



2nd quarter and 1st half year 2010

CEO Rune Finne
CFO Pål Skistad

August 19, 2010



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Agenda

- Second Quarter Highlights
- Segment Review
- Financial Review
- Summary and Outlook

Second Quarter Highlights

- Rebound to positive results
 - Despite project cost charges in Nera Networks
 - Sequential revenue increase, slower revenue decline year-on-year
- Continued positive margin development in Eltek Valere
 - Improved results compared to both Q2'09 and Q1'10
 - New business development progresses well
- Project cost charges and weak results in Nera Networks
 - Programs to improve product portfolio and reduce product costs
 - Evaluating strategic alternatives

Key financials – Eltek Group

NOKm	2Q'10	2Q'09	Δ	1Q'10	Δ
Order entry	1,336	1,370	-2%	1,233	8%
Revenue	1,326	1,487	-11%	1,125	18%
Revenue growth, currency adj.			-7%		
Gross Profit	295	341		266	
<i>Gross Margin (%)</i>	22.2%	23.0%		23.7%	
EBITDA	79	103		34	
EBIT	23	41		-19	
Net financial items	-14	28		-33	
Profit before tax	9	68		-52	

- Gross profit, EBITDA, EBIT and profit before tax negatively affected by NOK 27 million in project cost charges, related to two long-running projects in Nera Networks in Brazil



Nera Networks

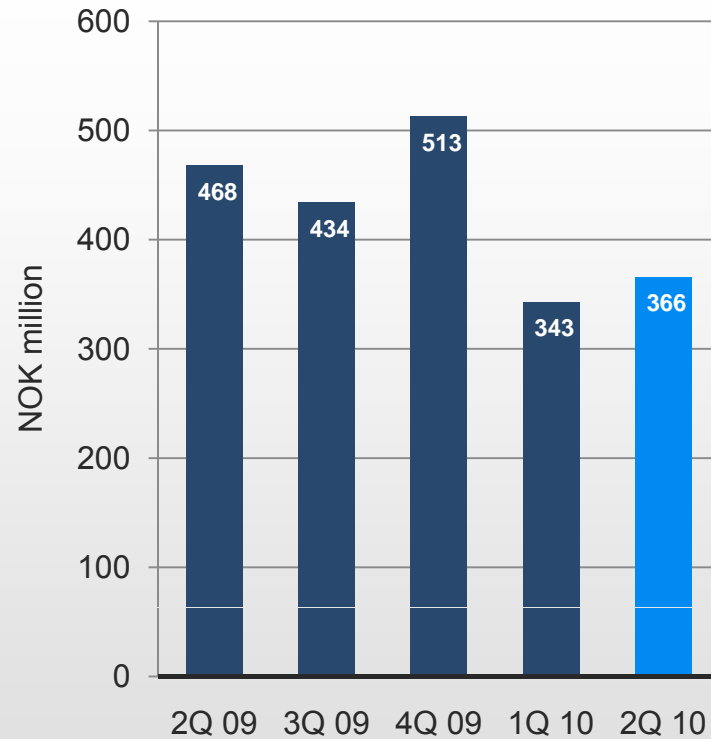
Nera Networks – key financials

NOKm	2Q'10	2Q'09	Δ	1Q'10	Δ
Order entry	347	442	-21%	336	+3%
Revenue	366	468	-22%	343	+7%
Revenue growth, currency adj.			-15%		
Gross Profit	41	87		61	
<i>Gross Margin (%)</i>	11.3%	18.5%		17.9%	
EBITDA	-24	19		-3	
EBIT	-38	-3		-19	

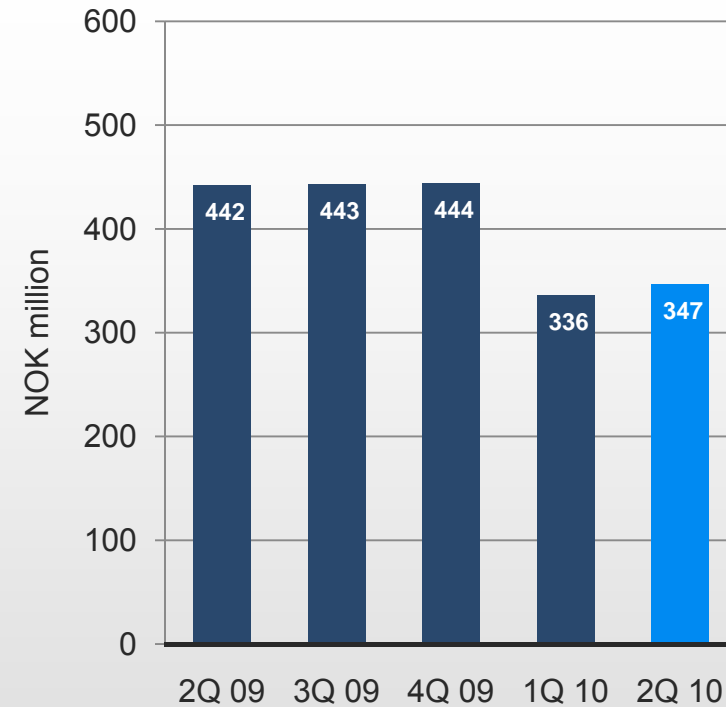
- Gross margin, EBITDA and EBIT negatively affected by project cost charges of NOK 27 million, related to two long-running projects in Brazil

