last year, and a lower capacity radio was added last fall. This year the company has introduced Evolution Long-Haul, which accounted for approximately 10 percent of deliveries in the third quarter. Nera Networks expects to complete the portfolio with the launch of a low capacity radio for the access market during 2009.

NeraTel

NOKm	3Q 2008	3Q 2007	9M '08	9M '07	2007
Order entry	**272**	359	**517**	765	897
Revenue	**128**	175	**427**	495	680
Gross profit	**33**	37	**108**	113	150
EBITDA	**10**	15	**42**	46	63
Depreciation and amortization	**-5**	-6	**-15**	-18	-23
EBIT	**5**	10	**28**	28	39
Gross margin (%)	***25.4 %***	*21.1 %*	***25.3 %***	*22.8 %*	*22.1 %*

Note: EBIT includes quarterly amortization of PPA with NOK 2 million per quarter in 2008 and NOK 18 million for 2007.

NeraTel reported revenue of NOK 128 million in the third quarter (175), which was a six percent decline from the second quarter.

For the first nine months 2008 revenue amounted to NOK 427 million, which was a decline of 14 percent from NOK 495 million in the first nine months 2007.

The lower revenue year-to-date reflects delayed orders and deliveries on certain major Transmission contracts.

Gross profit was NOK 33 million in the third quarter (37), and the gross margin remained strong at 25.4 percent (21.1). However, both gross profit and margin declined from the previous quarter, from NOK 37 million and 27.3 percent, respectively.

The continued high margin level is primarily explained by the product mix, as high-margin Infocomm revenue were relatively higher than Transmission revenue.

For the first nine months 2008, gross profit was NOK 108 million (113) and the gross margin 25.3 percent (22.8).

EBITDA was NOK 10 million in the third quarter (15), compared to NOK 17 million in the previous quarter, whereas the EBIT of NOK 5 million (10), compares to NOK 12 million in the second quarter.

For the first nine months 2008, EBITDA was NOK 42 million (46), whereas EBIT was NOK 28 million (28).

Flat EBIT despite lower EBITDA is explained by lower amortization of PPA, which declined to NOK 7 million for the first nine months of 2008 from NOK 11 million in the first nine months last year.

Order entry was NOK 272 million in the third quarter (359), which was up from NOK 119 million in the previous quarter and an encouragement after several weak quarters. Order entry is generally bulky in NeraTel, in particular for transmission systems.

For the first nine months order entry amounted to NOK 517 million (765).

As a result of higher order entry the order backlog increased to NOK 540 million at the end of the third quarter, from NOK 396 million at the end of the second quarter. NOK 301 million was for delivery within 90 days, compared to NOK 137 million at the end of the second quarter.

NeraTel is a separately listed company on the Singapore Exchange. The company presented its interim results for the third quarter 2008 on 16 October 2008. For further information, please see www.neratel.com.sg.

Corporate

Corporate costs amounted to NOK 11 million in the third quarter 2008 (9).

This is a cost decline from NOK 26 million in the second quarter, when Corporate was charged with NOK 15 million in severance pay, recruitment cost, legal fees and other costs related to changes in Group management.

For the first nine months 2008 corporate costs amounted to NOK 48 million including the above mentioned non-recurring costs (27).

Organizational changes

Mr. Jan T. Jørgensen took on the position as CEO of Eltek with effect from 4 August, 2008.

Jørgensen replaced Mr. Jørgen Larsen, who served as acting CEO in a transition period and now has returned to the position as EVP Business Development.

After the end of the third quarter, Mr. Lars Jervan resigned from his position as CEO of the wholly owned subsidiary Nera Networks. Mr. Per Arne Henæs has been acting CEO since Jervan took temporary leave of absence in February 2008, and has now resumed the responsibility as CEO on permanent basis.

Outlook

Demand growth has been relatively modest in the telecom equipment industry, and demand visibility has been significantly reduced as a result of the financial turmoil. Project credit availability has been reduced in most markets, and the price of project financing has increased.

Eltek Valere has seen a relatively flat order entry level over the past few quarters. Although revenue increased in the third quarter, capital spending has been significantly curtailed by customers in North America for the fourth quarter, and the global economic conditions may negatively impact sales volumes also in other regions until the financial markets stabilize.

