

REPORT 2nd QUARTER
and 1st HALF YEAR 2009

REPORT

2nd QUARTER AND 1st HALF YEAR 2009

Highlights

- Revenue growth of five percent - currency adjusted decline of eight percent
- Improving gross margin in Eltek Valere - setback in Nera Networks
- Stable EBITDA but EBIT decline due to higher R&D amortisation
- Stronger net finance, mainly due to positive currency effects
- Reduced net working capital by NOK 140 million and net debt by NOK 142 million in the second quarter
- Operating cash flow of NOK 193 million in the second quarter
- Taking measures to reduce costs by NOK 85 million on an annual basis

(NOK million, unaudited)	2Q '09	2Q '08	1H '09	1H '08	2008	1Q '09
Order entry	1,370	1,448	2,788	2,924	6,252	1,418
Revenue	1,487	1,413	2,873	2,679	5,958	1,386
Gross Profit	341	335	675	638	1,364	333
EBITDA	103	100	210	182	323	106
Depreciation, amortization and impairment	-63	-48	-122	-91	-940	-59
EBIT	41	52	88	91	-616	47
Pre-tax profit	68	51	54	117	-758	-14
Gross margin (%)	23.0 %	23.7 %	23.5 %	23.8 %	22.9 %	24.0 %
Non-recurring operational items	-20	-15	-20	-19	-911	0
EBITDA before non-recurring items	124	115	230	201	507	106
EBIT before non-recurring items	61	67	108	110	295	47

Note: EBIT includes amortization of purchase price allocation (PPA) NOK 11 million in 2Q'09 (9), NOK 21 million in 1H'09 (18), and NOK 37 million in 2008.

Income Statement

The figures below describe developments in the second quarter and first half year 2009 (second quarter and first half year 2008 in brackets).

Eltek reported revenue of NOK 1,487 million in the second quarter 2009, which was an increase of five percent from the second quarter 2008 but a decline of eight percent on a currency adjusted basis.

Revenue increased by seven percent from the seasonally weaker first quarter of the year.

Market activity continued to be subdued by the globally weak economic climate, in particular in the more mature markets.

The order entry of NOK 1,370 million in the second quarter was five percent below the second quarter last year and three percent lower than in the previous quarter.

Overall gross profit was relatively stable compared to both the second quarter last year and the first quarter 2009, and the gross margin was 23.0 percent in the quarter. Eltek Valere shows a positive margin development, whereas Nera Networks experienced a setback in the second quarter.

EBITDA amounted to NOK 103 million in the second quarter 2009, roughly in line with both the second quarter last year and the first quarter 2009.

The company is taking restructuring and downsizing measures in both Eltek Valere and Nera Networks. Both companies are aligning the cost levels to lower demand and an uncertain outlook in some of the main markets, and overall annual cost savings are estimated

to NOK 85 million. The second quarter EBITDA was negatively affected with NOK 20 million in severance pay and other restructuring costs related to these processes.

In the second quarter 2008, non-recurring items negatively affected EBITDA by NOK 15 million, whereas no non-recurring items were recognized in the first quarter this year.

Depreciation and amortisation are increasing, in particular due to higher amortisation of R&D, and the EBIT of NOK 41 million was NOK 11 million below the second quarter 2008 and NOK 6 million below the first quarter 2009.

Net financial items were a positive NOK 28 million in the second quarter 2009, including positive currency effects of NOK 55 million but also NOK 2 million in (non-cash) calculated interest related to minority shareholders' put options. The significant positive currency effect in the quarter mainly reflects gains on USD loans in Eltek Valere and effects of appreciation of BRL and ZAR in Nera Brazil and Nera South Africa.

In the second quarter 2008, net financials were a negative NOK 1 million, including a positive currency effect of NOK 23 million.

The reported profit before tax of NOK 68 million in the second quarter compares to NOK 51 million in the second quarter 2008 and a loss before tax of NOK 14 million in the previous quarter.

For the first half year 2009, revenue amounted to NOK 2,873 million. This was an increase of seven percent from the first half year 2008 but a decline of six percent on a currency adjusted basis. Order entry declined by five percent to NOK 2,788 million.

Gross profit increased by six percent to NOK 675 million and EBITDA by 15 percent to NOK 210 million, whereas EBIT declined by four percent to NOK 88 million. Profit before tax declined to NOK 54 million from NOK 117 million in the first half year 2008.

Cash Flow

Net cash flow from operating activities was NOK 193 million in the second quarter 2009, continuing the positive sequential development seen in the first quarter of the year.

Both Eltek Valere and Nera Networks reported positive cash flow from operations in the second quarter, whereas NeraTel had negative operating cash flow following an exceptionally strong cash flow in the previous quarter.

Net working capital was reduced by NOK 140 million in the second quarter. Trade receivables and inventories declined in both Eltek Valere and Nera Networks in absolute terms, and performance indicators such as days of sales outstanding and inventory turn also improved in both segments.

Working capital management remains a key priority in order to further strengthen the financial flexibility and reduce net debt. However, the company does not expect that cash flow from operating activities will be equally strong in the second half of the year.

Net cash flow from investing activities was a negative NOK 65 million in the second quarter, including capitalized R&D of NOK 34 million and NOK 15 million in payments for minority interests in subsidiaries of Eltek Valere.

Net cash flow from investing activities will be affected by a scheduled payment of minority interests in subsidiaries of Eltek Valere also in the second half of the year.

Net free cash flow before financing was thus NOK 128 million in the second quarter, up from a negative NOK 218 million in the second quarter 2008 and from NOK 121 million in the previous quarter.

Net cash flow from financing activities was a negative NOK 186 million, comprising total debt repayments of NOK 164 million and NOK 22 million in payment of dividend to minorities.

Cash and cash equivalents declined NOK 57 million in the second quarter 2009, including currency translation effect.

In the first half year 2009, net cash flow from operating activities amounted to NOK 362 million (-13). Net cash flow from investing activities was a negative NOK 112 million (-203), generating a net free cash flow before financing of NOK 249 million in the first half year 2009 (-216).

Net cash flow from financing was a negative NOK 67 million in the first half year 2009 (+214), and net change in cash and cash equivalents was a positive NOK 147 million including currency translation effect in the first half year 2009 (-2).