Nera Networks - Revenue and Order Entry

Nera Networks - Revenue



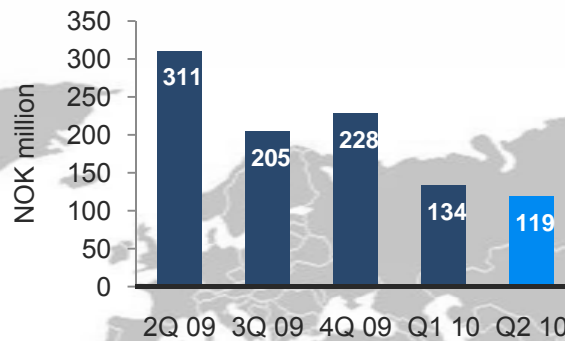
Nera Networks - Order entry



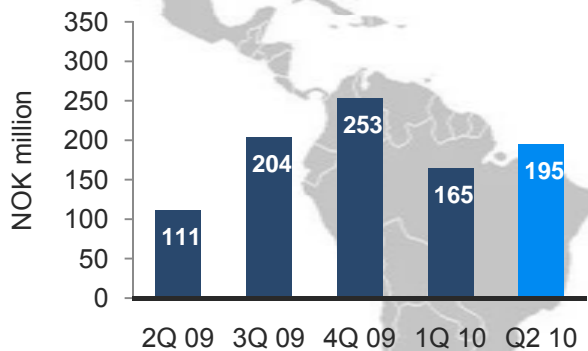
Order backlog: NOK 630 million

Nera Networks - Regional development

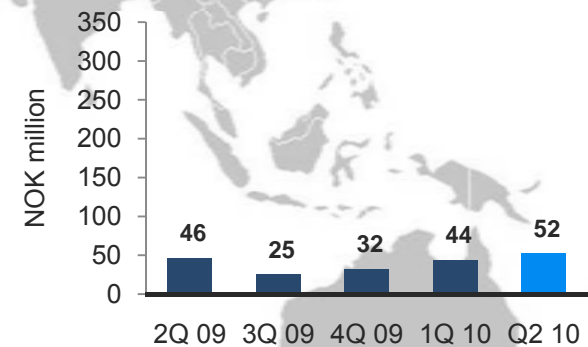
EMEA- Revenue



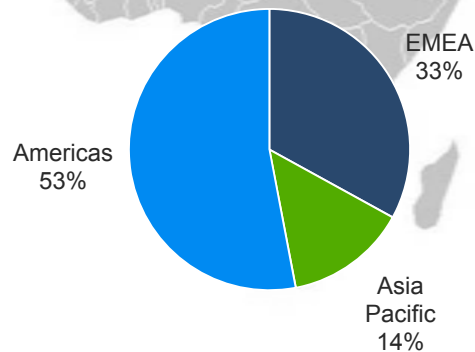
Americas - Revenue



Asia Pacific- Revenue

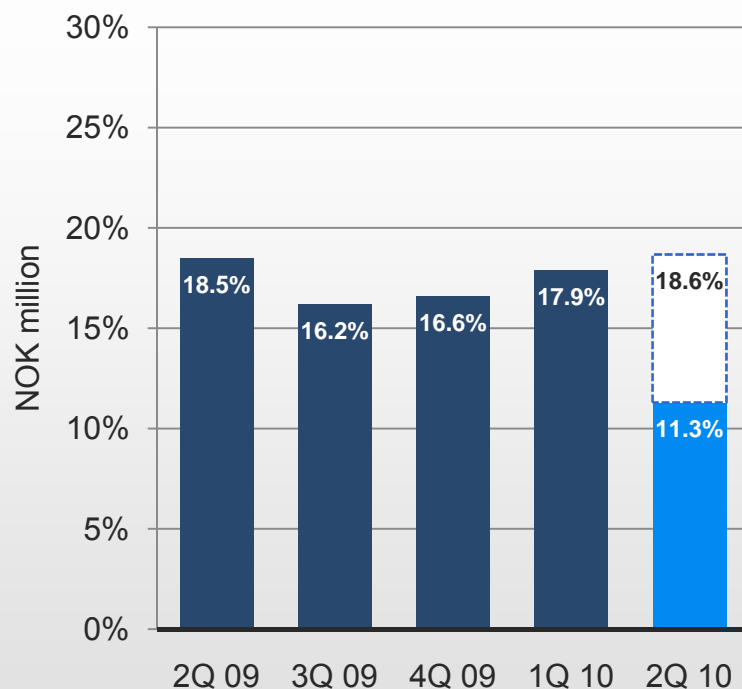


2Q 2010 revenue by region



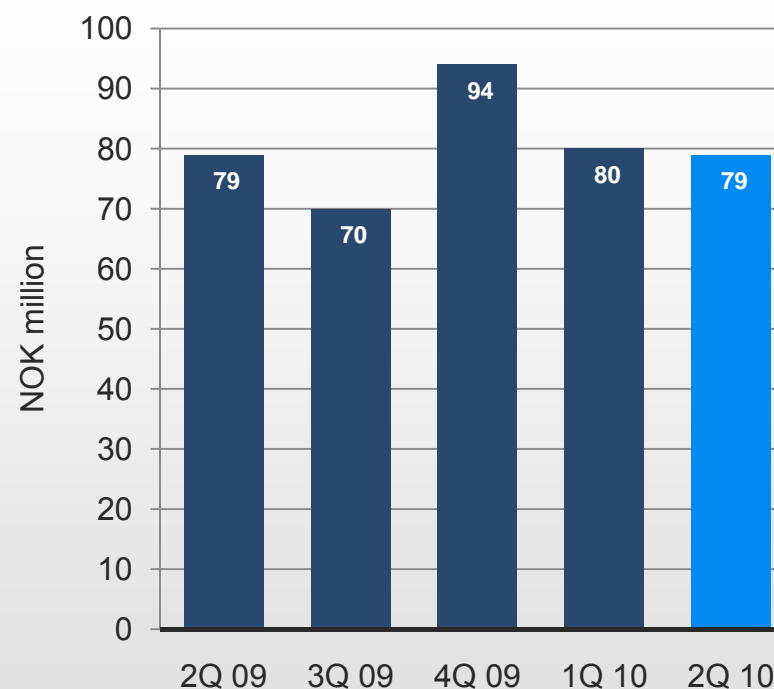
Nera Networks – Gross margin and OPEX

Gross margin, quarterly



Note: The “dotted bar” for 2Q’10 illustrates the effect of the NOK 27 million in project cost adjustments

Operating costs, quarterly
- excluding non-recurring items



Note: Excl. non-recurring items of NOK -10 million in 2Q’09, and NOK -190 million in impairments in 4Q’09

Improvement needed

- Technology development ongoing to improve product offering and reduce product cost
 - Launched native IP version of Evolution XPAND in Q3'10
 - New generation of Evolution radios under development
 - Will offer significantly lower product cost compared to the current portfolio
 - Aiming for launch during first half of 2011
- Eltek is also evaluating strategic alternatives for the future development of Nera Networks



