

# REPORT 1st QUARTER 2010





# REPORT

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### Highlights

- Continued challenging market and currency effects led to revenue decline of 19 percent from the first quarter 2009
- EBIT loss of NOK 19 million - somewhat better than earlier announced
- Order entry on par with fourth quarter 2009
- Eltek Valere maintains healthy gross margin and positive operating results despite relatively low market activity
- Gaining traction in new business area with new orders and enquires for hybrid/solar power solutions, inverters for the solar grid market, and battery chargers for electric vehicles
- Nera Networks unable to achieve profitability at the low volume level in the first quarter
- Continued positive free cash flow and reduced net interest bearing debt
- Completed NOK 200 million bond loan in March, with payment in April
- Repurchased promissory notes issued to former minority shareholders in Eltek Valere for USD 30 million in April

<b>(NOK million, unaudited)</b>	<b>1Q '10</b>	<b>1Q '09</b>	<b>2009</b>	<b>4Q'09</b>
Order entry	<b>1,233</b>	1,418	<b>5,397</b>	1,239
Revenue	<b>1,125</b>	1,386	<b>5,778</b>	1,497
Gross Profit	<b>266</b>	333	<b>1,338</b>	349
EBITDA	<b>34</b>	106	<b>436</b>	118
Depreciation, amortization and impairment	<b>-53</b>	-59	<b>-446</b>	-261
EBIT	<b>-19</b>	47	<b>-11</b>	-143
Pre-tax profit	<b>-52</b>	-14	<b>-92</b>	-173
<i>Gross margin (%)</i>	<b>23.7 %</b>	<b>24.0 %</b>	<b>23.2 %</b>	<b>23.3 %</b>
<i>Non-recurring operational items</i>	-	-	<b>-220</b>	-199
<i>EBITDA before non-recurring items</i>	<b>34</b>	106	<b>465</b>	127
<i>EBIT before non-recurring items</i>	<b>-19</b>	47	<b>209</b>	56

Note: EBIT incl. amortization of purchase price allocation (PPA): NOK 8 million in 1Q'10 (11) and NOK 38 million in 2009.

## Income Statement for the first quarter 2010

*The figures below describe developments in the first quarter 2010, with corresponding figures for the first quarter 2009 in brackets.*

A continued challenging market and low order entry during the winter led to a revenue decline for Eltek in the first quarter 2010. Revenue declined by 19 percent from the first quarter last year, and by 10 percent on a currency adjusted basis.

The gross margin declined slightly to 23.7 percent (24.0) year-on-year.

Operating costs were more or less unchanged compared to the first quarter 2009, and EBITDA declined to NOK 34 million (106) and EBIT to a negative NOK 19 million (+47). The operating result was thus slightly less negative than the loss-range of NOK 20-30 million indicated in a stock exchange notification issued on March 25, 2010.

Net financial items were a negative NOK 33 million (-61). Net interest expenses were NOK 19 million. Currency had a negative effect of NOK 12 million, mainly relating to devaluation in Venezuela. Loss before tax was thus NOK 52 million (-14).

## Cash Flow and Balance Sheet

Net cash flow from operating activities was NOK 71 million in the first quarter 2010 (168). This mainly reflects a NOK 66 million reduction in net working capital, primarily due to reduced accounts receivable.

Net cash flow from investing activities was a negative NOK 49 million in the first quarter (-47), including capitalized R&D of NOK 28 million (36).

Free cash flow was thus NOK 22 million in the first quarter 2010 (121). Eltek Valere was the main contributor to the positive cash flow. NeraTel also contributed positively, whereas free cash flow was negative in Nera Networks in the first quarter.

Net cash flow from financing activities was a positive NOK 91 million in the first quarter (119). Including currency translation effects, Eltek's cash and cash equivalents increased by NOK 104 million in the first quarter 2010, to NOK 919 million (826).

Total assets were NOK 4,591 million at the end of the first quarter 2010 (5,711). The decline of NOK 69 million during the first quarter mainly reflects continued reductions in working capital.

Equity amounted to NOK 1,326 million at the end of the first quarter (1,726), down by NOK 4 million from year-end 2009. The equity ratio was 28.9 percent (30.2), up from 28.5 percent at the end of 2009. Goodwill-adjusted equity ratio was 27.8 percent (29.4), compared to 27.5 percent at 31 December 2009.