Nera Networks continued to build on its order backlog also in the third quarter of the year, and has a relatively high backlog for deliveries in the fourth quarter 2008. The vast majority of new orders are for Evolution Series radios, which offer better economics than previous radio generations. Nera Networks therefore expects revenue growth and margin improvement to continue also in the fourth quarter.

Although the Evolution radio series is well positioned for the current demand trends, the negative effects of tighter credit availability and potentially lower demand for telecom equipment obviously reduces demand visibility also in the Transmission segment of the market.

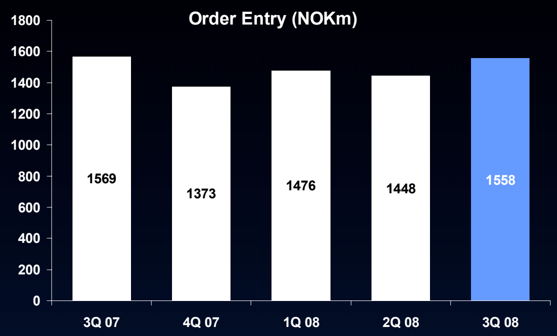
NeraTel saw a pick-up in order entry in the third quarter and a sharp increase in the order backlog for delivery in the following quarter. However, longer-term demand visibility has been reduced also for NeraTel.

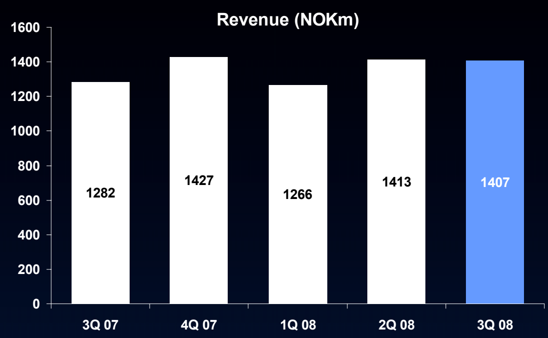
Total net cash flow was negative in the third quarter and net debt continued to increase. Working capital remains the top priority for the management, both to improve collection of receivables and to reduce inventories. Net cash flow will also depend on developments in currency exchange rates.

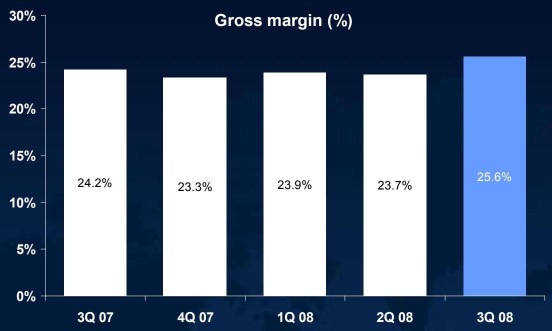
Eltek considers several measures to improve the overall liquidity situation, such as increased credit lines and/or bridge loans, divestment of non-core assets, and possibly the raising of new equity

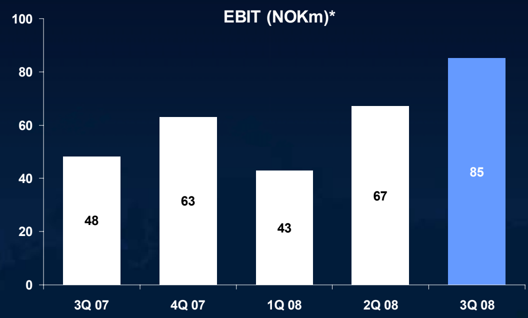
Drammen, 21 October 2008
The Board of Directors, Eltek ASA