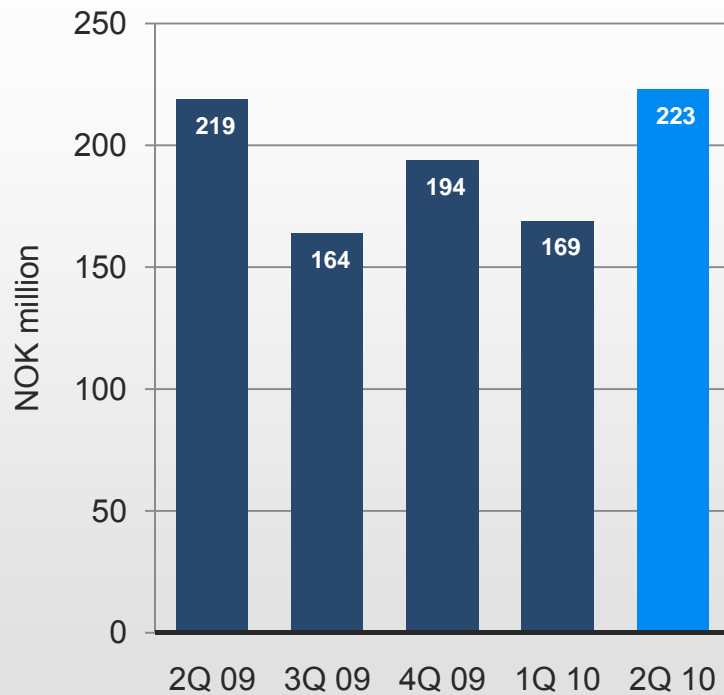
NeraTel

NeraTel – key financials

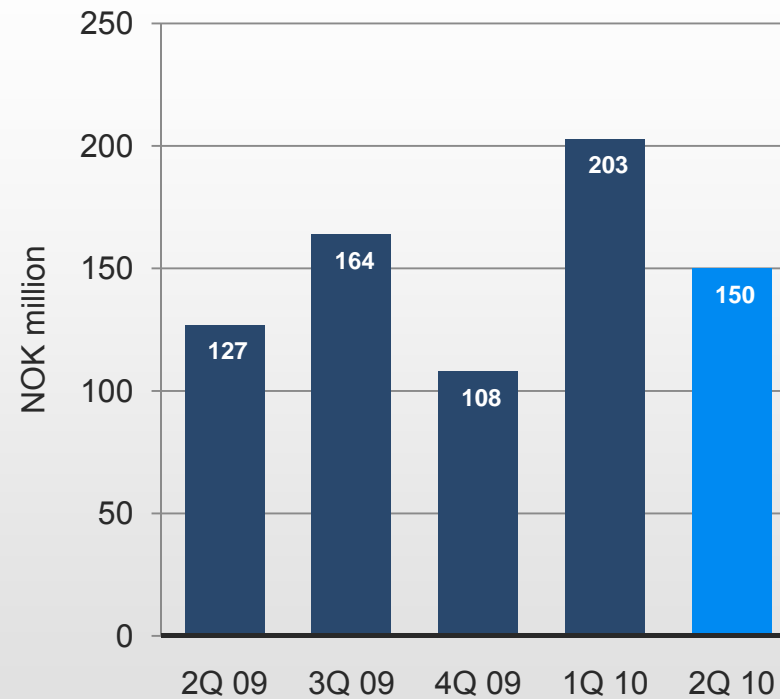
NOKm	2Q'10	2Q'09	Δ	1Q'10	Δ
Order entry	150	127	19%	203	-26%
Revenue	223	219	2%	169	32%
Revenue growth, currency adj.			7%		
Gross Profit	52	43		37	
<i>Gross Margin (%)</i>	23.3%	19.5%		21.8%	
EBITDA	24	18		13	
EBIT	20	12		9	