Balance Sheet

Both Eltek Valere and Nera Networks have seen positive effects of the focused efforts to improve key performance indicators for working capital.

Overall inventories amounted to NOK 786 million at 30 June, 2009, a reduction of NOK 87 million in the second quarter and down NOK 197 million in the first half year 2009.

Trade receivables were NOK 1,514 million, which was a reduction of NOK 43 million during the second quarter despite a revenue increase in the period. Trade receivables declined by NOK 409 million during the first half year.

Trade payables were NOK 827 million at 30 June, 2009, down NOK 89 million during the quarter and down NOK 169 million from the end of 2008.

Capital tied up in projects was reduced both in the second quarter and the first half year 2009.

Cash and cash equivalents amounted to NOK 769 million at 30 June, 2009, which was an increase of NOK 147 million from end of 2008 but a decline of NOK 57 million during the second quarter. The latter is primarily explained by debt repayments in the quarter.

It should be noted that the cash holdings in the subsidiaries Eltek Valere and NeraTel are not readily available to the holding company.

Total assets were NOK 5,438 million, a decline of NOK 273 million in the second quarter and down NOK 733 million from the end of 2008.

Equity amounted to NOK 1,743 million, an increase of NOK 17 million in the quarter but down NOK 108 million during the first half year. The changes reflect results in the period but also currency translation effects and an equity issue in the first quarter of the year. The equity ratio of 32.0 percent was unchanged during the quarter and slightly up from year-end 2008. Adjusted for goodwill, the equity ratio increased to 31.2 percent from 29.4 percent at the end of the first quarter and 29.1 percent at 31 December 2008.

Gross borrowings amounted to NOK 1,493 million, a reduction of NOK 199 million in the second quarter and of NOK 153 million in the first half year 2009. USD-denominated debt decreased by NOK 39 million in the second quarter and NOK 76 million in the first half year due to a weakening of USD/NOK and payment of a USD 16.7 million instalment in May. The remaining USD term-loan balance was at the end of May converted into a dual-currency loan of USD 46 million and NOK 237 million. The company is within all covenants under its current loan agreements.

Net interest bearing debt amounted to NOK 724 million, compared to NOK 866 million at the end of the first quarter and NOK 1,025 million at 31 December, 2008.

Non-interest bearing liabilities included NOK 174 million in provisions to cover minority shareholders' put options. As explained in previous reports, this both relates to minority shareholders in Eltek Valere holding put options on Eltek ASA, and minority shareholders in subsidiaries of Eltek Valere holding put options on Eltek Valere.

The put options on Eltek ASA were exercisable between 1 February 2009 and 31 July 2009, and Eltek in July received notice that the options had been exercised. The parties have not yet agreed on the Company Equity Value which will form the basis for any transaction. As previously announced, this will be determined by external valuation firms, in a process which is scheduled to be concluded in October 2009.

Following notice of the Company Equity Value, each of the minority shareholders will then have to provide a written notice to Eltek ASA on the sale of shares. Eltek ASA has the right to issue promissory notes to the sellers in lieu of cash.

The minority shareholders in Eltek Valere have previously exercised a call option to convert their shareholdings in Eltek Energy Holding Inc into shares in the parent company Eltek Valere AS. This transaction is not yet effectuated.

Arbitration proceedings are ongoing to resolve other outstanding disputes. These proceedings are unlikely to be resolved until the beginning of 2010.

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.

All the business areas primarily operate outside of Norway. Revenue, order entry/backlog, and operational costs measured in NOK are thus significantly influenced by currency developments. The below table outlines reported and currency adjusted revenue growth.

Revenue growth – 2Q 2009 vs. 2Q 2008

	Reported	Currency adjusted
Eltek Valere	-7%	-20%
Nera Networks	17%	6%
NeraTel	60%	34%
Eltek Group	5%	-8%

Revenue growth – 1H 2009 vs. 1H 2008

	Reported	Currency adjusted
Eltek Valere	-4%	-16%
Nera Networks	20%	10%
NeraTel	38%	23%
Eltek Group	7%	-6%

Eltek Valere

NOKm	2Q 2009	2Q 2008	1H 2009	1H 2008	2008	1Q 2009
Order entry	812	873	1,618	1,797	3,703	806
Revenue	832	894	1,591	1,652	3,664	759
Gross profit	212	209	403	401	866	191
EBITDA	79	79	145	140	285	66
Depr & amortization and impairment	-35	-29	-69	-54	-856	-34
EBIT	44	50	76	85	-571	32
<i>Gross margin (%)</i>	25.5 %	23.4 %	25.3 %	24.3 %	23.6 %	25.2 %
<i>Non-recurring items</i>	-10	-	-10	-4	-794	-
<i>EBITDA before non-recurring items</i>	89	79	155	143	352	66
<i>EBIT before non-recurring items</i>	53	50	86	89	224	32

Note: EBIT includes amortization of PPA with NOK 8 million in 2Q'09 (6), and NOK 27 million for 2008.

Revenue

Eltek Valere achieved revenue of NOK 832 million in the second quarter 2009, which was a decline of seven percent from the second quarter 2008 but an increase of 10 percent from the previous quarter.

Revenue was supported by currency developments and declined by 20 percent from the second quarter 2008 on a currency adjusted basis.

Reacting to the underlying revenue shortfall, the company has taken a number of actions that have positively affected both gross margin and operating expenses.

In the first half year revenue amounted to NOK 1,591 million, which was a decline of four percent from the first half year 2008 and down 16 percent on a currency adjusted basis.

Quarterly revenue by geographical segment

	2Q'09	Chg. vs. 2Q'08	Chg. vs. 1Q'09
Americas	239	3%	23%
EMEA	330	-6%	1%
Asia Pacific	263	-16%	10%
Total	832	-7%	10%

EMEA remains the largest region in geographical terms (approximately 40 percent of total revenue) but showed lower revenue compared to the second quarter 2008 and a flat development from the first quarter 2009.

Revenue developed positively in the Middle East and Africa. However, business volumes have declined significantly in major markets like Germany and France, and in several markets in Central Europe. The industrial market has also been weak in the second quarter.