QUARTERLY DEVELOPMENT ELTEK GROUP



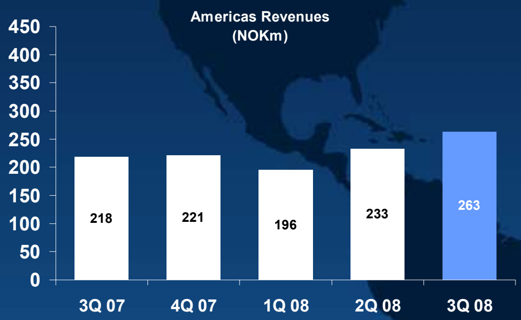


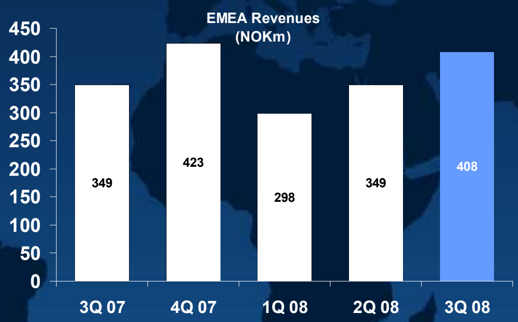


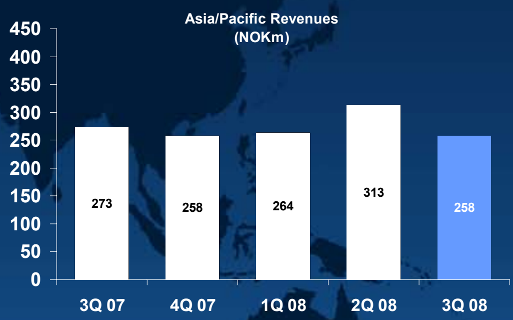


*EBIT before non-recurring items

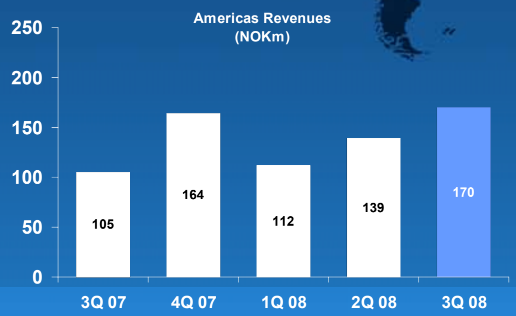
QUARTERLY DEVELOPMENT BY REGION - ELTEK VALERE

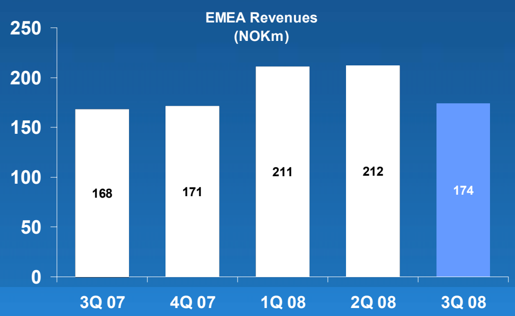


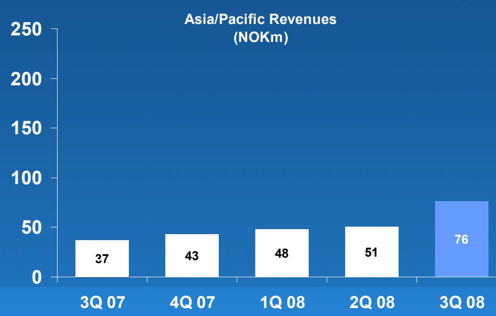




QUARTERLY DEVELOPMENT BY REGION - NERA NETWORKS







Consolidated income statement (unaudited)

Amounts in NOK Million	3Q 2008	3Q 2007	YTD 2008	YTD 2007	2007
Revenue	1 406.7	1 281.9	4 085.8	3 393.5	4 820.8
Cost of sales	-1 046.8	-972.2	-3 088.1	-2 593.4	-3 688.6
Gross profit	**359.9**	**309.7**	**997.7**	**800.0**	**1 132.2**
Selling and marketing costs	-126.4	-120.2	-372.0	-336.0	-467.1
Administrative expenses	-79.1	-77.1	-240.0	-215.1	-301.0
R&D and engineering costs	-69.2	-64.6	-190.3	-161.4	-231.4
Other operating items	-0.7	-31.2	-19.6	-35.4	-87.4
Operating profit	**84.5**	**16.6**	**175.8**	**52.3**	**45.2**
Share of result in associated companies	0.0	0.0	0.0	0.0	0.9
Net financial items	-92.1	3.5	-65.9	-19.1	2.6
Profit before income tax	**-7.6**	**20.1**	**109.9**	**33.2**	**48.7**
Income tax expense	-15.7	-22.1	-53.4	-56.0	-152.1
Net profit from continuing operations	**-23.3**	**-2.0**	**56.5**	**-22.8**	**-103.5**
Profit from discontinued operations	0.0	33.0	0.0	33.0	33.0
Net profit	**-23.3**	**31.0**	**56.5**	**10.2**	**-70.5**
Attributable to:					
Equity holders	-22.5	20.7	31.6	-25.5	-105.1
Minority interests	-0.8	10.3	24.9	35.6	34.6
Basic EPS (NOK)	-0.46	0.42	0.64	-0.52	-2.14
Diluted EPS (NOK)	-0.46	0.43	0.64	-0.53	-2.14