NeraTel – Order entry and Revenue

NeraTel - Revenue



NeraTel - Order entry



- Order backlog of NOK 422 million



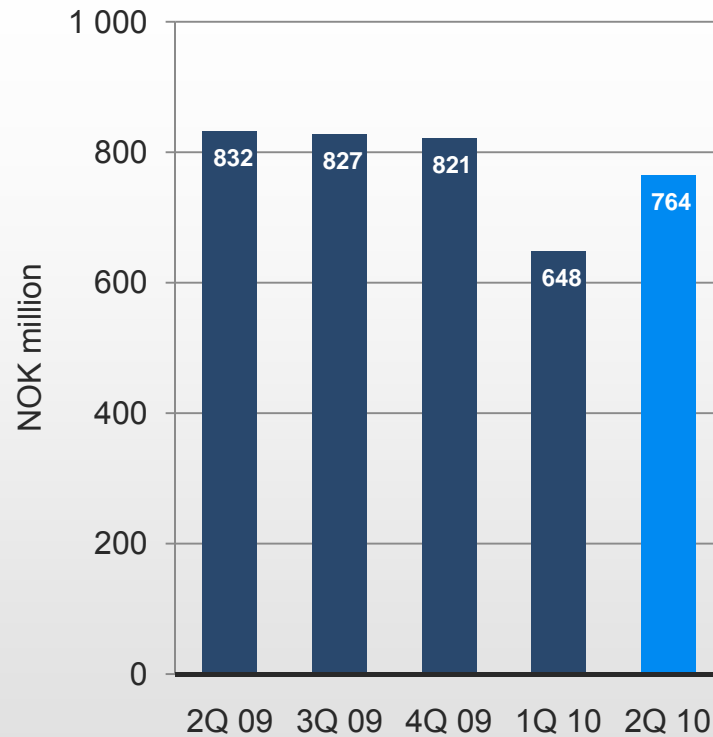
Eltek Valere

Eltek Valere – key financials

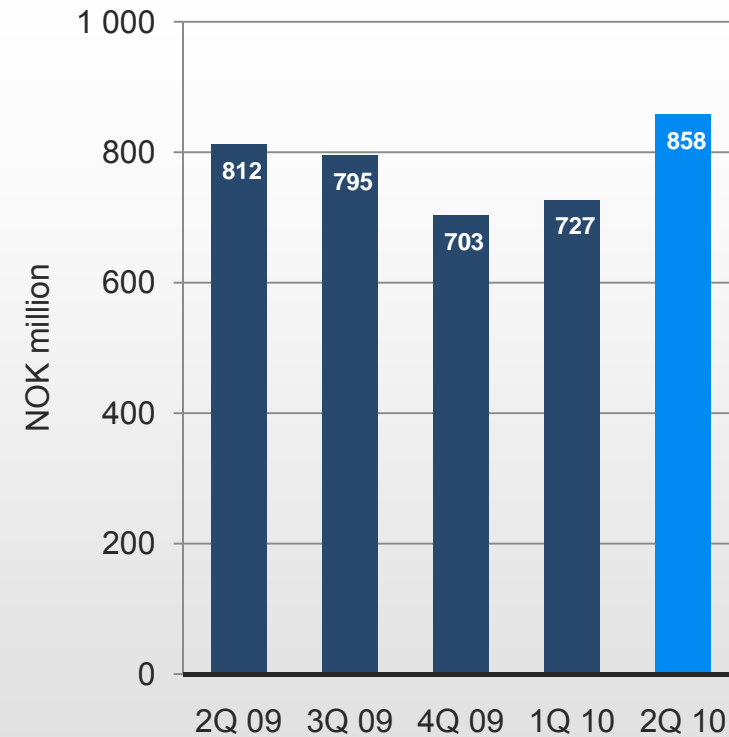
NOKm	2Q'10	2Q'09	Δ	1Q'10	Δ
Order entry	858	812	+6%	727	+18%
Revenue	764	832	-8%	648	+18%
Revenue growth, currency adj.			-4%		
Gross Profit	202	212		168	
<i>Gross Margin (%)</i>	26.4%	25.5%		26.0%	
EBITDA	90	79		50	
EBIT	53	44		17	