Net interest bearing debt was reduced by NOK 60 million to NOK 536 million (866), although gross borrowings increased by NOK 43 million to NOK 1,455 million at the end of the first quarter (1,692).

Gross borrowings included NOK 179 million in promissory notes issued as payment for the minority shareholdings in Eltek Valere. The value in the Balance Sheet reflects that Eltek in March decided to exercise an option to purchase the promissory notes for USD 30 million in April.

Eltek in March 2010 completed the issue of a NOK 200 million bond loan.

## 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 below outlines reported and currency adjusted revenue growth.

### Revenue growth – 1Q 2010 vs. 1Q 2009

	Reported	Currency adjusted
Eltek Valere	-15%	-6%
Nera Networks	-25%	-18%
NeraTel	-24%	-15%
Total	-19%	-10%

## Eltek Valere

NOKm	1Q 2010	1Q 2009	2009	4Q 2009
Order entry	727	806	3,116	703
Revenue	648	759	3,239	821
Gross profit	168	191	836	219
EBITDA	50	66	350	110
Depr & amortization and impairment	-33	-34	-147	-41
EBIT	17	32	203	69
<i>Gross margin (%)</i>	<b>26.0 %</b>	25.2 %	<b>25.8 %</b>	26.6 %
<i>Non-recurring items</i>	-	-	-10	0
<i>EBITDA before non-recurring items</i>	50	66	360	110
<i>EBIT before non-recurring items</i>	17	32	213	69

Note: EBIT includes amortization of PPA with NOK 7 million in 1Q'10 (8) and NOK 30 million for 2009.

### Revenue

The telecom power supply market was relatively weak in the fourth quarter 2009, and Eltek Valere's order backlog at the beginning of 2010 was 24 percent lower than a year before.

The market activity remained subdued in the first quarter 2010, although the company sees improved demand for its High Efficiency (HE) product range and its hybrid power solutions.

Revenue in the first quarter 2010 was NOK 648 million, a decline of 15 percent from the first quarter 2009 (759). On a currency adjusted basis, revenue declined by a more modest six percent. The revenue decline from the previous quarter mainly reflects seasonal variations.

#### Quarterly revenue by geographical segment

NOKm	1Q'10	Chg. vs. 1Q'09	Chg. vs. 4Q'09
Americas	195	0%	-20%
EMEA	267	-18%	-25%
Asia Pacific	186	-22%	-15%
Total	648	-15%	-21%

Americas maintained the revenue level from the first quarter 2009, supported by a healthy activity level in North America. Revenue in the region accounted for 30 percent of overall revenue in the quarter.

EMEA remains the largest area with 41 percent of revenue, although revenue declined by 18 percent with a slowdown in UK, Russia, Iran and the industrial German market.

Revenue in Asia Pacific declined 22 percent and accounted for 29 percent of overall revenue in the first quarter. Revenue declined in India and China, which was partly offset by higher revenue in Australia and Indonesia/Singapore.

### Gross margin

Eltek Valere managed to improve the gross margin level to 26.0 percent (25.2), and the 12 percent decline in gross profit to NOK 168 million was thus less severe than the revenue decline from the first quarter 2009.

The margin improvement from the first quarter 2009 reflects changes in product and customer mix, and also cost reductions and more cost efficient manufacturing. The margin decline from the fourth quarter 2009 is explained by the significantly lower activity level.

### Operating costs

Operating costs amounted to NOK 151 million in the first quarter (159), which reflects positive effects from cost reducing measures implemented during 2009.

Depreciation and amortization accounted for NOK 33 million of the operating costs (34), including NOK 7 million in amortization of PPA (8).

### Operating profit

EBITDA declined by 24 percent to NOK 50 million in the first quarter (66), whereas EBIT declined by 46 percent to NOK 17 million (32).

The lower results reflect the lower activity level in the first quarter of the year. The company expects higher revenue and improved profitability in the second quarter of the year.

### Order entry

Order entry came in at NOK 727 million in the first quarter (806), and the order backlog stood at NOK 523 million at the end of the quarter. NOK 396 million was for delivery within 90 days.

During the first quarter, Eltek Valere announced two major orders. In Brazil, the company was awarded a USD 10 million contract by a large mobile operator for delivery of power systems, central network systems, enclosures, batteries and installation work.