Consolidated balance sheet (unaudited)

Amounts in NOK Million	30.09.2008	30.09.2007	31.12.2007
Property, plant & equipment	464.2	316.5	358.7
Intangible assets	1 385.1	1 483.3	1 270.4
Deferred income tax asset	406.4	470.1	394.7
Other non-current assets	14.1	14.2	16.8
Total non-current assets	**2 269.8**	**2 284.1**	**2 040.6**
Inventories	990.5	813.6	830.3
Trade and other receivables	2 594.5	2 112.3	2 165.7
Cash and cash equivalents	524.6	344.6	592.2
Total current assets	**4 109.5**	**3 270.5**	**3 588.2**
Total assets	**6 379.3**	**5 554.6**	**5 628.8**
Share capital	49.2	49.2	49.2
Other reserves	2 001.6	2 004.2	1 908.4
Capital and reserves attributable to equity holders of the Company	2 050.8	2 053.4	1 957.6
Minority interest	417.8	413.2	436.7
Total equity	**2 468.6**	**2 466.6**	**2 394.3**
Borrowings	862.3	897.3	787.9
Deferred income tax liabilities	2.3	0.0	0.0
Retirement benefit obligations	153.8	309.7	153.0
Provisions for other liabilities and charges	27.6	38.0	35.5
Total non-current liabilities	**1 045.9**	**1 245.0**	**976.5**
Borrowings	736.1	143.3	438.0
Trade creditors and other payables	1 921.5	1 517.8	1 611.4
Current income tax payable	25.1	35.7	48.8
Provisions for other liabilities and charges	182.0	146.3	159.9
Total current liabilities	**2 864.8**	**1 843.0**	**2 258.1**
Total liabilities	**3 910.7**	**3 088.0**	**3 234.5**
Total equity and liabilities	**6 379.3**	**5 554.6**	**5 628.8**
Equity ratio	**38.7 %**	**44.4 %**	**42.5 %**

Cash flow analysis (unaudited)

Amounts in NOK Million	3Q 2008	3Q 2007	YTD 2008	YTD 2007	2007
Net cash flow from operations	-22.0	-27.0	-35.3	-83.6	96.5
Net cash flow from investments	-76.4	-104.2	-279.2	-780.3	-901.7
Net cash flow from financing	32.6	78.8	247.0	458.4	647.3
Net change in cash and cash equivalents	**-65.8**	**-52.4**	**-67.4**	**-405.5**	**-157.9**
Cash and cash equivalents, beginning of period	590.5	397.0	592.2	750.1	750.1
Cash and cash equivalents, end of period	524.6	344.6	524.6	344.6	592.2

Consolidated statement of recognized income and expense (unaudited)

Amounts in NOK Million	3Q 2008	3Q 2007	YTD 2008	YTD 2007	2007
Actuarial gains/losses					1.5
Currency translation effects	150.1	-124.6	60.9	-179.1	-170.2
Net income recognized directly in equity	**150.1**	**-124.6**	**60.9**	**-179.1**	**-168.6**
Profit for the period	-23.3	31.0	56.5	10.2	-70.5
Total recognized income for the year	**126.8**	**-93.6**	**117.4**	**-168.9**	**-239.1**

Notes to the interim consolidated financial statements (unaudited)

1. Accounting principles

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as approved by EU and additional requirements in the Norwegian Securities Trading Act. They do not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the Eltek Annual report 2007. These interim consolidated financial statements are unaudited.

The accounting policies and methods of computation applied in these consolidated interim financial statements are the same as those applied in the Annual Report 2007.

As a result of rounding differences, numbers or percentages may not add up to the total.