Eltek Valere - Revenue and order entry

Eltek Valere - Revenue



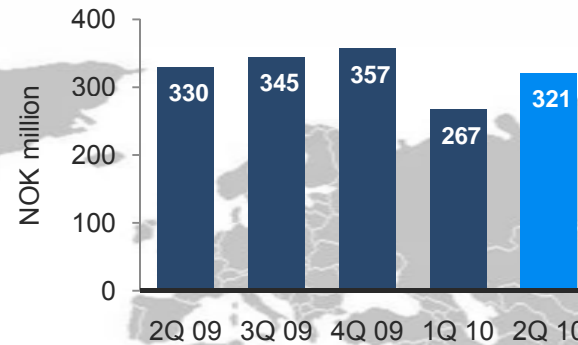
Eltek Valere - Order entry



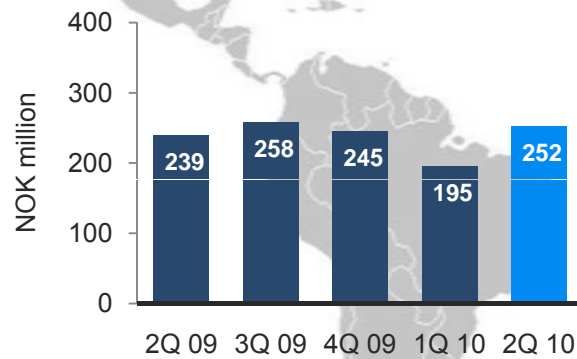
Order backlog: NOK 658 million

Eltek Valere - Regional development

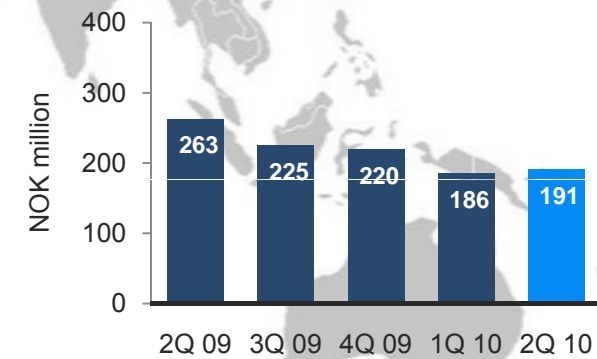
EMEA- Revenue



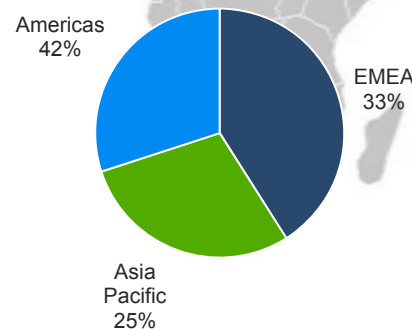
Americas - Revenue



Asia Pacific- Revenue

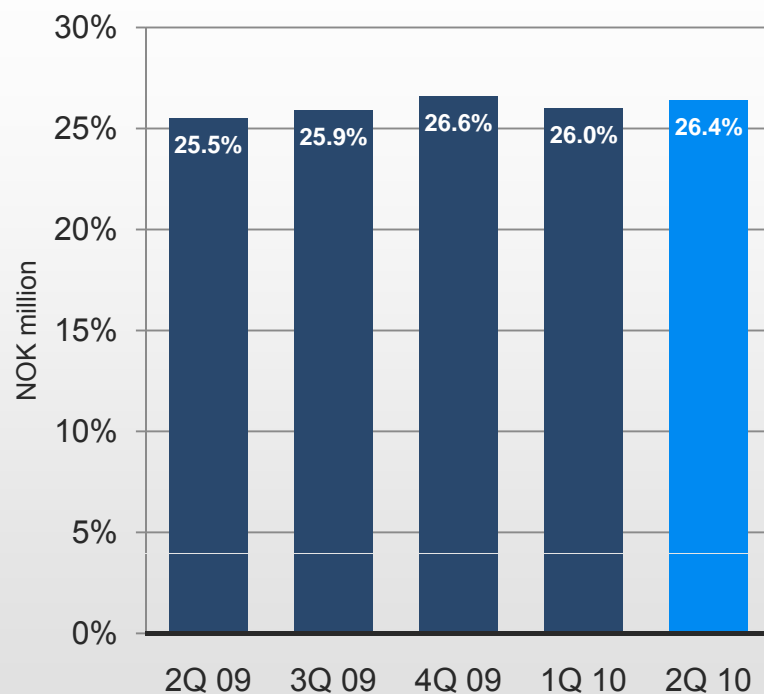


2Q 2010 revenue by region



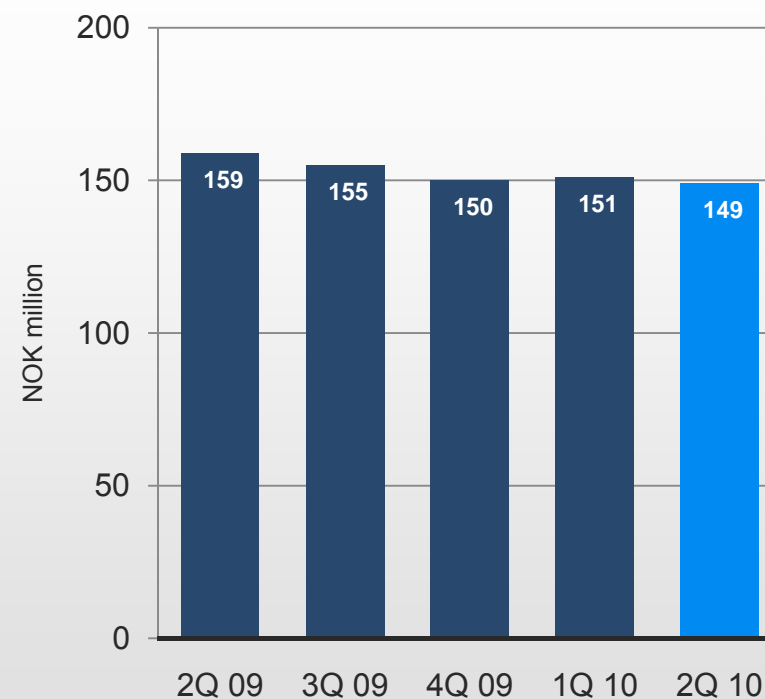
Eltek Valere - Gross margin and OPEX

Gross margin, quarterly



Operating costs, quarterly

- excluding non-recurring items



Note: Excl. non-recurring items of NOK -10 million in 2Q'09

Gaining traction in new businesses

- Launched the Theia HE-T solar inverter family at InterSolar in Germany in June
 - Offers industry leading energy efficiency at >97%
 - Well received in the marketplace
 - Signed MoU to deliver inverters to SanSca for the Chinese Golden Sun project
- Industry analysts are increasing their market value estimates
 - IMS Research estimates a market size of USD 4.6bn in 2010, increasing to USD 6.8bn in 2014



SETTING
THE
STANDARD
FOR
STRING
INVERTERS





2Q 2010

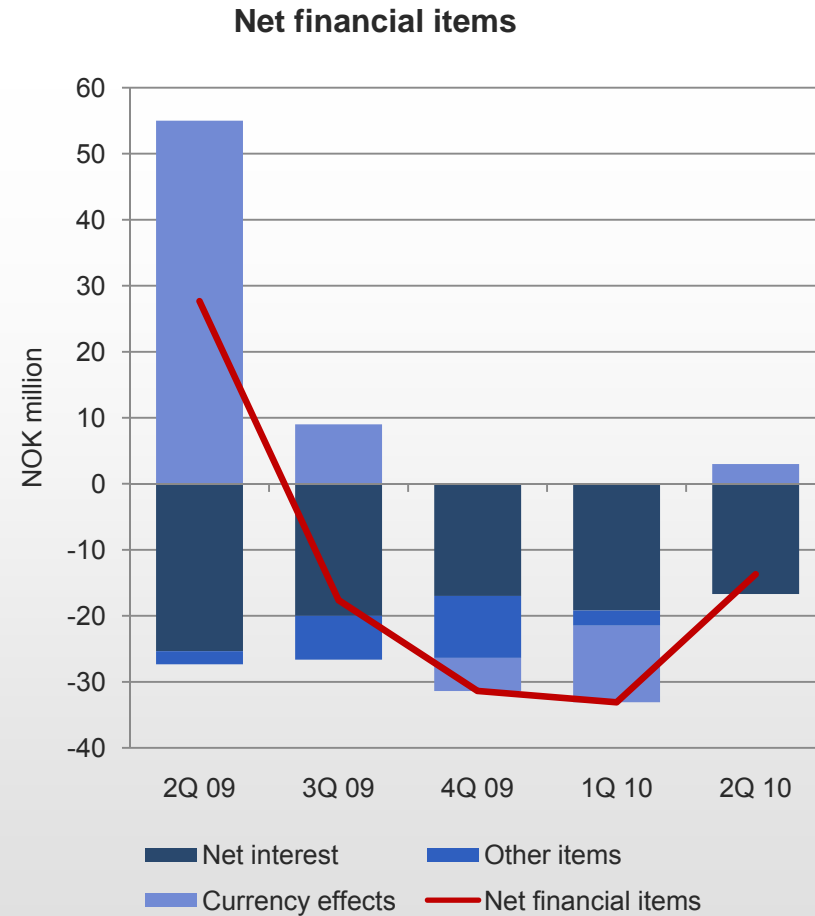
Financial review

Income Statement - unaudited

Amounts in NOK million	2Q'10	2Q'09	YTD 2010	YTD 2009
Revenue	1,326	1,487	2,452	2,873
Cost of sales	-1,031	-1,146	-1,890	-2,198
Gross profit	295	341	561	675
Selling and marketing costs	-126	-130	-244	-256
Administrative expenses	-76	-81	-170	-171
R&D and engineering costs	-70	-69	-142	-140
Other operating items	-1	-20	-1	-20
Operating profit	23	41	4	88
Share of result in associated companies	0	0	0	0
Net financial items	-14	28	-47	-34
Profit before income tax	9	68	-42	54
Income tax expense	-5	-16	-12	-28
Net profit	4	52	-55	26
Attributable to:				
Equity holders	-3	41	-65	10
Minority interests	7	12	11	15