Separately, the company was awarded a USD 12 million contract by an international mobile operator for deliveries of turnkey power solutions with high efficiency (HE) rectifiers, advanced control systems and hybrid/solar power solutions for a minimum 460 sites in six African countries and one country in Central America.

### Developing new business areas

Eltek Valere is developing new markets based on a high efficiency technology portfolio that has earned the company the position as the "Greenest Company in the Power Industry".

Although revenue from emerging business areas such as solar/hybrid telecom power systems, solar power inverters and electric vehicle chargers is still relatively modest, the company gained ground and won important contracts in all these areas in the first quarter 2010.

The USD 12 million contract award described above is an example of the company's competitiveness in the hybrid power market, where the company can offer its customers operational savings and fast return on investment, as well as the opportunity to reduce diesel consumption and carbon emissions.

During the quarter, Eltek Valere also commenced deliveries of battery chargers for electric vehicles to Think City, under a contract entered into in January.

The company's solar inverter development program is progressing as planned. Eltek Valere has already entered into strategic partnerships to secure early commercial entry into a high growth market that industry analysts estimate had a value of close to USD 3 billion in 2009.

### Nera Networks

NOKm	1Q 2010	1Q 2009	2009	4Q 2009
Order entry	336	493	1,822	444
Revenue	343	456	1,872	513
Gross profit	61	94	336	85
EBITDA	-3	32	89	17
Depreciation and amortization	-15	-20	-89	-26
EBIT	-19	13	-189	-199
<i>Gross margin (%)</i>	<i>17.9 %</i>	<i>20.6 %</i>	<i>18.0 %</i>	<i>16.6 %</i>
<i>Non-recurring items</i>	-	-	-200	-190
<i>EBITDA before non-recurring items</i>	<i>-3</i>	<i>32</i>	<i>100</i>	<i>17</i>
<i>EBIT before non-recurring items</i>	<i>-19</i>	<i>13</i>	<i>11</i>	<i>-9</i>

## Revenue

Activity in the microwave transmission market was relatively low towards the end of 2009 and into 2010, and Nera Networks started the year with an order backlog that was seven percent lower than the year before.

Revenue of NOK 343 million was down 25 percent compared to the first quarter 2009 (456). On a currency adjusted basis, revenue declined by 18 percent.

### Quarterly revenue by geographical segment

NOKm	1Q'10	Chg. vs. 1Q'09	Chg. vs. 4Q'09
Americas	165	-16%	-35%
EMEA	134	-37%	-41%
Asia Pacific	44	-9%	36%
Total	343	-25%	-33%

Americas remain the largest area with 48 percent of revenue, although revenue declined by 16 percent from the first quarter 2009.

Revenue in EMEA declined by 37 percent and accounted for 39 percent of overall revenue. The revenue decline was strongest in Africa, although revenue also declined in Europe.

Asia Pacific revenue mainly reflects deliveries to NeraTel. These declined by nine percent from the first quarter 2009, and accounted for 13 percent of overall revenue in Nera Networks.

## Gross margin

The gross margin declined to 17.9 percent (20.6), and in combination with the lower activity level this resulted in a gross profit decline of 35 percent to NOK 61 million in the first quarter 2010 (94).

Increasing volumes remain the key to achieve scale advantages and generate higher gross margin in a competitive market with price pressure.

## Operating costs

Operating costs amounted to NOK 80 million in the first quarter (81), which was an improvement from the previous quarter. Depreciation and amortization accounted for NOK 15 million of the operating costs (20).

## Operating profit

EBITDA declined to a negative NOK 3 million in the first quarter (+32), whereas EBIT declined to a negative NOK 19 million (+13).

The company saw some signs of improved demand towards the end of the first quarter, which is expected to generate improved revenue and results in the second quarter.

## Order entry

Although there were some signs of improved demand at the end of the first quarter, the overall order entry for the quarter was relatively low at NOK 336 million (493). The order backlog stood at NOK 624 million at the end of the quarter, of which NOK 344 million was for delivery within 90 days.

Included in the order entry was an already announced NOK 45 million contract with a major telecom operator in South America, which will be delivered in the second quarter 2010.

During the quarter, Nera Networks also announced the signing of a five-year frame agreement with the Indian mobile operator Uninor, under which deliveries are expected to commence in the second half of 2010.