2. Segment information

Business segment is the primary reporting format for Eltek, as product and services represents the predominant source and nature of risk and returns. The Eltek Group operates in three business areas : Eltek Valere (energy systems), Nera Networks (transmission) and Nera Telecommunications (telecom and infocom).

Eltek Valere

Amounts in NOK Million	3Q 2008	3Q 2007	YTD 2008	YTD 2007	2007
INCOME STATEMENT					
Revenue	928.8	839.7	2 581.1	2 163.0	3 064.5
Gross profit	232.4	216.3	633.3	543.3	770.2
Operating profit/segment results	69.6	25.9	155.0	105.4	159.9
ASSETS AND LIABILITIES					
Total assets			3 482.4	3 075.4	3 234.2
Total liabilities			1 849.4	1 523.1	1 676.8
OTHER SEGMENT INFORMATION INCL. ABOVE					
Depreciation & amortization	30.9	29.2	85.4	65.6	106.7
Capital expenditure	25.9	34.1	130.3	895.6	940.7
Gain change pension scheme					18.4
Restructuring expenses		31.0		36.0	35.9
REVENUE BY GEOGRAPHICAL REGION					
Americas	262.8	213.5	691.9	482.8	708.3
EMEA (Europe, Middle East and Africa)	407.9	347.7	1 054.7	991.9	1 416.1
Asia Pacific	258.1	278.5	834.5	688.3	940.0

Nera Networks

Amounts in NOK Million	3Q 2008	3Q 2007	YTD 2008	YTD 2007	2007
INCOME STATEMENT					
Revenue	420.1	309.9	1 193.6	932.2	1 311.0
Gross profit	94.9	56.6	256.5	144.2	212.8
Operating profit/segment results	21.5	-9.0	40.6	-52.9	-117.5
ASSETS AND LIABILITIES					
Total assets			1 994.1	1 829.3	1 700.6
Total liabilities			1 662.4	1 408.9	1 382.4
OTHER SEGMENT INFORMATION INCL. ABOVE					
Depreciation & amortization	16.8	11.7	43.6	35.5	46.8
Capital expenditure	28.2	67.9	134.7	146.3	196.6
Impairment goodwill					209.6
Gain change pension scheme					144.2
REVENUE BY GEOGRAPHICAL REGION					
Americas	169.8	105.0	421.1	303.8	467.5
EMEA (Europe, Middle East and Africa)	174.1	168.5	596.7	433.9	606.4
Asia Pacific	76.2	36.4	175.8	194.5	237.2

Nera Telecommunications

Amounts in NOK Million	3Q 2008	3Q 2007	YTD 2008	YTD 2007	2007
INCOME STATEMENT					
Revenue	128.4	174.7	426.6	494.3	679.1
Gross profit	32.6	36.7	107.9	112.4	149.1
Operating profit/segment results	4.6	8.7	27.8	26.8	38.1
ASSETS AND LIABILITIES					
Total assets			601.7	512.2	562.7
Total liabilities			262.4	182.5	214.2
OTHER SEGMENT INFORMATION INCL. ABOVE					
Depreciation & amortization	5.3	5.8	9.3	18.5	23.9
Capital expenditure	6.8	3.9	12.0	11.8	14.9
REVENUE BY GEOGRAPHICAL REGION					
Americas		7.6		7.6	7.5
EMEA (Europe, Middle East and Africa)	0.4	2.6	2.1	8.1	9.6
Asia Pacific	128.0	164.5	424.5	478.6	661.9

Corporate/unallocated/eliminations

Amounts in NOK Million	3Q 2008	3Q 2007	YTD 2008	YTD 2007	2007
INCOME STATEMENT					
Revenue	-70.7	-42.4	-115.5	-196.0	-233.8
Gross profit					
Operating profit/segment results	-10.7	-9.0	-47.1	-27.1	-35.5
ASSETS AND LIABILITIES					
Total assets			301.1	137.7	131.3
Total liabilities			136.5	-26.5	-38.9
OTHER SEGMENT INFORMATION INCL. ABOVE					
Depreciation and amortization	0.2	0.2	0.6	0.6	0.8
Capital expenditure	0.4	5.7	0.4	6.9	1.3

