

REPORT 3rd QUARTER 2009



REPORT

3rd QUARTER 2009

Highlights

- Overall stable revenue in a challenging market environment
- Currency adjusted revenue decline of six percent from the third quarter 2008
- Stable gross margin in Eltek Valere – more work to be done in Nera Networks
- Cost measures taken in the first half have begun to show results
- Strong free cash flow of NOK 142 million in the third quarter
- Developing new business areas - Eltek Valere steps up Solar Power activities

(NOK million, unaudited)	3Q '09	3Q '08	9M '09	9M '08	2008	2Q '09
Order entry	1,370	1,558	4,158	4,482	6,252	1,370
Revenue	1,408	1,407	4,281	4,086	5,958	1,487
Gross Profit	315	360	990	998	1,364	341
EBITDA	108	138	318	320	323	103
Depreciation, amortization and impairment	-63	-53	-185	-144	-940	-63
EBIT	45	84	132	176	-616	41
Pre-tax profit	27	-8	81	110	-758	68
Gross margin (%)	22.4 %	25.6 %	23.1 %	24.4 %	22.9 %	23.0 %
Non-recurring operational items	0	0	-20	-19	-911	-20
EBITDA before non-recurring items	108	138	338	339	507	124
EBIT before non-recurring items	45	84	152	195	295	61

Note: EBIT includes amortization of purchase price allocation (PPA) NOK 10 million in 3Q'09 (9), NOK 32 million in first nine months 2009 (26), and NOK 37 million in 2008.

Income Statement

The figures below describe developments in the third quarter and first nine months (third quarter and first nine months 2008 in brackets).

Eltek reported revenue of NOK 1,408 million in the third quarter 2009, which was on par with the third quarter 2008 but a decline of six percent on a currency adjusted basis.

Revenue decreased by five percent from the second quarter of the year.

The order entry of NOK 1,370 million in the third quarter was 12 percent below the third quarter last year but unchanged from the previous quarter.

The telecom equipment market has been weak throughout the year, as a result of the economic slowdown and less roll-outs of new networks. Lower demand has intensified the competitive pressure, and Chinese suppliers are contributing to intensified price erosion in telecom equipment market.

Gross profit declined by 12 percent from the third quarter last year and by eight percent from the second quarter 2009. The gross margin declined to 22.4 percent in the quarter, although Eltek Valere showed a continued healthy margin of 25.9 percent. Margins declined in both Nera Networks and NeraTel in the quarter.

Both Eltek Valere and Nera Networks implemented cost measures in the first half of the year in

anticipation of contracting markets, and saw these efforts beginning to take effect in the third quarter. Operating costs declined from the second to the third quarter in all business areas.

EBITDA of NOK 108 million in the third quarter compares to NOK 138 million in the third quarter last year. The reduction is mainly due to the lower gross margin in Nera Networks. In the second quarter EBITDA was NOK 103 million, including non-recurring costs of NOK 20 million related to severance and other cost measures.

Due to higher amortization of R&D, depreciation and amortization increased from the third quarter 2008, and the EBIT of NOK 45 million compares to NOK 84 million in the third quarter last year. In the second quarter 2009, EBIT was NOK 41 million, including the non-recurring items.

Net financial items were a negative NOK 18 million in the third quarter 2009 including positive currency effects of NOK 9 million and NOK 3 million in (non-cash) calculated interest related to minority shareholders' put options. The currency effect in the quarter mainly reflects gains from regional entities with trade payables in USD, primarily in Brazil.

In the third quarter 2008, net financials were a negative NOK 92 million including negative currency effects of NOK 63 million.

The reported profit before tax of NOK 27 million in the third quarter compares to a loss before tax of NOK 8 million in the third quarter 2008 and a profit before tax of NOK 68 million in the second quarter 2009.

For the first nine months 2009, revenue amounted to NOK 4,281 million. This was an increase of five percent from the first nine months 2008 but a decline of six percent on a currency adjusted basis. Order entry declined by seven percent to NOK 4,158 million.

Gross profit declined one percent to NOK 990 million and EBITDA was virtually unchanged at NOK 318 million. However, EBIT declined by 25 percent to NOK 132 million due to higher depreciation and amortization. Profit before tax declined to NOK 81 million from NOK 110 million in the first nine months 2008.

Cash Flow

Net cash flow from operating activities was NOK 225 million in the third quarter, continuing a very positive development in the first half of the year.

Working capital management has been and remains a key priority, and the continuing improvement is the result of efforts targeted to improve supply chain management, payment terms, and cash collection.

All segments reported positive cash flow from operations in the third quarter and for the first nine months. Nera Networks had particularly strong cash flow generation in the third quarter.

Net working capital was reduced by NOK 150 million in the third 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.

Net cash flow from investing activities was a negative NOK 83 million in the third quarter, including capitalized R&D of NOK 31 million and NOK 37 million in payments for minority interests in subsidiaries of Eltek Valere.

Free cash flow before financing was thus NOK 142 million in the third quarter, up from a negative NOK 98 million in the third quarter 2008.

Net cash flow from financing activities was NOK 7 million in the third quarter.

Taking into account currency translation effects, cash and cash equivalents increased by NOK 111 million in the third quarter 2009.