## NeraTel

NOKm	1Q 2010	1Q 2009	2009	4Q 2009
Order entry	203	174	573	108
Revenue	169	221	798	194
Gross profit	37	48	166	45
EBITDA	13	23	67	20
Depreciation and amortization	-4	-6	-21	-4
EBIT	9	17	47	16
<i>Gross margin (%)</i>	<b>21.8 %</b>	21.8 %	<b>20.9 %</b>	23.1 %
Non-recurring items	-	-	0	-
EBITDA before non-recurring items	13	23	67	20
EBIT before non-recurring items	9	17	47	16

Note: EBIT includes amortization of PPA with NOK 1 million for 1Q'10 (3), and NOK 9 million for 2009).

NeraTel was negatively impacted by the relatively low investment and activity level in the telecom market in the latter part of 2009 and into 2010. Revenue of NOK 169 million was a decline of 24 percent from the first quarter 2009 (221), and down 15 percent on a currency adjusted basis.

The gross margin was unchanged at 21.8 percent, and gross profit declined 23 percent to NOK 37 million (48).

Although operating costs declined in reflection of the lower activity level, EBITDA declined by 45 percent to NOK 13 million (23) and EBIT by 51 percent to NOK 9 million (17).

Order entry was NOK 203 million in the first quarter (174), and the order backlog increased by NOK 57 million during the quarter to NOK 452 million.

NeraTel is a separately listed company on the Singapore Exchange. The company presented its interim results for the first quarter 2010 on 19 April 2010. For further information, please see [www.neratel.com.sg](http://www.neratel.com.sg).

### Corporate

Corporate costs amounted to NOK 26 million in the first quarter (15). This includes NOK 10 million in legal and financial advisory services related to the settlement agreement entered into with the former Eltek Valere minority shareholders in January.

### Group Organizational changes

Mr. Rune Finne assumed his position as CEO of Eltek ASA with effect from 1 March, 2010, and Jørgen Larsen resumed his position as EVP Business Development.

On 1 April, 2010 Finne also assumed the position as CEO of Eltek Valere AS, when Knut Aven took over the responsibility for Eltek Valere's industrial applications and the new growth initiatives towards the solar market.

### Outlook

Investment activity in the telecom sector was relatively weak in 2009, and remained subdued in the first quarter 2010.

Although the generally low activity level in the telecom industry generated a revenue decline and a negative operating result in the first quarter, Eltek expects higher revenue and a positive operating result already in the second quarter of the year.

Eltek Valere believes the telecom power market will stabilize during 2010, and expects to see continued growth within industrial applications and for the growth initiatives within hybrid power solutions, solar power inverters and electric vehicle charges.

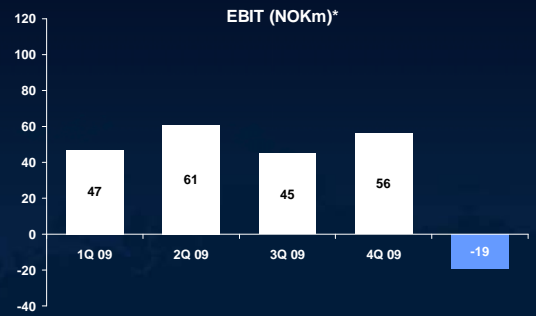
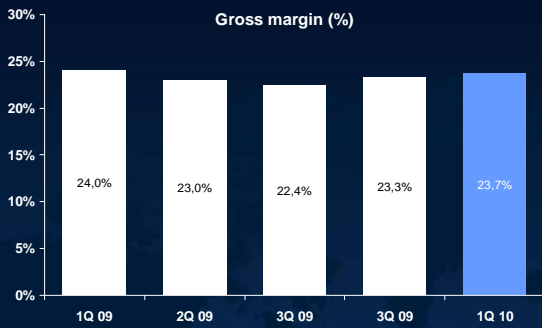
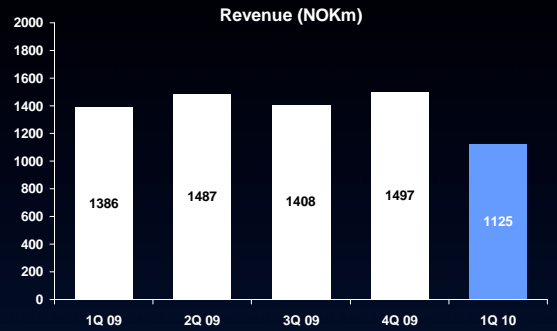
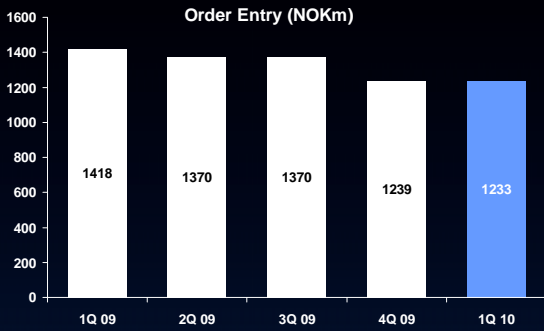
Nera Networks has broadened its Evolution Series radio portfolio over the past years, and should benefit from an expected upturn in the overall point-to-point microwave equipment market.