Net financial items

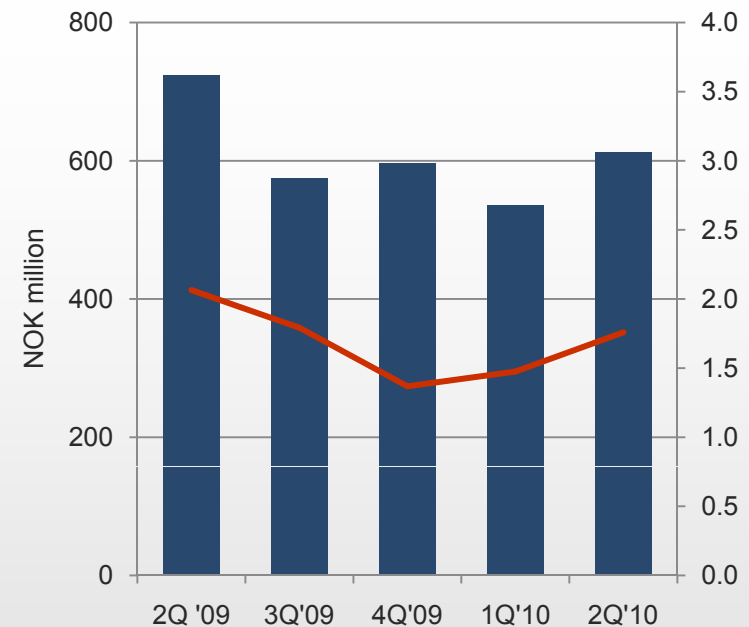
- Net interest of NOK -16 million
- Positive currency effect of NOK 3 million



Liquidity and debt

- Gross borrowings NOK 1,307 million
- Gross cash position NOK 694 million
- Net interest bearing debt NOK 613 million

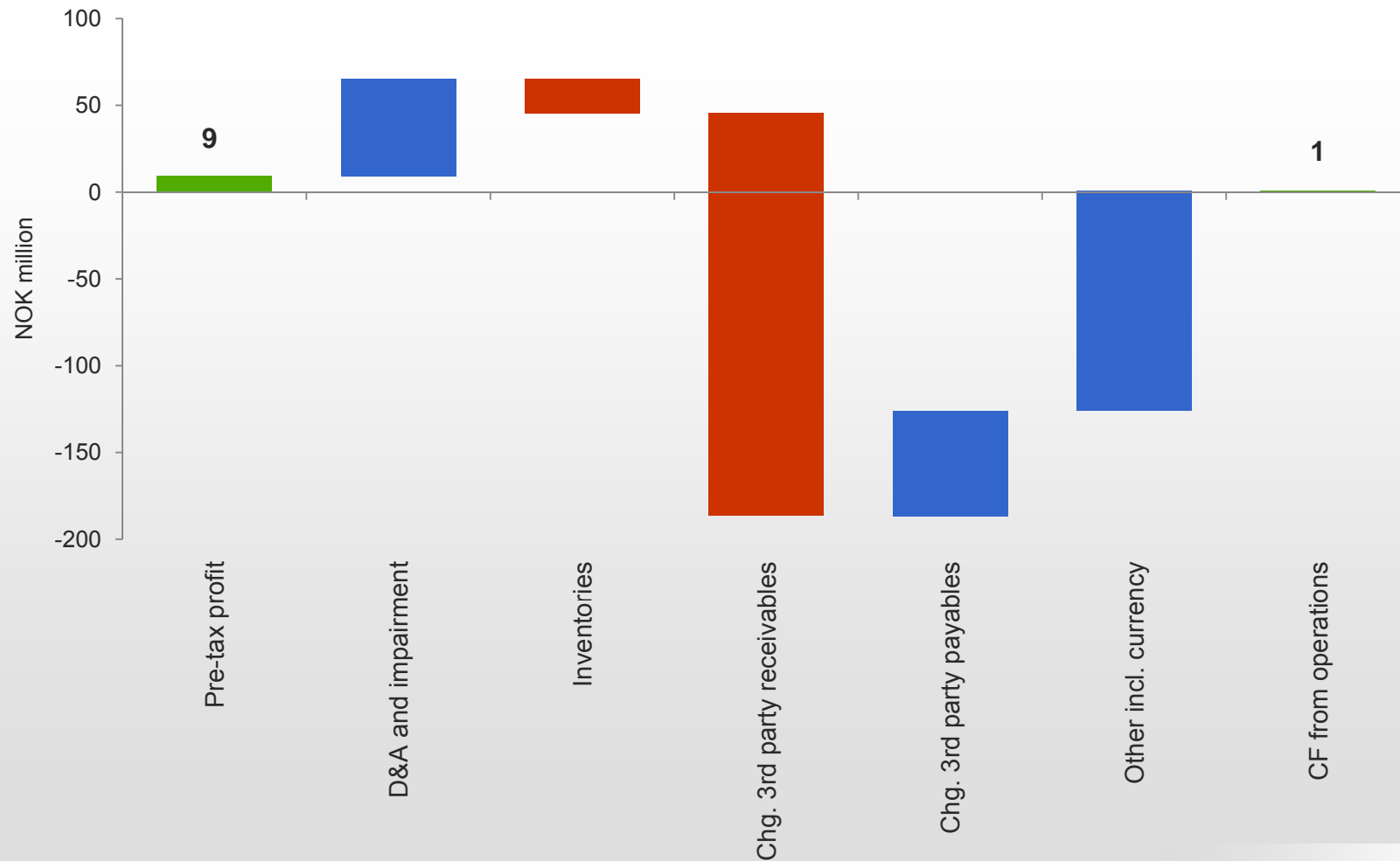
Net IB debt and Net IB debt/EBITDA
(12 mths trailing EBITDA)