In the first nine months 2009, net cash flow from operating activities amounted to NOK 587 million (-35). Net cash flow from investing activities was a negative NOK 195 million in the period (-279), generating a free cash flow before financing of NOK 392 million in the first nine months 2009 (-314).

Net cash flow from financing was a negative NOK 60 million in the first nine months 2009 (+247), and net change in cash and cash equivalents a positive NOK 258 million including currency translation effect (-74).

Balance Sheet

As described above, both Eltek Valere and Nera Networks continue to see positive effects of the focused efforts to improve key performance indicators for working capital.

Overall inventories amounted to NOK 684 million at 30 September, 2009, a reduction of NOK 102 million in the third quarter and down NOK 299 million in the first nine months 2009.

Trade receivables were NOK 1,276 million, which was a reduction of NOK 238 million during the third quarter and a reduction of NOK 647 million during the first nine months of the year.

Trade creditors were NOK 786 million at 30 September, 2009, a decrease of NOK 41 million during the quarter and a decrease of NOK 210 million from the end of 2008.

Net capital tied up in projects, which mainly relates to Nera Networks, increased by NOK 35 million in the third quarter but declined by NOK 1 million during the first nine months 2009.

Cash and cash equivalents amounted to NOK 880 million at 30 September, 2009, which was an increase of NOK 111 during the third quarter and an increase of NOK 258 million from the end of 2008.

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

Total assets were NOK 5,120 million, a decline of NOK 318 million in the third quarter and down NOK 1,051 million from the end of 2008.

Equity amounted to NOK 1,664 million, a decrease of NOK 79 million in the quarter and down NOK 187 million during the first nine months. The company had positive net profit both for the third quarter and the first nine months of 2009, and the decline mainly reflects currency translation effects.

The equity ratio of 32.5 percent increased from 32.0 percent at the end of the second quarter and from 30.0 percent at year-end 2008. Adjusted for goodwill, the equity ratio increased to 31.6 percent from 31.2 percent at the end of the second quarter and 29.1 percent at 31 December 2008.

Gross borrowings amounted to NOK 1,455 million, a reduction of NOK 38 million in the third quarter and of NOK 192 million in the first nine months 2009.

Foreign currency denominated debt decreased by NOK 45 million in the third quarter and NOK 121 million in the first nine months due to exchange rate effects. The company complies with all covenants under its current loan agreements.

Net interest bearing debt amounted to NOK 575 million, compared to NOK 724 million at the end of the second quarter and NOK 1,025 million at 31 December, 2008.

Non-interest bearing liabilities include NOK 143 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 have been exercised, although the parties have not yet agreed on the Company Equity Value which will form the basis for any transaction. This will be determined by external valuation firms. The conclusion of this process has not yet been finalised, and is currently planned for the end of November 2009.

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 tables to the right outline reported and currency adjusted revenue growth.

Revenue growth – 3Q 2009 vs. 3Q 2008

	Reported	Currency adjusted
Eltek Valere	-11%	-17%
Nera Networks	3%	-2%
NeraTel	27%	17%
Total	0%	-6%

Revenue growth – 9M 2009 vs. 9M 2008

	Reported	Currency adjusted
Eltek Valere	-6%	-15%
Nera Networks	14%	4%
NeraTel	42%	21%
Total	5%	-6%

Eltek Valere

NOKm	3Q 2009	3Q 2008	9M 2009	9M 2008	2008	2Q 2009
Order entry	795	861	2,413	2,658	3,703	812
Revenue	827	929	2,418	2,581	3,664	832
Gross profit	214	232	617	633	866	212
EBITDA	95	100	240	240	285	79
Depr & amortization and impairment	-36	-31	-106	-85	-856	-35
EBIT	59	70	135	155	-571	44
<i>Gross margin (%)</i>	25.9 %	25.0 %	25.5 %	24.5 %	23.6 %	25.5 %
<i>Non-recurring items</i>	0	0	-10	-4	-794	-10
<i>EBITDA before non-recurring items</i>	95	100	250	244	352	89
<i>EBIT before non-recurring items</i>	59	70	145	159	224	53

Note: EBIT includes amortization of PPA with NOK 8 million in 3Q'09 (6), NOK 24 million for the first nine months 2009 (18), and NOK 27 million for

Revenue

Eltek Valere achieved revenue of NOK 827 million in the third quarter 2009, a decline of 11 percent from the third quarter 2008 and less than one percent decline from the previous quarter.

Revenue was supported by currency developments and declined by 17 percent from the third quarter 2008 on a currency adjusted basis.

In the first nine months Eltek Valere generated revenue of NOK 2,418 million, which was a decline of six percent from the first nine months 2008 and down 15 percent on a currency adjusted basis.

Consistent with the prior two quarters of 2009, the market for telecom power supply remained weak, in line with the telecom equipment market in general. Roll-outs of new telecom networks have been reduced in mature markets and lack of available financing has postponed planned roll-outs in some emerging markets.

Growth opportunities are primarily seen in broadband and in the replacement market for existing networks.

As communicated in previous interim reports, Eltek Valere has taken actions to preserve margins and reduce operational costs in light of the expected weaker market environment in 2009, and has begun to see positive effects of these measures.