Due to the seasonality of business volumes, working capital must be expected to fluctuate between quarters. However, working capital management

remains a key priority with an aim to generate positive free cash flow in all segments for the full year 2010.

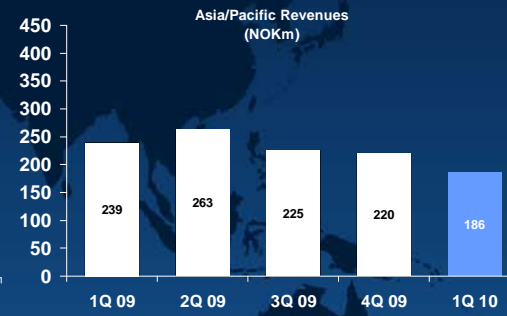
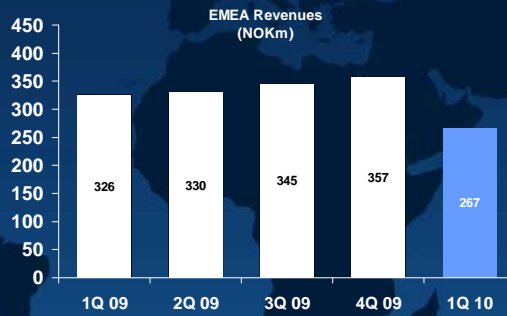
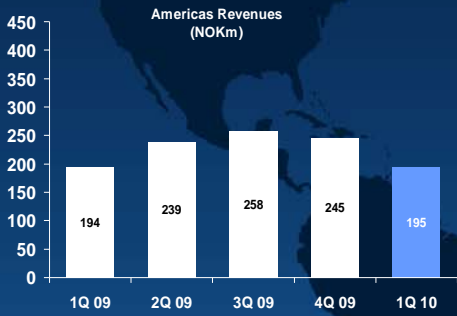
Drammen, 27 April 2010  
The Board of Directors

## QUARTERLY DEVELOPMENT ELTEK GROUP

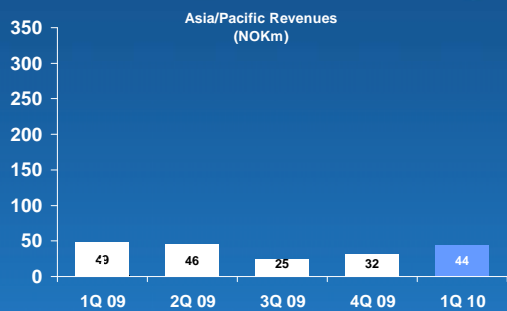
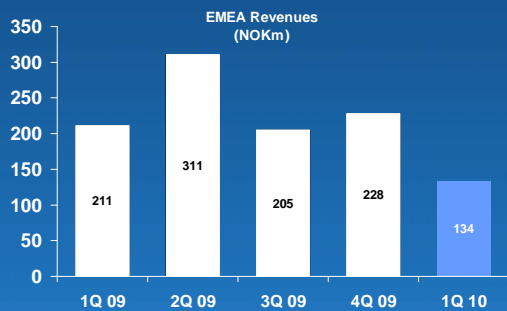
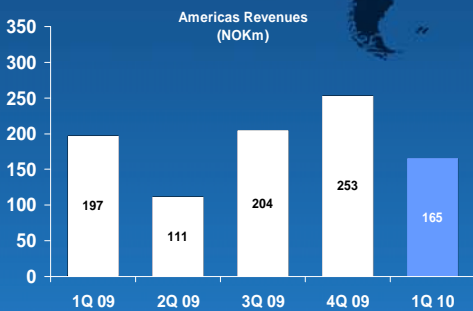