Cash flow Statement - unaudited

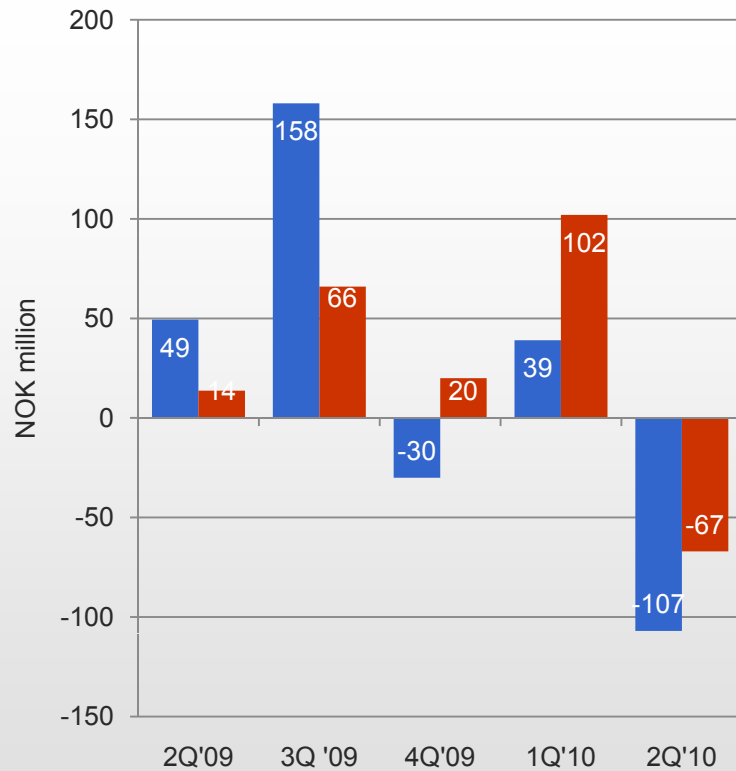
Amounts in NOK million	2Q'10	2Q'09	YTD 2010	YTD 2009	2009
Net cash flow from operations	1	193	72	362	839
Net cash flow from investments	-233	-65	-282	-113	-253
Net cash flow from financing	-25	-186	66	-67	-339
Net change in cash and cash equivalents	-257	-58	-144	182	246
Cash and cash equivalents, beginning of period	920	826	815	622	622
Currency effect on cash and cash equivalents	31	1	22	-36	-53
Cash and cash equivalents, end of period	694	769	694	769	815