Quarterly revenue by geographical segment

	3Q'09	Chg. vs. 3Q'08	Chg. vs. 2Q'09
Americas	258	-2%	8%
EMEA	345	-15%	5%
Asia Pacific	225	-13%	-14%
Total	827	-11%	-1%

Revenue declined in all main geographical areas from the third quarter 2008, whereas revenue increased in Americas and EMEA but declined in Asia Pacific from the previous quarter.

EMEA remains the largest region in geographical terms at 42 percent of total revenue. Compared to the second quarter 2009, revenue increased in all areas; Europe, Middle East, and Africa.

In the Americas, the revenue increase from the second quarter mainly relates to USA.

In Asia Pacific, the decline from the previous quarter is explained by lower deliveries in Pakistan and China.

Gross margin

Eltek Valere reported gross profit of NOK 214 million in the third quarter 2009, which was eight percent below the third quarter 2008 but one percent above the second quarter.

The gross margin increased to 25.9 percent from 25.5 percent in the previous quarter and 25.0 percent in the third quarter last year. Geographic mix contributed to the gross margin improvement.

Gross profit was NOK 617 million for the first nine months 2009 and the gross margin 25.5 percent. This compares to a gross profit of NOK 633 million and a gross margin of 24.5 percent in the first nine months 2008.

Operating costs

Operating costs amounted to NOK 155 million in the third quarter 2009, compared to NOK 163 million in the third quarter 2008 and NOK 168 million in the previous quarter, which included a provision of NOK 10 million for severance and other costs relating to cost reduction actions.

The company expects gradually increasing effect of the cost reducing actions taken earlier in 2009. On an annual basis, the full effect is estimated at NOK 30 million.

Depreciation and amortization accounted for NOK 36 million of the operating costs in the third quarter, including NOK 8 million in amortization of PPA. This compares to NOK 31 million in the third quarter 2008 and NOK 35 million in the second quarter 2009.

For the first nine months 2009, operating costs amounted to NOK 483 million, up from NOK 478 million in the first nine months 2008.

Adjusted for non-recurring items in both periods, operating costs declined NOK 2 million to NOK 473 million.

Operating profit

EBITDA was NOK 95 million in the third quarter, which was five percent below the third quarter 2008 but 20 percent higher than in the second quarter.

EBIT was NOK 59 million, down from NOK 70 million in the third quarter last year, mainly due to lower revenues and higher depreciation and amortisation. EBIT was up from NOK 44 million in the previous quarter.

For the first nine months 2009, EBITDA amounted to NOK 240 million, which was in line with EBITDA in the first nine months 2008. EBIT declined NOK 20 million to NOK 135 million, compared to the same period last year. .

Order entry

Order entry came in at NOK 795 million in the third quarter 2009, a decline of eight percent from the third quarter 2008 and two percent below the level reported for the second quarter 2009. For the first nine months, order entry declined by nine percent to NOK 2,413 million.

Order backlog was NOK 561 million at the end of the third quarter, five percent below the end of the previous quarter and one percent below the end of 2008. NOK 488 million was for delivery within 90 days.

Developing new business areas

Eltek Valere will increasingly seek growth opportunities in the potentially large replacement market for existing telecom systems, and continues to develop new Industrial markets outside of the Telecom market. In 2008 the Industrial market revenue amounted to more than NOK 200 million.

In 2008, Eltek Valere launched the new HE technology ("High Efficiency") and HE rectifiers for the Telecom segment, which dramatically reduces energy loss and CO₂ emission caused by communication networks. Eltek Valere HE technology is still well in front of the competition and the company regards itself the "Greenest Company in the Power Industry"

Using the HE technology, Eltek Valere has also developed an efficient solar charger and offers complete, low emission, turn-key solar/ hybrid power solutions for remote off-grid telecom as well as industrial applications. This dramatically reduces operating costs related to polluting diesel generators. This new product strengthens our position as a complete power solution provider.

Based on the organizational and technical strengths, Eltek Valere is now broadening the horizon further, entering a new "Green" segment with development of power inverters for the fast growing Solar Power market.

Scaling from small roof-top installations to large industrial solar parks, new distributed solar power plants are connected to the public power grid and require efficient inverters to enable the DC current from solar panels to be fed into the AC grid.

Eltek Valere has an established development program to bring new and competitive solar inverters to the market, and has also entered into strategic partnerships to secure an early commercial entry. The business development program mainly builds on existing resources within R&D and the global sales and distribution network.

Industry analysts estimate the value of the solar inverter market to approximately USD 1.8 billion in 2009, with double-digit annual growth forecasts.

Nera Networks

NOKm	3Q 2009	3Q 2008	9M 2009	9M 2008	2008	2Q 2009
Order entry	443	504	1,378	1,425	1,882	442
Revenue	434	420	1,359	1,194	1,797	468
Gross profit	70	95	251	256	347	87
EBITDA	22	38	73	84	34	19
Depreciation and amortization	-21	-17	-63	-44	-62	-21
EBIT	0	21	10	41	-28	-3
<i>Gross margin (%)</i>	16.2 %	22.6 %	18.5 %	21.5 %	19.3 %	18.5 %
<i>Non-recurring items</i>	0	0	-10	0	-102	-10
<i>EBITDA before non-recurring items</i>	22	38	83	84	136	29
<i>EBIT before non-recurring items</i>	0	21	20	41	74	8

Revenue

Nera Networks achieved revenue of NOK 434 million in the third quarter 2009, which was an increase of three percent from the third quarter 2008 but seven percent below the previous quarter.