\*EBIT before non-recurring items

## QUARTERLY DEVELOPMENT BY REGION - ELTEK VALERE



## QUARTERLY DEVELOPMENT BY REGION - NERA NETWORKS



### Consolidated income statement (unaudited)

Amounts in NOK Million	1Q 2010	1Q 2009	2009
Revenue	1 125,3	1 386,0	5 777,9
Cost of sales	-858,9	-1 052,8	-4 439,4
<b>Gross profit</b>	<b>266,4</b>	<b>333,2</b>	<b>1 338,4</b>
Selling and marketing costs	-118,2	-125,2	-509,3
Administrative costs	-94,1	-89,5	-379,9
R&D and engineering costs	-71,7	-71,7	-431,1
Other operating items	-0,8	0,2	-28,7
<b>Operating profit</b>	<b>-18,5</b>	<b>47,0</b>	<b>-10,6</b>
Share of result in associated companies	0,0	0,0	1,4
Net financial items	-33,1	-61,4	-82,8
<b>Profit before income tax</b>	<b>-51,6</b>	<b>-14,4</b>	<b>-92,0</b>
Income tax expense	-6,8	-12,4	-104,4
<b>Net profit</b>	<b>-58,5</b>	<b>-26,8</b>	<b>-196,4</b>
<b>Attributable to:</b>			
Equity holders	-61,8	-30,5	-226,2
Minority interests	3,3	3,7	29,9
Basic EPS (NOK)	-0,19	-0,10	-0,69
Diluted EPS (NOK)	-0,19	-0,10	-0,69

### Consolidated statement of comprehensive income (unaudited)

Amounts in NOK Million	1Q 2010	1Q 2009	2009
<b>Profit for the period</b>	<b>-58,5</b>	<b>-26,8</b>	<b>-196,4</b>
Actuarial gains/losses			7,7
Net investment hedge (after tax)	-4,4	-20,5	-16,3
Currency translation effects	-2,9	-105,0	-150,0
<b>Other comprehensive income (loss)</b>	<b>-7,3</b>	<b>-125,5</b>	<b>-158,6</b>
<b>Total comprehensive income (loss) for the period</b>	<b>-65,8</b>	<b>-152,3</b>	<b>-355,0</b>
<b>Attributable to:</b>			
Equity holders of Eltek ASA	-76,6	-135,0	-361,5
Minority interests	10,8	-17,3	6,6

### Consolidated balance sheet (unaudited)

Amounts in NOK Million	31.03.2010	31.03.2009	31.12.2009
Property, plant & equipment	382,4	468,4	389,6
Intangible assets	487,4	690,8	484,7
Deferred income tax asset	401,3	420,8	394,5
Other non-current assets	9,6	15,1	11,9
<b>Total non-current assets</b>	<b>1 280,8</b>	<b>1 595,0</b>	<b>1 280,6</b>
Inventories	564,8	873,4	592,3
Trade and other receivables	1 825,9	2 416,7	1 971,5
Cash and cash equivalents	919,5	825,7	815,5
<b>Total current assets</b>	<b>3 310,2</b>	<b>4 115,9</b>	<b>3 379,3</b>
<b>Total assets</b>	<b>4 590,9</b>	<b>5 710,9</b>	<b>4 659,9</b>
Share capital	329,2	329,2	329,2
Other reserves	803,4	1 204,5	823,1
Capital and reserves attributable to equity holders of the Company	1 132,6	1 533,7	1 152,3
Minority interest	193,4	192,8	177,4
<b>Total equity</b>	<b>1 326,0</b>	<b>1 726,5</b>	<b>1 329,7</b>
Borrowings	547,2	820,8	540,4
Deferred income tax liabilities	5,7	9,0	3,1
Retirement benefit obligations	166,0	168,3	166,5
Provisions for other liabilities and charges	81,0	208,6	84,5
<b>Total non-current liabilities</b>	<b>799,9</b>	<b>1 206,7</b>	<b>794,6</b>
Borrowings	908,1	870,9	871,2
Trade creditors and other payables	1 311,3	1 647,5	1 408,9
Current income tax payable	19,6	36,7	20,9
Provisions for other liabilities and charges	226,1	222,6	234,6
<b>Total current liabilities</b>	<b>2 465,1</b>	<b>2 777,7</b>	<b>2 535,6</b>
<b>Total liabilities</b>	<b>3 264,9</b>	<b>3 984,4</b>	<b>3 330,2</b>
<b>Total equity and liabilities</b>	<b>4 590,9</b>	<b>5 710,9</b>	<b>4 659,9</b>
<b>Equity ratio</b>	<b>28,9 %</b>	<b>30,2 %</b>	<b>28,5 %</b>