3. Property, plant & equipment and Intangible assets

Three months ended 30 September 2008

	Intangible assets				Tangible
	Goodwill	**R&D**	**Other**	**Total**	**assets**
Net book amount at 01.07.2008	703.3	420.1	157.7	1 281.1	435.2
Additions		30.8	1.8	32.6	28.7
Disposals				0.0	-1.4
Depreciation/write down		-27.5	-7.9	-35.4	-17.6
Foreign currency translation effects	82.1	10.3	14.4	106.8	19.3
Net book amount at 30.09.2008	**785.4**	**433.7**	**166.0**	**1 385.1**	**464.2**

Three months ended 30 September 2007

	Intangible assets				Tangible
	Goodwill	**R&D**	**Other**	**Total**	**assets**
Net book amount at 01.07.2007	981.9	358.7	199.7	1 540.3	285.6
Additions	7.9	40.5	2.1	50.5	61.0
Disposals			-0.5	-0.5	-3.6
Depreciation restated *		-19.5	-12.8	-32.3	-14.3
Foreign currency translation effects	-6.7	-2.1	-65.9	-74.7	-12.2
Net book amount at 30.09.2007 restated *	**983.1**	**377.6**	**122.6**	**1 483.3**	**316.5**

Nine months ended 30 September 2008

	Intangible assets				Tangible
	Goodwill	**R&D**	**Other**	**Total**	**assets**
Net book amount at 01.01.2008	704.2	388.1	178.1	1 270.4	358.7
Additions	32.7	111.7	2.6	147.0	130.4
Disposals				0.0	-3.7
Depreciation/write down		-72.6	-22.4	-95.1	-48.9
Foreign currency translation effects	48.6	6.6	7.7	62.8	27.7
Net book amount at 30.09.2008	**785.4**	**433.7**	**166.0**	**1 385.1**	**464.2**

Nine months ended 30 September 2007

	Intangible assets				Tangible
	Goodwill	**R&D**	**Other**	**Total**	**assets**
Net book amount at 01.01.2007	406.8	249.1	101.3	757.3	223.1
Additions, Valere acquisition	563.9	70.8	126.0	760.7	14.6
Additions	24.3	113.3	9.0	146.6	138.6
Disposals			-1.0	-1.0	-4.4
Depreciation restated *		-52.4	-29.5	-81.9	-38.0
Foreign currency translation effects	-11.9	-3.3	-83.3	-98.4	-17.3
Net book amount at 30.09.2007 restated *	**983.1**	**377.6**	**122.6**	**1 483.3**	**316.5**

* Fixed assets note disclosure 2007 restated to reflect effect of final purchase price allocation of Valere Power Inc. See also Eltek report 4th quarter 2007.

4. Reconciliation of movements in capital and reserves

	3Q 2008	**3Q 2007**	**YTD 2008**	**YTD 2007**	**2007**
Equity end of previous period	2 339.1	2 561.6	2 394.3	2 404.6	2 404.6
Change in opening balance				1.2	1.2
Equity beginning of this period	2 339.1	2 561.6	2 394.3	2 405.8	2 405.8
Total recognized income for the period	126.8	-93.6	117.4	-168.9	-239.1
New minority interest					245.8
Own shares				-0.9	-2.8
Sales & acquisitions		-3.5	-14.7	244.8	
Cost of stock options	2.8	2.1	6.8	6.3	8.5
Dividends			-35.2	-21.4	-23.9
Equity end of period	**2 468.6**	**2 466.6**	**2 468.6**	**2 466.6**	**2 394.3**

5. Borrowings

Eltek has agreed the following changes to the loan agreements with the main financial institutions: i) an installment of USD 16.7 million which was scheduled in November 2008 has been postponed by six months and ii) the interest rate margin has increased to 1.0 - 2.5% dependent on the Net interest bearing debt/EBITDA - ratio.

6. Other acquisitions

In the third quarter 2008, the Group has paid down NOK 16 million of the sellers credit related to the acquisition of shares in Eltek SGS Pvt Ltd as described in the 2nd Quarter 2008 Report. The remaining balance of NOK 21 million is included as borrowings in the balance sheet by the end of September 2008.

7. Income tax expense

Interim period income tax is accrued based on the estimated average annual effective income tax rate for the Group.

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