In the Americas, the revenue increase from the second quarter last year is mainly explained by

currency developments. The region showed growth from the first to the second quarter this year, primarily due to increased volumes in North America and Brazil.

In Asia Pacific, business levels remained healthy in India although revenue declined from the historically high levels last year. Revenue was also supported by an improving market position in the large Chinese market.

Gross margin

Eltek Valere reported a gross profit of NOK 212 million in the second quarter 2009, which was one percent above the second quarter 2008 and 11 percent higher than in the first quarter.

The gross margin of 25.5 percent increased from 23.4 percent in the second quarter last year and was also slightly up from 25.2 percent in the previous quarter.

For comparison it should be noted that gross profit was charged with a warranty provision of NOK 18 million in the second quarter last year. Adjusted for this the gross margin was 25.4 percent in the second quarter 2008.

For the first half year 2009, gross profit was NOK 403 million and gross margin 25.3 percent. Gross profit thus increased marginally from NOK 401 million in the first half year 2008, when gross profit was 24.3 percent.

Operating costs

Operating costs amounted to NOK 168 million in the second quarter 2009, including a NOK 10 million provision for severance and other costs primarily relating to cost reduction actions taken at several locations late in the second quarter. The most significant being a restructuring of the company's German telecom entity due to a continuing low level of business activity.

Adjusted for non-recurring items, operating costs were unchanged from the second quarter last year despite an adverse effect of currency developments.

Depreciation and amortization accounted for NOK 35 million of the operating costs in the second quarter, including NOK 8 million in amortization of PPA. This compares to NOK 29 million in the second quarter 2008 and NOK 34 million in the first quarter 2009.

For the first half year 2009, operating costs amounted to NOK 327 million, up from NOK 316

million in the first half year 2008. Excluding non-recurring costs and adjusting for currency, operating expenses declined six percent from the first half of 2008, reflecting the cost reduction actions.

Operating profit

EBITDA was NOK 79 million in the second quarter, which was in line with the second quarter last year and 19 percent above the NOK 66 million reported for the previous quarter.

EBIT was NOK 44 million, down from NOK 50 million in the second quarter last year but up from NOK 32 million in the first quarter. Adjusted for non-recurring items, EBITDA and EBIT were NOK 10 million higher at NOK 89 million and NOK 53 million, respectively.

For the first half year 2009, EBITDA amounted to NOK 145 million, up from NOK 140 million in the first half year 2008. Excluding non-recurring items, EBITDA increased to NOK 155 million from NOK 143 million in the first half 2008.

EBIT was NOK 76 million in the first half year, down from NOK 85 million in the same period last year. Excluding non-recurring items EBIT declined marginally from NOK 89 million to NOK 86 million in the first half year.

Eltek Valere has taken measures to reduce costs, mainly through personnel reductions. The cost reductions are estimated to amount to approximately NOK 30 million on an annual basis, with a gradually increasing effect through the second half of 2009. Severance pay and other costs associated with this process were charged to the Income Statement in the second quarter.

Order entry

Eltek Valere achieved order entry of NOK 812 million, a decline of seven percent from the second quarter 2008 but one percent above the level reported in the first quarter 2009. For the first half year, order entry declined by 10 percent to NOK 1,618 million.

Order backlog was NOK 593 million at the end of the second quarter, three percent below the end of the previous quarter but up five percent from the end of 2008. NOK 453 million was for delivery within 90 days.

Nera Networks

NOKm	2Q 2009	2Q 2008	1H 2009	1H 2008	2008	1Q 2009
Order entry	442	473	935	921	1,882	493
Revenue	468	402	925	773	1,797	456
Gross profit	87	88	180	162	347	94
EBITDA	19	29	51	46	34	32
Depreciation and amortization	-21	-14	-41	-27	-62	-20
EBIT	-3	15	10	19	-28	13
<i>Gross margin (%)</i>	18.5 %	22.0 %	19.5 %	20.9 %	19.3 %	20.6 %
<i>Non-recurring items</i>	-10	0	-10	0	-102	0
<i>EBITDA before non-recurring items</i>	29	29	61	46	136	32
<i>EBIT before non-recurring items</i>	8	15	20	19	74	13

Revenue

Nera Networks achieved revenue of NOK 468 million in the second quarter 2009, which was an increase of 17 percent from the second quarter 2008 and three percent above the previous quarter.

On a currency adjusted basis revenue increased by six percent from the second quarter 2008.

The composition of revenue has changed from the second quarter last year, both in terms of product mix and geographical sales mix.

Production and sales of radios has declined both in absolute and relative terms, and a significantly higher part of revenue is thus made up of third party products and installation services.

For the first half year 2009, revenue increased to NOK 925 million from NOK 773 million in the first half 2008.

	2Q'09	Chg. vs. 2Q'08	Chg. vs. 1Q'09
Americas	111	-20%	-43%
EMEA	311	47%	47%
Asia Pacific	46	-9%	-5%
Total	468	17%	3%

EMEA revenue increased by close to 50 percent from both the second quarter last year and the first quarter 2009 and accounted for almost two thirds of revenue in the second quarter 2009.

This reflects significantly increased deliveries in Bulgaria, Saudi Arabia, and Equatorial Guinea in the second quarter.

Revenue in the Americas decreased in the second quarter, partly due to delays of product deliveries to projects in Brazil into the third quarter.

In Asia Pacific, deliveries of transmission products to NeraTel remained relatively low also in the second quarter.

Gross margin

Gross profit was NOK 87 million in the second quarter, which was two percent below the second quarter 2008 and eight percent below the previous quarter. Gross margin declined to 18.5 percent from 22.0 percent and 20.6 percent, respectively.

The gross margin development is a disappointment. This partly reflects price erosion, and also the change in product mix with a lower share of own products and a correspondingly higher share of lower margin third party products and installation services.

The gross margin was also adversely affected by the reduction in radio production in absolute terms, which resulted in higher fixed manufacturing cost per unit and a slower than expected reduction in direct material costs.

For the first half 2009, gross profit amounted to NOK 180 million, which was an increase of 12 percent from the first half 2008 despite a decline in gross margin from 20.9 percent to 19.5 percent.