Group operating cash flow – 2Q 2010



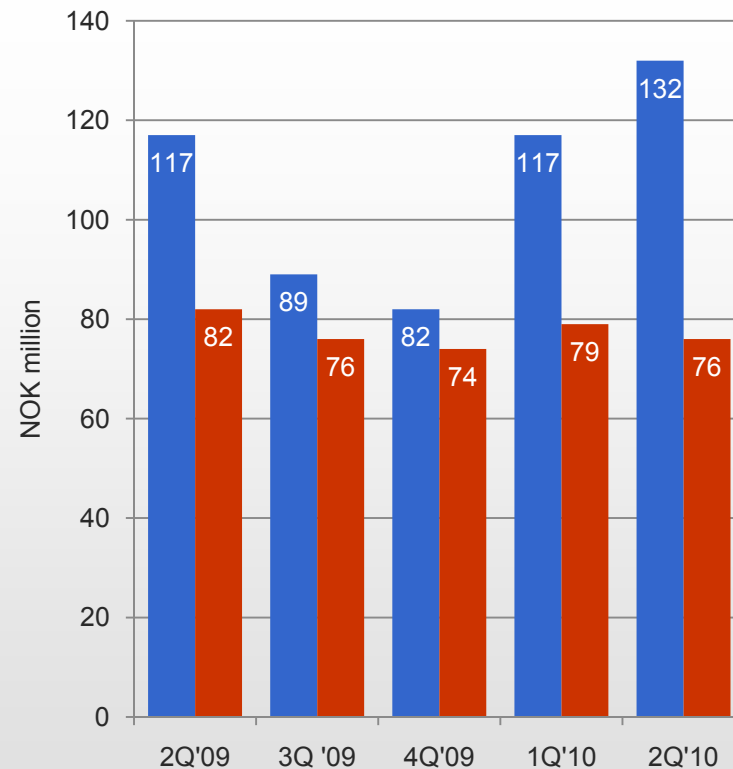
Receivable and DSO

CF effect - change in external receivable



Positive figures represent lower receivable

Days of sales outstanding

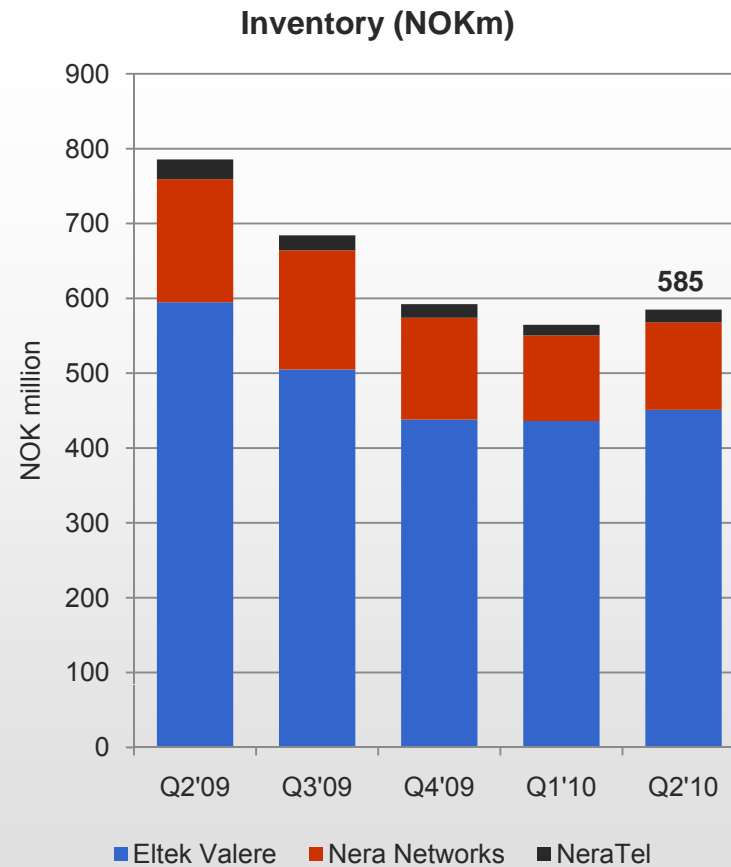


■ Nera Networks ■ Eltek Valere

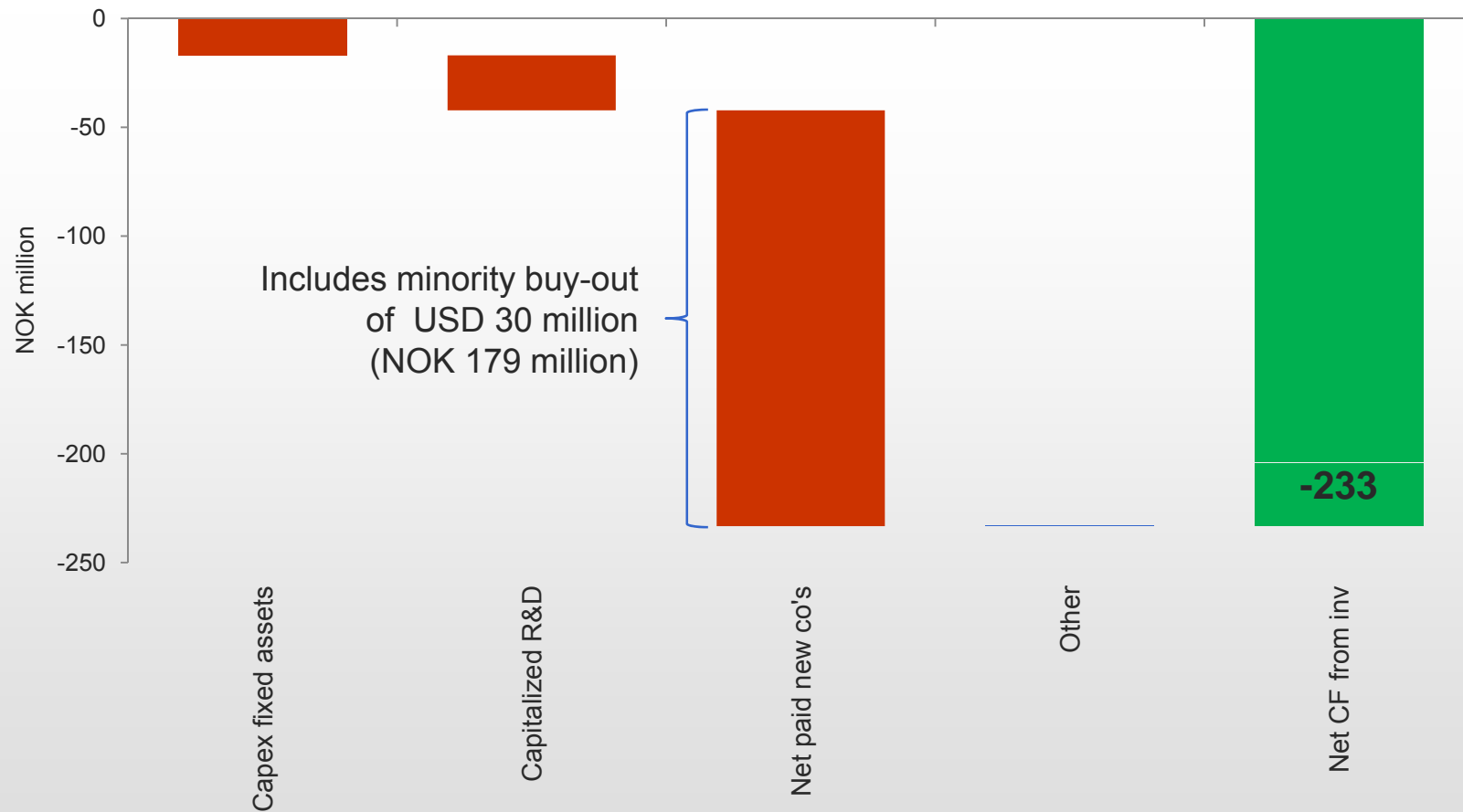
Inventory development

- Relatively flat inventory YTD
- Inventory increase of NOK 20 million in 2Q'10, mainly due to currency developments

– Nera Networks	NOK	+2 m
– Eltek Valere	NOK	+15 m
– NeraTel	NOK	+3 m



Net CF from investments – 2Q 2010



Balance Sheet (unaudited), Assets

Amounts in NOK million	30/06/2010	30/06/2009	31/12/2009
Property, plant & equipment	375	468	390
Intangible assets	504	675	485
Deferred income tax asset	411	423	395
Other non-current assets	10	14	12
Total non-current assets	1,299	1,581	1,281
Inventories	585	786	592
Trade receivables	1,387	1,514	1,264
Projects in process	405	483	443
Other receivables	255	305	265
Cash and cash equivalents	694	769	815
Total current assets	3,326	3,857	3,379
Total assets	4,625	5,438	4,660

Balance Sheet (unaudited), Equity and Liabilities

Amounts in NOK million	30/06/2010	30/06/2009	31/12/2009
Capital/reserves attrib. to equity holders	1,169	1,566	1,152
Minority interest	186	177	177
Total equity	1,354	1,743	1,330
Borrowings	741	800	540
Deferred income tax liabilities	7	9	3
Retirement benefit obligations	163	169	167
Provisions, other liabilities and charges	91	179	85
Total non-current liabilities	1,002	1,157	795
Borrowings	565	693	871
Trade creditors	713	827	724
Projects in process	175	169	159
Other payables	568	542	526
Current income tax payable	24	33	21
Provisions, other liabilities and charges	224	273	235
Total current liabilities	2,269	2,538	2,536
Total liabilities	3,271	3,695	3,330
Total equity and liabilities	4,625	5,438	4,660
<i>Equity ratio</i>	<i>29.3 %</i>	<i>32.1 %</i>	<i>28.5 %</i>
<i>Equity ratio, goodwill adjusted</i>	<i>28.1 %</i>	<i>31.2 %</i>	<i>27.5 %</i>



Summary and Outlook

Outlook

- Stabilizing telecom power market
- Development of new business areas in Eltek Valere progressing well
- Development work ongoing to reduce product cost in Nera Networks
- Evaluating strategic alternatives for the future development of Nera Networks
- Working capital management remains a key priority, with an aim to generate positive free cash flow for all business segments