On a currency adjusted basis revenue declined by two percent from the third quarter 2008.

For the first nine months of 2009 revenue increased 14 percent to NOK 1,359 million, whereas the currency adjusted growth was 4 percent.

Quarterly revenue by geographical segment

	3Q'09	Chg. vs. 3Q'08	Chg. vs. 2Q'09
Americas	204	20%	84%
EMEA	205	18%	-34%
Asia Pacific	25	-67%	-46%
Total	434	3%	-7%

Revenue in the Americas increased compared to both the third quarter 2008 and the second quarter 2009, whereas revenue in Asia Pacific declined compared to both periods. EMEA showed a year-on-year increase but a sequential decline.

EMEA and Americas generated approximately the same revenue in the third quarter, each accounting for 47 percent of overall revenue.

The revenue increase in Americas from the previous quarter is explained by very high deliveries to Brazil and also higher volumes to Argentina.

In EMEA, revenue declined in all three areas; Europe, Middle East, and Africa.

Asia Pacific mainly reflects deliveries of transmission products to NeraTel, which were very low in the quarter.

Gross margin

Gross profit was NOK 70 million in the third quarter, which was 25 below the third quarter 2008 and 19 percent below the previous quarter.

Gross margin was 16.2 percent, well below the 22.6 percent reported in the third quarter last year and also a further decline from 18.5 percent in the previous quarter.

The gross profit in the third quarter was negatively affected by approximately NOK 8 million in adjustment of results related to deliveries in prior periods.

Gross margin is also affected by intensified competition and product price pressure, particularly from Chinese suppliers.

The continued weak development in the gross margin remains a key concern. Nera Network's production and sales rates of radios are currently too low to generate the scale advantages required to generate sufficient gross profit. The order backlog indicates higher production and sales of radios in the final quarter of the year, and industry analyst forecasts for the coming years indicates a pick-up in demand going forward.

For the first nine months of 2009, gross profit amounted to NOK 251 million, which was a slight decline from NOK 256 million in the first nine months of 2008. The gross margin declined from 21.5 percent to 18.5 percent.

Operating costs

Nera Networks had operating costs of NOK 70 million in the third quarter, compared to NOK 73 million in the same quarter last year.

In the previous quarter, operation costs amounted to NOK 89 million, including provisions of NOK 10 million related to an ongoing performance improvement program.

The positive trend in underlying costs reflects that cost measures taken earlier in 2009 are beginning to take effect. Combined with actions taken to lower cost of goods sold, these measures are eventually expected to generate cost reductions of NOK 55 million on an annual basis. A second restructuring phase focusing on process improvements is still in the planning stage.

Depreciation and amortization accounted for NOK 21 million of the operating costs in the third quarter 2009, up from NOK 17 million from the third quarter 2008 and in line with the previous quarter.

For the first nine months of 2009 operating costs amounted to NOK 241 million, compared to NOK 216 million in the first nine months 2008. The increase is explained by an increase in depreciation and amortization of NOK 19 million and NOK 10 million in non-recurring items which were recognized in the second quarter 2009.

Operating profit

EBITDA was NOK 22 million in the third quarter 2009, which compares to NOK 38 million in the third quarter 2008. The decline is mainly related to the weakened gross margin. EBIT was NOK 19 million in the previous quarter.

EBIT was NOK 0 million, down from NOK 21 million in the third quarter last year and only a small improvement from NOK -3 million in the previous quarter.

For the first nine months 2009, EBITDA declined by 14 percent to NOK 73 million, whereas EBIT declined to NOK 10 million from NOK 41 million in the same period last year.

Order entry

New orders amounted to NOK 443 million in the third quarter, which was a decline of 12 percent from the third quarter 2008 and in line with the previous quarter. For the first nine months 2009, order entry declined by three percent to NOK 1,378 million.

Order backlog was NOK 719 million at the end of the third quarter, down from NOK 710 million at the end of the second quarter and from NOK 700 million at the end of 2008. NOK 386 million was for delivery within 90 days.

NeraTel

NOKm	3Q 2009	3Q 2008	9M 2009	9M 2008	2008	2Q 2009
Order entry	164	272	465	517	834	127
Revenue	164	128	604	427	666	219
Gross profit	31	33	122	108	155	43
EBITDA	7	10	47	42	63	18
Depreciation and amortization	-6	-5	-17	-15	-20	-6
EBIT	1	5	31	28	43	12
Gross margin (%)	18.9 %	25.4 %	20.2 %	25.3 %	23.3 %	19.5 %

Note: EBIT includes amortization of PPA with NOK 2 million for 3Q'09 (2), NOK 7 million for the first nine months 2009 (6) and NOK 10 million for

NeraTel reported revenue of NOK 164 million in the third quarter, which was 27 percent above the third quarter 2008 but 25 percent below the previous quarter.

On a currency adjusted basis revenue increased by 17 percent from the third quarter 2008.