Operating costs

Nera Networks had operating costs of NOK 89 million in the second quarter, including non-recurring items of NOK 10 million related to an ongoing performance improvement program designed to lower both cost of goods sold and operational expenses.

Adjusted for this, operating costs were in line with the previous quarter but still above the NOK 73 million reported in the second quarter 2008. The increase is partly explained by adverse currency developments.

The year-on-year increase in underlying operating costs is partly explained by currency developments, and also higher amortization of R&D. Depreciation and amortisation was NOK 21 million in the second quarter 2009, up NOK 7 million from the second quarter 2008.

For the first half year 2009 operating costs amounted to NOK 171 million, an increase of NOK 28 million from the first half year 2008. NOK 14 million of the increase is explained by higher depreciation and amortisation and NOK 10 million by non-recurring items in the second quarter 2009.

Operating profit

EBITDA of NOK 19 million in the second quarter 2009 was 36 percent below the second quarter last year and 41 percent below the previous quarter. EBIT declined to NOK -3 million, down from NOK 15 million in the second quarter 2008 and NOK 13 million in the first quarter 2009.

Adjusted for non-recurring costs, EBITDA was NOK 29 million and EBIT NOK 8 million.

For the first half year, EBITDA increased by 11 percent to NOK 51 million, and adjusted EBITDA by 34 percent to NOK 61 million. However, EBIT declined by 48 percent to NOK 10 million in the first half year 2009 although adjusted EBIT increased by six percent to NOK 20 million.

Nera Networks has taken measures to further reduce the cost base and improve operational earnings going forward.

The first phase of this restructuring program mainly relates to personnel reductions. The company expects costs reductions within both costs of goods sold and operational costs. Combined, the cost reductions are estimated to approximately NOK 55 million on an annual basis, with a gradually increasing effect through the second half 2009. Severance pay and other costs associated with this first phase were charged to the Income Statement in the second quarter.

The company has also outlined a second restructuring phase focusing on process improvements.

Order entry

New orders amounted to NOK 442 million in the second quarter, which was a decline of seven percent from the second quarter 2008 and 10 percent below the previous quarter. For the first half year, order entry increased by one percent to NOK 935 million.

Order backlog was NOK 710 million at the end of the first quarter, down from NOK 736 million at the end of the first quarter but up from NOK 700 million at the end of 2008. NOK 345 million was for delivery within 90 days.

NeraTel

NOKm	2Q 2009	2Q 2008	1H 2009	1H 2008	2008	1Q 2009
Order entry	127	119	301	245	834	174
Revenue	219	137	440	298	666	221
Gross profit	43	37	91	75	155	48
EBITDA	18	17	41	32	63	23
Depreciation and amortization	-6	-5	-11	-9	-20	-6
EBIT	12	12	29	23	43	17
Gross margin (%)	19.5 %	27.3 %	20.6 %	25.2 %	23.3 %	21.8 %

Note: EBIT includes amortization of PPA with NOK 3 million for 1Q'09 (3) and NOK 10 million for 2008.

NeraTel reported revenue of NOK 219 million in the second quarter, which was 60 percent above the second quarter 2008 but marginally below the previous quarter. On a currency adjusted basis revenue increased by 34 percent from the second quarter 2008.

Quarterly order entry and revenue is relatively volatile in NeraTel, due to the nature of project wins and deliveries in the transmission segment of the business.

Gross profit was NOK 43 million in the second quarter 2009, up 14 percent from the second quarter 2008 but down 11 percent from the previous quarter. Gross margin declined to 19.5 percent from 27.3 percent in the second quarter last year and from 21.8 percent in the first quarter 2009.

The large variations in margin are primarily explained by changes in the revenue mix, as transmission revenue generally carry lower margin than Infocomm revenue.

EBITDA was NOK 18 million in the second quarter 2009, which was five percent higher than in the same quarter last year but 23 percent below the previous quarter. At NOK 12 million, EBIT declined two percent from the second quarter and 30 percent from the first quarter 2009.

Order entry was relatively low at NOK 127 million in the second quarter. Although this was six percent above the second quarter last year it represented a significant sequential decline. The order backlog was NOK 478 million at the end of the second quarter, which compares to NOK 571 million at the end of the first quarter and NOK 618 million at the end of 2008. NOK 215 million was for delivery in the next 90 days.

For the first half year 2009, revenue increased by 48 percent to NOK 440 million, whereas gross profit increased by 21 percent to NOK 91 million. The telecom and infocomm segments both reported higher revenue, whereas satellite revenue declined.

EBITDA increased by 26 percent to NOK 41 million in the first half year 2009, whereas EBIT increased by 27 percent to NOK 29 million.

Order entry amounted to NOK 301 million in the first half year 2009, which was an increase of 23 percent from NOK 245 million in the first half 2008.

NeraTel is a separately listed company on the Singapore Exchange. The company presented its interim results for the second quarter and first half year 2009 on 11 August 2009. For further information, please see www.neratel.com.sg.

Corporate

Corporate costs amounted to NOK 12 million in the second quarter (26), and to NOK 28 million in the first half year 2009 (36).

The figures for the second quarter 2008 and first half year 2008 included non-recurring charges of NOK 15 million related to changes in the management.

Risk factors in the 2nd half 2009

Market and operational risks

The telecom equipment market has not been immune to the global economic slowdown, as many telecom operators are facing financial constraints and capital for roll-out of new telecom systems is not readily available.

The telecom power market generally follows the overall growth trends in the telecom equipment market. The wireless transmission market is also increasingly affected, and a tougher competitive environment has intensified price erosion.

Eltek has seen demand holding up remarkably well in many regions but this has been offset by significantly lower demand in some of the large markets, and there is a risk that market conditions may deteriorate further.

Overall, Eltek reported positive revenue growth and relatively stable gross profit and EBITDA in the first half year 2009 but it should be noted that the revenue growth was supported by currency developments.

Financial risk

Approximately 97 percent of revenue in the first half of 2009 was denominated in foreign currency, and adjusted for currency developments revenue declined by eight percent.

The exchange risk is to a large degree offset by an operational balance between revenue and costs. The main invoice currencies are USD and Euro, whereas the bulk of costs and assets are denominated in NOK, Euro and USD.