### **Statement of changes in equity (unaudited)**

Amounts in NOK Million	<b>1Q 2010</b>	<b>1Q 2009</b>	<b>31.12.2009</b>
Equity beginning of this period	1 329,7	1 850,8	1 850,8
Total comprehensive income for the period	-65,8	-152,3	-355,0
New equity		28,4	28,8
Net acquisition/capital contribution minority interests	60,7	0,0	-171,1
Cost of stock options	1,4	0,4	2,7
Dividends	0,0	-0,7	-26,5
<b>Equity end of period</b>	<b>1 326,0</b>	<b>1 726,5</b>	<b>1 329,7</b>

### **Statement of cash flow (unaudited)**

Amounts in NOK Million	<b>1Q 2010</b>	<b>1Q 2009</b>	<b>2009</b>
Net cash flow from operations	70,8	168,2	838,6
Net cash flow from investments	-48,5	-47,4	-253,3
Net cash flow from financing	90,5	119,3	-339,1
Currency effect on cash and cash equivalents	-8,8	-36,5	-52,8
<b>Net change in cash and cash equivalents</b>	<b>104,0</b>	<b>203,6</b>	<b>193,4</b>
Cash and cash equivalents, beginning of period	815,5	622,1	622,1
Cash and cash equivalents, end of period	919,5	825,7	815,5

### **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.

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	<b>1Q 2010</b>	<b>1Q 2009</b>	<b>2009</b>
<b>INCOME STATEMENT</b>			
Revenue	648,2	759,3	3 239,4
Gross profit	168,4	191,2	835,8
Operating profit/segment results	17,4	32,2	203,2
<b>ASSETS AND LIABILITIES</b>			
Total assets	2 264,0	2 723,4	2 334,5
Total liabilities	1 318,8	1 863,8	1 422,0
<b>OTHER SEGMENT INFORMATION INCL. ABOVE</b>			
Depreciation & amortization	33,0	34,0	146,3
Capital expenditure	22,0	22,4	84,9
Restructuring expenses			9,9
<b>REVENUE BY GEOGRAPHICAL REGION</b>			
Americas	195,0	194,3	935,4
EMEA (Europe, Middle East and Africa)	266,8	325,9	1 357,4
Asia Pacific	186,4	239,1	946,6

### Nera Networks

Amounts in NOK Million	1Q 2010	1Q 2009	2009
<b>INCOME STATEMENT</b>			
Revenue	342,9	456,4	1 871,8
Gross profit	61,2	94,0	336,1
Operating profit/segment results	-18,7	12,5	-189,2
<b>ASSETS AND LIABILITIES</b>			
Total assets	1 084,2	1 687,1	1 221,4
Total liabilities	1 358,8	1 536,8	1 396,7
<b>OTHER SEGMENT INFORMATION INCL. ABOVE</b>			
Depreciation & amortization	15,3	13,2	89,2
Capital expenditure	19,2	23,9	109,1
Impairment intangibles and fixed assets			190,0
Restructuring expenses			10,3
<b>REVENUE BY GEOGRAPHICAL REGION</b>			
Americas	165,1	196,5	765,0
EMEA (Europe, Middle East and Africa)	133,7	211,3	955,1
Asia Pacific	44,1	48,5	151,7

### Nera Telecommunications

Amounts in NOK Million	1Q 2010	1Q 2009	2009
<b>INCOME STATEMENT</b>			
Revenue	168,6	220,7	797,6
Gross profit	36,7	48,0	166,5
Operating profit/segment results	8,6	17,4	46,8
<b>ASSETS AND LIABILITIES</b>			
Total assets	616,7	708,8	584,8
Total liabilities	244,3	323,4	238,7
<b>OTHER SEGMENT INFORMATION INCL. ABOVE</b>			
Depreciation & amortization	4,0	3,1	20,7
Capital expenditure	1,0	1,1	7,8
<b>REVENUE BY GEOGRAPHICAL REGION</b>			
Americas			
EMEA (Europe, Middle East and Africa)	0,4	1,5	2,2
Asia Pacific	168,2	219,2	795,6