Gross profit was NOK 31 million in the third quarter 2009, down five percent from the third quarter 2008 and 28 percent below the previous quarter. Gross margin was 18.9 percent, compared to 25.4 percent in the third quarter last year and 19.5 percent in the previous quarter.

The large fluctuations in revenue, gross profit and margin are primarily explained by phasing of transmission contracts and the resulting changes in revenue mix. Transmission volumes generally carry lower margin than the more stable Infocomm business.

EBITDA was NOK 7 million in the third quarter 2009, which compares to NOK 10 million in the same quarter last year and NOK 18 million in the previous quarter. EBIT was NOK 1 million, down from NOK 5 million in the same quarter last year and NOK 12 million in the previous quarter.

Order entry was NOK 164 million in the third quarter, which was 40 percent below the third quarter last year but 30 percent higher than in the second quarter 2009.

The order backlog was NOK 479 million at the end of the third quarter, which compares to NOK 478 million at the end of the second quarter and NOK 618 million at the end of 2008.

NOK 262 million was for delivery in the next 90 days.

For the first nine months 2009, revenue increased 42 percent to NOK 604 million, whereas gross profit increased by 13 percent to NOK 122 million. Split by segments, the company has seen higher Transmission revenue, flat Infocomm revenue and declining SatCom revenue.

EBITDA increased by 12 percent to NOK 47 million in the first nine months 2009, whereas EBIT increased by 10 percent to NOK 31 million.

Order entry amounted to NOK 465 million in the first nine months 2009, which was a decline of 10 percent from NOK 517 million in the first nine months 2008.

NeraTel is a separately listed company on the Singapore Exchange. The company presented its interim results for the third quarter and first nine months 2009 on 15 October 2009. For further information, please see www.neratel.com.sg.

Corporate

Corporate costs amounted to NOK 15 million in the third quarter (11), and to NOK 43 million in the first nine months 2009 (48).

In the first nine months 2008 corporate costs included non-recurring charges of NOK 15 million related to management changes.

Organizational changes

CEO Jan T. Jørgensen is currently on sick leave, and Mr. Jørgen Larsen has been appointed acting CEO in Eltek ASA.

Prior to the appointment, Mr. Larsen held the position as EVP Business Development.

Outlook

Eltek's main focus in 2009 has been to align the organisation to a weaker market, and to improve financial flexibility. Both Eltek Valere and Nera Networks have taken measures to reduce their cost bases and expect continued improvements in the operational cost levels going forward.

Eltek has achieved positive results from its focused working capital program, and key performance indicators such as inventory turnover and days of sales outstanding have improved significantly from previous periods.

Although working capital management will remain a key priority, the company will also take further action to meet the growth challenges posed by a weaker telecom equipment market.

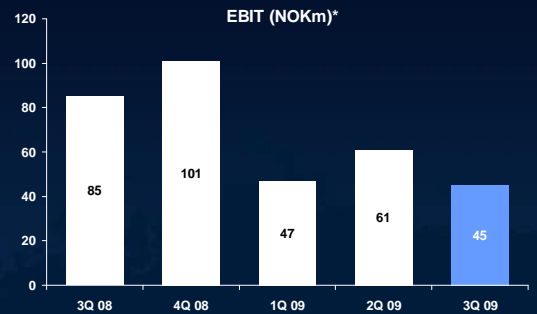
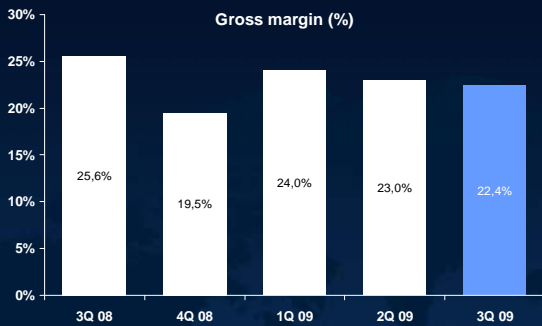
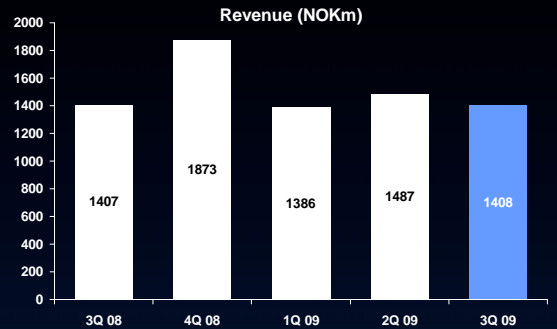
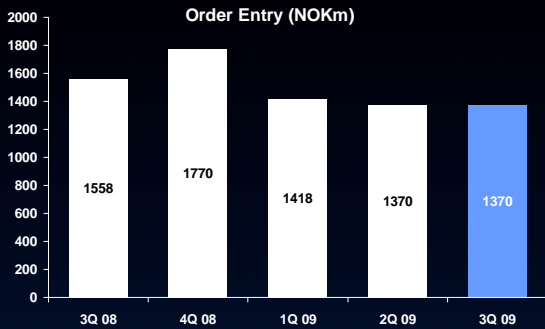
Eltek Valere will continue to exploit growth pockets in the telecom market and will intensify its efforts to increase sales in the replacement market. The company will furthermore seek to increase sales of its equipment for industrial applications, and has begun developing a position in the large and growing solar power inverter market.