The company also uses interest bearing currency borrowings and forward foreign exchange contracts to hedge currency risk from commercial transactions and the net value of assets denominated in foreign currencies.

The company's interest risk is mainly related to the debt portfolio and bank deposits, both of which are subject to short-term interest rate adjustments. Eltek ASA had gross borrowings equivalent to NOK 1,493 million at June 30, 2009.

Gross holdings of cash and cash equivalents amounted to NOK 769 million. Financial investments are mainly in short-term interest bearing assets for which the risk for value impairment is considered to be low.

Due to the outstanding put options in Eltek Valere and call option in Eltek Energy Holding Inc., uncertainties remain with regards to Eltek ASA's exact future share of ownership in Eltek Valere. If Eltek ASA's ownership in Eltek Valere AS is less than 90 percent at the end of the year, it should be noted that Eltek Valere would no longer be part of the same tax group as Eltek ASA and Nera Networks AS.

Please also see the Annual Report 2008 for a more detailed description of risk factors.

Transactions with closely related parties

Eltek ASA has not taken part in any significant transactions with closely related parties in the first half of 2009. Neither have there been any changes to any transactions with closely related parties as described in the Annual Report for 2008.

Organizational changes

During the first half year, there were no changes in the Group management. As described in previous reports, Bengt Thuresson was elected new Chairman of the Board of Directors on an Extraordinary General Meeting in February, when Einar J. Greve was elected new member of the Board.

Outlook

The company reported reasonably stable revenue and operating results in the first half 2009, and an improved net free cash flow compared to the first half year 2008.

Eltek continues to see encouraging results from its focused program to improve key performance indicators for the working capital development, such as days of sales outstanding and inventory turnover. Working capital management remains the key priority to continue to improve financial flexibility.

The uncertain economic outlook continues to limit demand visibility, and financing constraints may reduce both customers' product demand and Eltek's project financing abilities.

Both Eltek Valere and Nera Networks have taken measures to reduce the cost base in preparedness for a continued challenging market. Non-recurring costs related to restructuring affected the Income Statement negatively by NOK 10 million in each of the two subsidiaries in the second quarter 2009.

Going forward, Eltek Valere expects the measures to lower the annual cost base by approximately NOK 30 million, whereas Nera Network expects combined annual savings in cost of goods sold and operational costs of approximately NOK 55 million from the first of two planned restructuring phases.

Statement of responsibility

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period January 1 to June 30, 2009 has been prepared in accordance with IAS 34 –Interim Financial Reporting, and gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations.

We also confirm, to the best of our knowledge, that the interim report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions as required under the Norwegian Securities Trading Act.

Drammen, 18 August 2009
The Board of Directors,
Eltek ASA

Bengt Thuresson

Arve Johansen

William H. Crown

Astrid Kårstad

Birgitte F. Angelil

Dia S. Weil

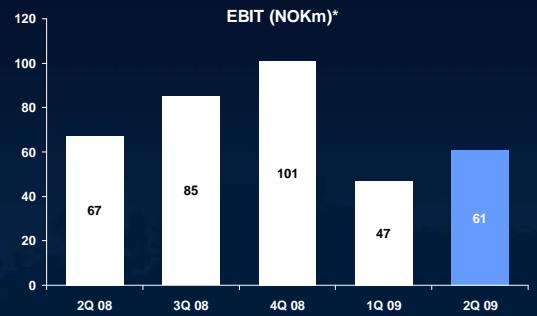
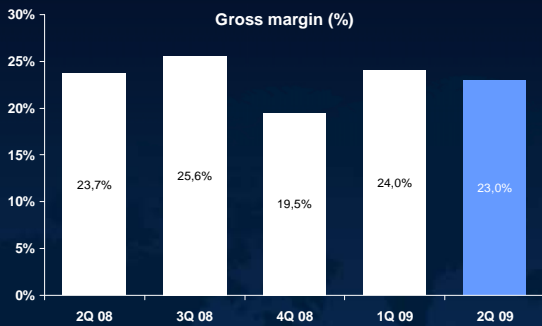
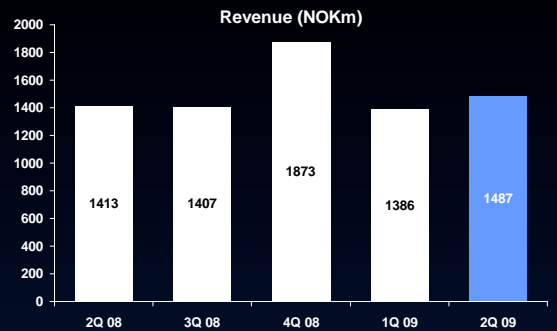
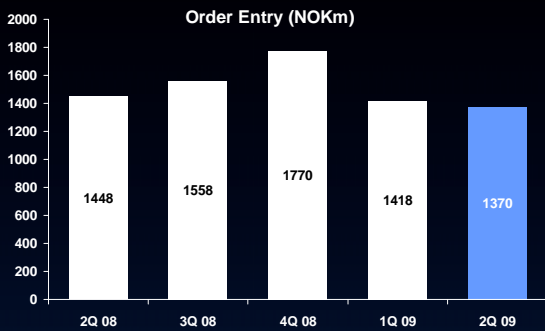
Einar J. Greve