### Corporate/unallocated/eliminations

Amounts in NOK Million	1Q 2010	1Q 2009	2009
<b>INCOME STATEMENT</b>			
Revenue	-34,4	-50,3	-130,9
Gross profit			
Operating profit/segment results	-25,8	-15,1	-71,5
<b>ASSETS AND LIABILITIES</b>			
Total assets	626,0	591,6	519,2
Total liabilities	343,0	260,4	272,8
<b>OTHER SEGMENT INFORMATION INCL. ABOVE</b>			
Depreciation and amortization	0,2	0,1	0,3
Capital expenditure		0,5	0,8

### 3. Property, plant & equipment and Intangible assets

#### Three months ended 31 March 2010

	Intangible assets				Tangible assets
	Goodwill	R&D	Other	Total	
Net book amount 01.01.2010	65,1	292,9	126,7	484,7	389,6
Additions		28,1	0,3	28,4	13,8
Depreciation/amortization		-26,7	-5,4	-32,1	-20,1
Foreign currency translation effects	2,4	3,8	0,2	6,4	-0,9
Net book amount at 31.03.2010	67,5	298,1	121,8	487,4	382,4

#### Three months ended 31 March 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		35,8	0,5	36,3	11,5
Depreciation/amortization		-30,5	-9,7	-40,2	-19,2
Other				0,0	-6,3
Foreign currency translation effects	-7,6	-4,2	-12,9	-24,7	-39,0
Net book amount at 31.03.2009	69,5	456,7	164,6	690,8	468,4

#### **4. Borrowings**

In the first quarter 2010 the Company's borrowings have been reduced by USD 10.4 million as an effect of the settlement agreement with the former Eltek Valere Minority Shareholders, see also note 5.

In March the Company completed the issue of a NOK 200 million bond loan with payment in April 2010. The bond loan has a 5 year maturity.

#### **5. Buy-out and settlement with the Eltek Valere Minority Shareholders**

At year-end 2009 the Company reported borrowings NOK 235 million (USD 40.4 million) related to the promissory notes issued to the former Eltek Valere Minority Shareholders.

Eltek and the former Eltek Valere Minority Shareholders entered into a Settlement Agreement on January 12, 2010, pursuant to which all disputes between the parties are fully and finally settled. Pursuant to the Settlement Agreement, Eltek had for 90 days the option to purchase for cancellation all promissory notes issued to the Eltek Valere Minority Shareholders (which are in the aggregate principal amount of approx USD 40.4 million), against a total payment of USD 30 million.

The company decided in March 2010 to exercise this option to purchase the promissory notes and April 12, 2010 USD 30 million was paid as full and final settlement with the minority shareholders. The settlement effect on the consolidated balance sheet is a reclassification from borrowings to equity of USD 10.4 million. The settlement had no effect on the consolidated income statement for the first quarter.

#### **6. Nera Telecom Latin-America (Venezuela)**

Eltek has operations in Venezuela through its subsidiary Nera Telecom Latin-America which is consolidated in the Nera Networks business area. Effective from January 1, 2009 the Venezuelan economy is classified as an hyperinflation economy according to the International Financial Reporting Standards (IFRS).

The Venezuelan currency VEF was fixed versus USD at an official rate of 2.15 in 2009. January 8th, 2010, the Venezuelan Government chose to devalue and the applicable rate for Eltek became USD/VEF 4.30, which has been applied in the first quarter. The devaluation have had negative translation effects on cash and cash equivalents of NOK 29 million and equity of NOK 36 million. In addition the consolidated net financial items in the first quarter include currency loss of NOK 22 million related to effects of the devaluation on payables in foreign currency reported by the Venezuelan subsidiary.

Timely access to foreign currency have in recent years been an issue and a parallel currency market has developed and is functioning. The parallel rate is volatile and at quarter-end it was approximately USD/VEF 6.90.

The company reports revenue of NOK 14 million, EBIT of NOK 1 million, cash and cash equivalents NOK 34 million and equity NOK 17 million.