Nera Networks' main focus will be on improving gross margins, through increasing sales of radio products and streamlining of its value chain. The order backlog indicates higher deliveries in the final quarter of the year. For the overall point-to-point microwave equipment market, industry analysts expect a small decline in 2009 to turn into a high-growth market from 2010 onwards. The company is also planning a second phase in its restructuring program, focused on process improvements that will support gross margins.

The main operational risk for the fourth quarter relates to potential shortage of components as suppliers have reduced production and inventories during the economic slowdown.

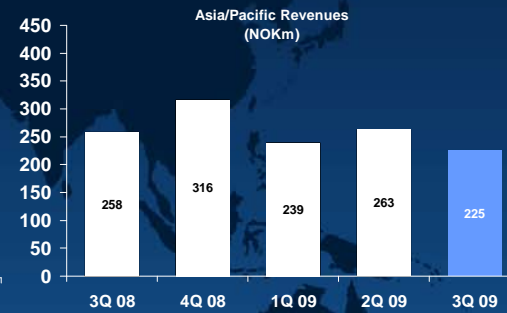
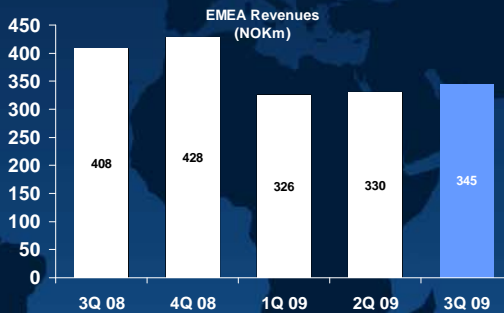
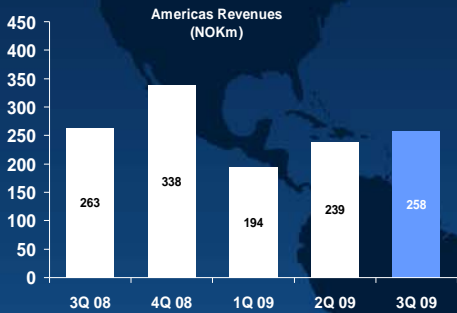
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The Board of Directors,
Eltek ASA

QUARTERLY DEVELOPMENT ELTEK GROUP

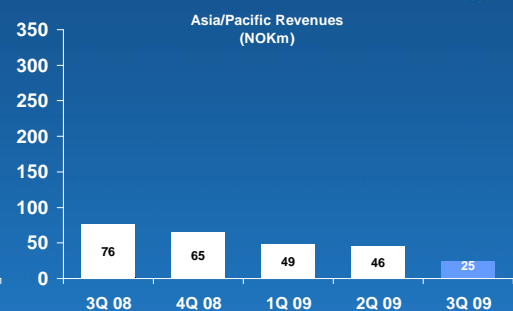
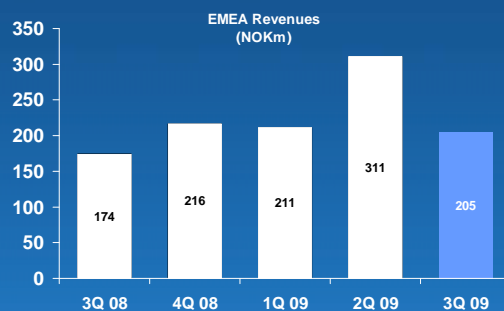
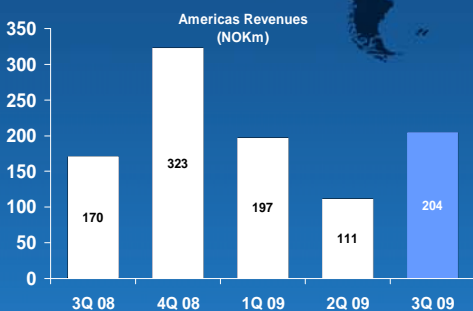


*EBIT before non-recurring items

QUARTERLY DEVELOPMENT BY REGION - ELTEK VALERE



QUARTERLY DEVELOPMENT BY REGION - NERA NETWORKS



Consolidated income statement (unaudited)

Amounts in NOK Million	3Q 2009	3Q 2008	YTD 2009	YTD 2008	2008
Revenue	1 407,7	1 406,7	4 280,5	4 085,8	5 958,4
Cost of sales	-1 092,3	-1 046,8	-3 290,7	-3 088,1	-4 594,6
Gross profit	315,4	359,9	989,9	997,7	1 363,8
Selling and marketing costs	-123,5	-126,4	-379,1	-372,0	-518,0
Administrative costs	-78,9	-79,1	-249,8	-240,0	-345,6
R&D and engineering costs	-67,9	-69,2	-208,2	-190,3	-273,6
Other operating items	-0,4	-0,7	-20,6	-19,6	-842,9
Operating profit	44,6	84,5	132,2	175,8	-616,4
Share of result in associated companies	0,0	0,0	0,0	0,0	1,1
Net financial items	-17,6	-92,1	-51,4	-65,9	-142,9
Profit before income tax	27,0	-7,6	80,9	109,9	-758,3
Income tax expense	-19,8	-15,7	-48,2	-53,4	-65,8
Net profit	7,2	-23,3	32,7	56,5	-824,1
Attributable to:					
Equity holders	4,2	-22,5	14,4	31,6	-797,7
Minority interests	3,0	-0,8	18,3	24,9	-26,4
Basic EPS (NOK)	0,01	-0,46	0,04	0,64	-15,77
Diluted EPS (NOK)	0,01	-0,46	0,04	0,64	-15,77