Mads Dahl

Per E. Thorvaldsen

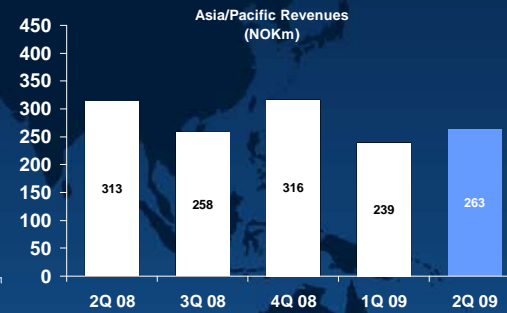
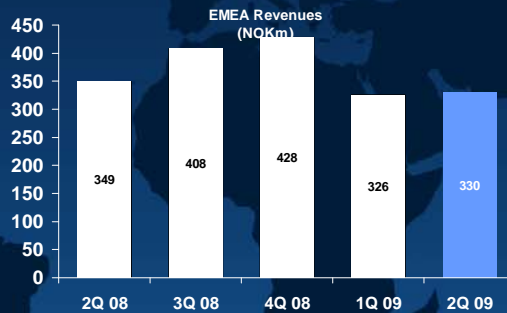
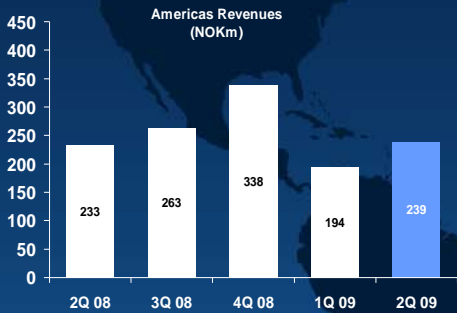
Jan T. Jørgensen
CEO

QUARTERLY DEVELOPMENT ELTEK GROUP

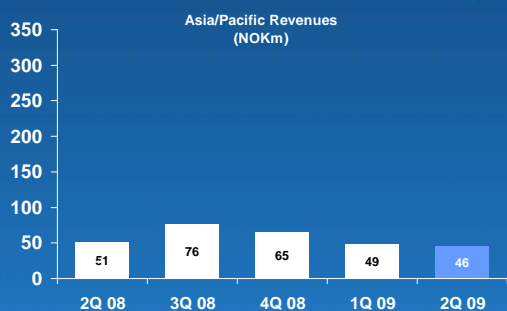
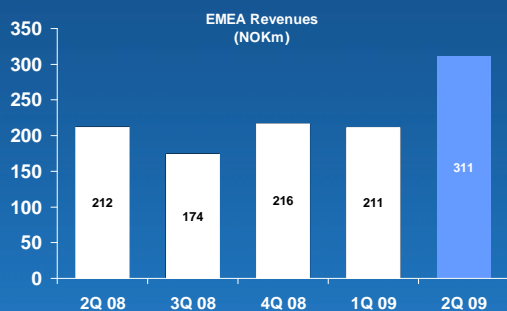
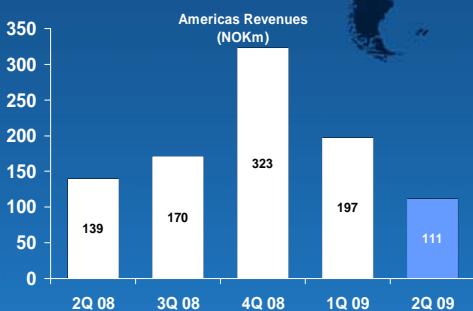


*EBIT before non-recurring items

QUARTERLY DEVELOPMENT BY REGION - ELTEK VALERE



QUARTERLY DEVELOPMENT BY REGION - NERA NETWORKS



Consolidated income statement (unaudited)

Amounts in NOK Million	2Q 2009	2Q 2008	YTD 2009	YTD 2008	2008
Revenue	1 486,9	1 413,4	2 872,9	2 679,1	5 958,4
Cost of sales	-1 145,6	-1 078,0	-2 198,4	-2 041,3	-4 594,6
Gross profit	341,3	335,4	674,5	637,8	1 363,8
Selling and marketing costs	-130,4	-126,2	-255,6	-245,7	-518,0
Administrative costs	-81,3	-75,9	-170,8	-160,9	-345,6
R&D and engineering costs	-68,6	-62,4	-140,2	-121,2	-273,6
Other operating items	-20,4	-19,1	-20,1	-18,8	-842,9
Operating profit	40,6	51,9	87,6	91,3	-616,4
Share of result in associated companies	0,0	0,0	0,0	0,0	1,1
Net financial items	27,7	-0,7	-33,7	26,2	-142,9
Profit before income tax	68,3	51,2	53,9	117,5	-758,3
Income tax expense	-16,0	-15,4	-28,4	-37,7	-65,8
Net profit	52,3	35,8	25,5	79,8	-824,1
Profit from discontinued operations	0,0	0,0	0,0	0,0	0,0
Net profit	52,3	35,8	25,5	79,8	-824,1
Attributable to:					
Equity holders	40,7	24,6	10,2	54,1	-797,7
Minority interests	11,6	11,2	15,3	25,7	-26,4
Basic EPS (NOK)	0,13	0,50	0,03	1,10	-15,77
Diluted EPS (NOK)	0,13	0,50	0,03	1,10	-15,77

Consolidated balance sheet (unaudited)

Amounts in NOK Million	30.06.2009	30.06.2008	31.12.2008
Property, plant & equipment	467,9	435,2	521,5
Intangible assets	675,5	1 281,1	719,4
Deferred income tax asset	423,3	407,0	421,2
Other non-current assets	14,5	14,1	15,7
Total non-current assets	1 581,1	2 137,4	1 677,8
Inventories	785,6	941,2	983,0
Trade and other receivables	2 302,5	2 333,1	2 888,3
Cash and cash equivalents	768,7	590,5	622,1
Total current assets	3 856,7	3 864,8	4 493,4
Total assets	5 437,8	6 002,2	6 171,2
Share capital	329,2	49,2	299,2
Other reserves	1 236,5	1 904,0	1 375,4
Capital and reserves attributable to equity holders of the Company	1 565,7	1 953,2	1 674,6
Minority interest	177,4	385,8	176,2
Total equity	1 743,1	2 339,1	1 850,8
Borrowings	800,3	795,0	849,3
Deferred income tax liabilities	9,0	2,3	7,7
Retirement benefit obligations	168,6	153,3	170,2
Provisions for other liabilities and charges	179,3	30,1	208,8
Total non-current liabilities	1 157,2	980,8	1 235,9
Borrowings	692,9	674,1	797,6
Trade creditors and other payables	1 538,7	1 799,1	2 009,3
Current income tax payable	33,4	29,6	43,1
Provisions for other liabilities and charges	272,5	179,5	234,5
Total current liabilities	2 537,5	2 682,4	3 084,5
Total liabilities	3 694,7	3 663,1	4 320,4
Total equity and liabilities	5 437,8	6 002,2	6 171,2
Equity ratio	32,1 %	39,0 %	30,0 %

Cash flow analysis (unaudited)

Amounts in NOK Million	2Q 2009	2Q 2008	YTD 2009	YTD 2008	2008
Net cash flow from operations	193,3	-143,7	361,5	-13,3	-109,1
Net cash flow from investments	-65,1	-74,1	-112,5	-202,8	-352,6
Net cash flow from financing	-186,2	221,7	-66,9	214,4	387,5
Currency effect on cash and cash equivalents	1,0		-35,5		104,2
Net change in cash and cash equivalents	-57,0	3,9	146,6	-1,6	30,0
Cash and cash equivalents, beginning of period	825,7	586,6	622,1	592,2	592,2
Cash and cash equivalents, end of period	768,7	590,5	768,7	590,5	622,1

Consolidated statement of comprehensive income (unaudited)

Amounts in NOK Million	2Q 2009	Restated 2Q 2008	YTD 2009	Restated YTD 2008	Restated 2008
Profit for the period	52,3	35,8	25,5	79,8	-824,1
Fair value adjustments available-for-sale-assets					-1,2
Actuarial gains/losses					-9,3
Net investment hedge	13,2	2,8	-7,3	-15,4	22,1
Currency translation effects	2,6	-7,5	-102,5	-73,8	342,4
Other comprehensive income (loss)	15,8	-4,7	-109,8	-89,2	354,0
Total comprehensive income (loss) for the period	68,1	31,2	-84,3	-9,3	-470,1
Total comprehensive income (loss) attributable to :					
Equity holders of Eltek ASA	50,2	20,1	-85,0	-8,3	-527,7
Minority interests	17,9	11,1	0,7	-1,0	57,6

Statement of changes in equity (unaudited)

Amounts in NOK Million	2Q 2009	2Q 2008	YTD 2009	YTD 2008	2008
Equity end of previous period	1 726,5	2 347,9	1 850,8	2 394,3	2 394,3
Change in opening balance					-1,4
Equity beginning of this period	1 726,5	2 347,9	1 850,8	2 394,3	2 392,9
Total comprehensive income for the period	68,1	31,2	-84,3	-9,3	-470,1
New equity			28,4		239,6
Acquisition of minority interests	-28,1	-14,7	-28,1	-14,7	-280,4
Cost of stock options	1,0	2,3	1,4	4,0	6,5
Dividends	-24,4	-27,5	-25,1	-35,2	-37,7
Equity end of period	1 743,1	2 339,1	1 743,1	2 339,1	1 850,8

In February 2009 the Company issued 30 million shares in a subsequent offering towards existing shareholders which had not been invited to participate in the private placement which took place towards the end of 2008.

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. 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 except that in 2009 goodwill resulting from acquisition of minority interests are booked towards equity and are not reported as goodwill in the balance sheet.

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	2Q 2009	2Q 2008	YTD 2009	YTD 2008	2008
INCOME STATEMENT					
Revenue	831,8	894,4	1 591,1	1 652,3	3 663,6
Gross profit	212,0	209,5	403,2	400,9	866,3
Operating profit/segment results	43,6	50,4	75,8	85,4	-570,7
ASSETS AND LIABILITIES					
Total assets			2 572,7	3 247,8	2 976,7
Total liabilities			1 708,0	1 742,4	2 044,3
OTHER SEGMENT INFORMATION INCL. ABOVE					
Depreciation & amortization	35,5	28,8	69,5	54,5	120,9
Capital expenditure	17,4	64,0	39,8	104,4	210,5
Restructuring expenses	9,9		9,9		35,3
REVENUE BY GEOGRAPHICAL REGION					
Americas	239,1	233,1	433,4	429,1	1 030,4
EMEA (Europe, Middle East and Africa)	329,6	348,8	655,5	646,8	1 483,0
Asia Pacific	263,1	312,6	502,2	576,4	1 150,2

Nera Networks

Amounts in NOK Million	2Q 2009	2Q 2008	YTD 2009	YTD 2008	2008
INCOME STATEMENT					
Revenue	468,4	402,1	924,8	773,5	1 797,4
Gross profit	86,5	88,5	180,5	161,6	346,9
Operating profit/segment results	-2,6	15,2	9,9	19,1	-28,3
ASSETS AND LIABILITIES					
Total assets			1 670,8	1 932,6	2 012,7
Total liabilities			1 492,8	1 564,2	1 830,6
OTHER SEGMENT INFORMATION INCL. ABOVE					
Depreciation & amortization	21,5	14,2	41,1	26,8	62,4
Capital expenditure	29,6	31,2	53,5	106,5	169,6
Restructuring expenses	10,3		10,3		
REVENUE BY GEOGRAPHICAL REGION					
Americas	111,0	138,9	307,5	251,3	743,8
EMEA (Europe, Middle East and Africa)	311,2	211,6	522,5	422,6	812,8
Asia Pacific	46,2	51,5	94,7	99,6	240,8

Nera Telecommunications

Amounts in NOK Million	2Q 2009	2Q 2008	YTD 2009	YTD 2008	2008
INCOME STATEMENT					
Revenue	219,4	137,2	440,1	298,2	665,8
Gross profit	42,8	37,5	90,8	75,3	154,9
Operating profit/segment results	12,1	12,4	29,5	23,2	42,7
ASSETS AND LIABILITIES					
Total assets			600,1	502,3	699,1
Total liabilities			248,5	196,0	283,2
OTHER SEGMENT INFORMATION INCL. ABOVE					
Depreciation & amortization	5,7	4,6	11,4	9,3	20,4
Capital expenditure	2,9	3,4	4,0	5,2	15,0
REVENUE BY GEOGRAPHICAL REGION					
Americas					
EMEA (Europe, Middle East and Africa)	0,3	0,5	1,8	1,7	2,5
Asia Pacific	219,1	136,7	438,3	296,5	663,3