Consolidated balance sheet (unaudited)

Amounts in NOK Million	30.09.2009	30.09.2008	31.12.2008
Property, plant & equipment	437,5	464,2	521,5
Intangible assets	636,0	1 385,1	719,4
Deferred income tax asset	419,8	406,4	421,2
Other non-current assets	13,6	14,1	15,7
Total non-current assets	1 506,9	2 269,8	1 677,8
Inventories	683,6	990,5	983,0
Trade and other receivables	2 049,7	2 594,5	2 888,3
Cash and cash equivalents	879,7	524,6	622,1
Total current assets	3 612,9	4 109,5	4 493,4
Total assets	5 119,9	6 379,3	6 171,2
Share capital	323,6	49,2	299,2
Other reserves	1 174,6	2 001,6	1 375,4
Capital and reserves attributable to equity holders of the Company	1 498,3	2 050,8	1 674,6
Minority interest	165,9	417,8	176,2
Total equity	1 664,2	2 468,6	1 850,8
Borrowings	780,8	862,3	849,3
Deferred income tax liabilities	7,1	2,3	7,7
Retirement benefit obligations	167,4	153,8	170,2
Provisions for other liabilities and charges	185,7	27,6	208,8
Total non-current liabilities	1 141,1	1 045,9	1 235,9
Borrowings	674,4	736,1	797,6
Trade creditors and other payables	1 394,9	1 924,1	2 009,3
Current income tax payable	19,7	25,1	43,1
Provisions for other liabilities and charges	225,6	179,5	234,5
Total current liabilities	2 314,6	2 864,8	3 084,5
Total liabilities	3 455,7	3 910,7	4 320,4
Total equity and liabilities	5 119,9	6 379,3	6 171,2
Equity ratio	32,5 %	38,7 %	30,0 %

Cash flow analysis (unaudited)

Amounts in NOK Million	3Q 2009	3Q 2008	YTD 2009	YTD 2008	2008
Net cash flow from operations	225,2	-22,0	586,7	-35,3	-109,1
Net cash flow from investments	-82,9	-76,4	-195,3	-279,2	-352,6
Net cash flow from financing	6,7	32,6	-60,2	247,0	387,5
Currency effect on cash and cash equivalents	-38,0		-73,6		104,2
Net change in cash and cash equivalents	111,0	-65,8	257,6	-67,4	30,0
Cash and cash equivalents, beginning of period	768,7	590,5	622,1	592,2	592,2
Cash and cash equivalents, end of period	879,7	524,6	879,7	524,6	622,1

Consolidated statement of comprehensive income (unaudited)

Amounts in NOK Million	3Q 2009	Restated 3Q 2008	YTD 2009	Restated YTD 2008	Restated 2008
Profit for the period	7,2	-23,3	32,7	56,5	-824,1
Fair value adjustments available-for-sale-assets					-1,2
Actuarial gains/losses					-9,3
Net investment hedge	-20,1	18,3	-27,4	2,8	22,1
Currency translation effects	-61,7	131,8	-164,1	58,1	342,4
Other comprehensive income (loss)	-81,8	150,1	-191,5	60,9	354,0
Total comprehensive income (loss) for the period	-74,6	126,8	-158,8	117,4	-470,1
Total comprehensive income (loss) attributable to :					
Equity holders of Eltek ASA	-68,5	94,8	-153,4	86,4	-527,7
Minority interests	-6,1	32,0	-5,4	31,0	57,6

Statement of changes in equity (unaudited)

Amounts in NOK Million	3Q 2009	3Q 2008	YTD 2009	YTD 2008	2008
Equity end of previous period	1 743,1	2 339,1	1 850,8	2 394,3	2 394,3
Change in opening balance					-1,4
Equity beginning of this period	1 743,1	2 339,1	1 850,8	2 394,3	2 392,9
Total comprehensive income for the period	-74,6	126,8	-158,8	117,4	-470,1
New equity			28,4		239,6
Acquisition of minority interests	-4,9		-33,0	-14,7	-280,4
Cost of stock options	1,1	2,8	2,5	6,8	6,5
Dividends	-0,5		-25,7	-35,2	-37,7
Equity end of period	1 664,2	2 468,6	1 664,2	2 468,6	1 850,8