Corporate/unallocated/eliminations

Amounts in NOK Million	2Q 2009	2Q 2008	YTD 2009	YTD 2008	2008
INCOME STATEMENT					
Revenue	-32,8	-20,3	-83,1	-44,8	-168,4
Gross profit					-4,3
Operating profit/segment results	-12,5	-26,1	-27,6	-36,4	-60,1
ASSETS AND LIABILITIES					
Total assets			594,2	319,5	482,7
Total liabilities			245,4	160,5	162,3
OTHER SEGMENT INFORMATION INCL. ABOVE					
Depreciation and amortization	0,1	0,2	0,2	0,4	0,7
Capital expenditure			0,5		1,7

3. Property, plant & equipment and Intangible assets**Three months ended 30 June 2009**

	Intangible assets				Tangible assets
	Goodwill	R&D	Other	Total	
Net book amount 01.04.2009	69,5	456,7	164,6	690,8	468,4
Additions		33,7	0,1	33,8	16,1
Depreciation		-32,4	-9,3	-41,7	-19,6
Other		-1,3	-1,1	-2,4	-4,0
Foreign currency translation effects	0,3	1,0	-6,3	-5,0	7,0
Net book amount at 30.06.2009	69,8	457,7	148,0	675,5	467,9

Three months ended 30 June 2008

	Intangible assets				Tangible assets
	Goodwill	R&D	Other	Total	
Net book amount at 01.01.2008	673,3	404,7	165,0	1 243,0	416,5
Additions	32,7	40,0		72,7	26,0
Disposals				0,0	-1,1
Depreciation		-24,2	-6,7	-30,9	-17,0
Foreign currency translation effects	-2,7	-0,3	-0,7	-3,7	10,7
Net book amount at 30.06.2008	703,3	420,2	157,6	1 281,1	435,1

Six months ended 30 June 2009

	Intangible assets				Tangible assets
	Goodwill	R&D	Other	Total	
Net book amount at 01.01.2009	77,1	455,6	186,7	719,4	521,5
Additions		69,5	0,6	70,1	27,6
Depreciation		-62,9	-19,0	-81,9	-38,8
Other			-1,1	-1,1	-10,3
Impairment		-1,3		-1,3	
Foreign currency translation effects	-7,3	-3,2	-19,2	-29,7	-32,1
Net book amount at 30.06.2009	69,8	457,7	148,0	675,5	467,9

Six months ended 30 June 2008

	Intangible assets				Tangible assets
	Goodwill	R&D	Other	Total	
Net book amount at 01.01.2008	704,2	388,1	178,1	1 270,4	358,7
Additions	32,7	80,9	0,8	114,4	101,7
Disposals					-2,3
Depreciation		-45,1	-14,5	-59,6	-31,3
Foreign currency translation effects	-33,5	-3,7	-6,7	-43,9	8,4
Net book amount at 30.06.2008	703,4	420,2	157,7	1 281,3	435,2

4. Borrowings

As part of the refinancing in 4Q 2008, the financing banks have agreed to adjust the loan covenants. The covenants are as follows:

- 1) Goodwill adjusted equity ratio above 24% at 31 December 2008, quarterly increasing to above 27% at 31 December 2009.
- 2) Net interest bearing debt/EBITDA - ratio below 4.2 at 31 December 2008, quarterly decreasing to below 3.0 at 31 December 2009.
- 3) Negative pledge related to assets not already placed as security.

If the minority shareholders of Eltek Valere AS and Eltek Energy Holding Inc. In 2009 exercise their put option and end up with an interest bearing note, there is a mechanism in the loan agreements for adjusting the covenants correspondingly.

In May Eltek Valere AS paid installment of USD 17 million related to Term loan USD 100 million. The remaining Term loan balance (USD 83million) were at the end of May converted to a Term loan nominated in USD (USD 46 million) and NOK (NOK 237 million).

5. Provisions for other liabilities and charges

As described in the 4Q 2008 report, Nera Networks received two tax/VAT claims related to its subsidiary in Brazil. Nera disputes both claims but has made a provision of NOK 61 million in the 2008 annual accounts. The provision is calculated without taken into account effects of possible recourse action.

Provisions for other liabilities and charges include financial liabilities related to minority put options. The liabilities are recognized using estimated value, and the estimates may change in future periods as the pricing is dependent on future fair value / or future results. In 2Q the provision for financial liability related to minority put options have been increased by NOK 13 million. The increase in provision has no effect on the profit and loss statement for the second quarter.

6. Contingent liabilities

The minority shareholders of Eltek Valere will on certain conditions have the opportunity to sell their shares (i.e. 9.1% in Eltek Valere AS and 9.9% in its subsidiary Eltek Energy Holding Inc) to Eltek ASA at fair market value pursuant to a put option. The put option is exercisable between 1 February and 31 July 2009 and Eltek in July received notice that the options had been exercised. The parties have not yet agreed on the Company Equity Value which will form the basis for any transaction. As previously announced, this will be determined by external valuation firms, in a process which is scheduled to be concluded in October 2009. Following notice of the Company Equity Value, each of the minority shareholders will then have to provide a written notice to Eltek ASA on the sale of shares. Eltek ASA has the right to issue promissory notes to the sellers in lieu of cash.

The minority shareholders have previously in 2009 exercised a call option to convert their shareholdings in Eltek Energy Holding Inc into shares in the parent company Eltek Valere AS. This transaction is not yet effectuated.

Arbitration proceedings are ongoing to resolve other outstanding disputes with the minority shareholders of Eltek Valere. These proceedings are unlikely to be resolved until the beginning of 2010.

7. Other operating items

Other operating items NOK 20.4 million reflect severance pay and other restructuring costs in connection to reorganisation and downsizing processes in both Eltek Valere and Nera Networks. Both business segments are aligning the costs levels to lower demand and an uncertain outlook in some of the main markets.

8. Other acquisitions

In the second quarter 2009, the Group acquired the remaining 5% of the sharecapital in Eltek Valere Pte Ltd from the minority shareholder at a cost of NOK 15 million. The acquisition is partly financed through short term sellers credit and NOK 13 million is included as Borrowings in the balance sheet by end of June 2009. The transaction resulted in goodwill of NOK 7 million which has been booked towards equity in the balance sheet. In the second quarter 2009, the Group has also paid down the remaining balance of NOK 14 million related to the sellers credit in connection with the acquisition of shares in Eltek SGS Pvt Ltd in the second quarter 2008.