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	3Q 2009	3Q 2008	YTD 2009	YTD 2008	2008
INCOME STATEMENT					
Revenue	826,9	928,8	2 418,0	2 581,1	3 663,6
Gross profit	214,0	232,4	617,3	633,3	866,3
Operating profit/segment results	58,9	69,6	134,7	155,0	-570,7
ASSETS AND LIABILITIES					
Total assets			2 367,6	3 482,4	2 976,7
Total liabilities			1 527,4	1 849,4	2 044,3
OTHER SEGMENT INFORMATION INCL. ABOVE					
Depreciation & amortization	36,1	30,9	105,6	85,4	120,9
Capital expenditure	20,8	25,9	60,5	130,3	210,5
Restructuring expenses			9,9		35,3
REVENUE BY GEOGRAPHICAL REGION					
Americas	257,5	262,8	690,9	691,9	1 030,4
EMEA (Europe, Middle East and Africa)	344,5	407,9	1 000,0	1 054,7	1 483,0
Asia Pacific	224,9	258,1	727,1	834,5	1 150,2

Nera Networks

Amounts in NOK Million	3Q 2009	3Q 2008	YTD 2009	YTD 2008	2008
INCOME STATEMENT					
Revenue	433,8	420,1	1 358,6	1 193,6	1 797,4
Gross profit	70,4	94,9	250,9	256,5	346,9
Operating profit/segment results	0,1	21,5	10,1	40,6	-28,3
ASSETS AND LIABILITIES					
Total assets			1 571,3	1 994,1	2 012,7
Total liabilities			1 377,3	1 662,4	1 830,6
OTHER SEGMENT INFORMATION INCL. ABOVE					
Depreciation & amortization	21,5	16,8	62,6	43,6	62,4
Capital expenditure	24,6	28,2	78,1	134,7	169,6
Restructuring expenses			10,3		
REVENUE BY GEOGRAPHICAL REGION					
Americas	204,4	169,8	511,9	421,1	743,8
EMEA (Europe, Middle East and Africa)	204,8	174,1	727,3	596,7	812,8
Asia Pacific	24,6	76,2	119,3	175,8	240,8

Nera Telecommunications

Amounts in NOK Million	3Q 2009	3Q 2008	YTD 2009	YTD 2008	2008
INCOME STATEMENT					
Revenue	163,6	128,4	603,8	426,6	665,8
Gross profit	30,9	32,6	121,7	107,9	154,9
Operating profit/segment results	1,0	4,6	30,5	27,8	42,7
ASSETS AND LIABILITIES					
Total assets			580,2	601,7	699,1
Total liabilities			250,8	262,4	283,2
OTHER SEGMENT INFORMATION INCL. ABOVE					
Depreciation & amortization	5,5	5,3	17,0	14,6	20,4
Capital expenditure	1,6	6,8	5,6	12,0	15,0
REVENUE BY GEOGRAPHICAL REGION					
Americas					
EMEA (Europe, Middle East and Africa)	0,1	0,4	1,9	2,1	2,5
Asia Pacific	163,5	128,0	601,8	424,5	663,3

Corporate/unallocated/eliminations

Amounts in NOK Million	3Q 2009	3Q 2008	YTD 2009	YTD 2008	2008
INCOME STATEMENT					
Revenue	-16,7	-70,7	-99,9	-115,5	-168,4
Gross profit					-4,3
Operating profit/segment results	-15,4	-10,7	-43,0	-47,1	-60,1
ASSETS AND LIABILITIES					
Total assets			600,8	301,1	482,7
Total liabilities			300,2	136,5	162,3
OTHER SEGMENT INFORMATION INCL. ABOVE					
Depreciation and amortization	0,1	0,2	0,2	0,6	0,7
Capital expenditure	0,1	0,4	0,6	0,4	1,7

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

	Intangible assets				Tangible assets
	Goodwill	R&D	Other	Total	
Net book amount 01.07.2009	69,8	457,7	148,0	675,5	467,9
Additions		31,3	0,2	31,5	15,6
Depreciation		-35,1	-9,4	-44,5	-18,7
Other			1,1	1,1	3,7
Foreign currency translation effects	-5,0	-8,1	-14,5	-27,6	-31,0
Net book amount at 30.09.2009	64,8	445,8	125,4	636,0	437,5

Three months ended 30 September 2008

	Intangible assets				Tangible assets
	Goodwill	R&D	Other	Total	
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					-1,4
Depreciation		-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

Nine months ended 30 September 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		100,8	0,8	101,6	43,2
Depreciation		-98,0	-28,4	-126,4	-57,5
Other					-6,6
Impairment		-1,3		-1,3	
Foreign currency translation effects	-12,3	-11,3	-33,7	-57,3	-63,1
Net book amount at 30.09.2009	64,8	445,8	125,4	636,0	437,5

Nine months ended 30 September 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	111,7	2,6	147,0	130,4
Disposals					-3,7
Depreciation		-72,7	-22,4	-95,1	-48,9
Foreign currency translation effects	48,5	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

4. Borrowings

The Company's loan 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 2009 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 2009 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 3Q 2009 the provision for financial liability related to minority put options have been reduced due to acquisition of minority interest in Eltek SGS Pvt. Ltd. See note 7.

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. The conclusion of this process has not yet been finalized and is currently planned for the end of November 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 acquisitions/sales

In the third quarter 2009, the Group sold its 51% ownership interest in Eltek Energia S.A. (Spain). The transaction has no material effect on the income statement for the third quarter. In the third quarter the Group also acquired 5.9% of the sharecapital of Eltek SGS Pvt. Ltd, India from the minority shareholders.

