

REPORT 4th QUARTER 2009



REPORT

4th QUARTER AND FULL YEAR 2009

Highlights for full year 2009

- Revenue decline of three percent to NOK 5,778 million
- Free cash flow of NOK 585 million - positive contribution from all segments
- Working capital reduced by NOK 685 million to NOK 899 million
- Purchased all shares in Eltek Valere - settled all disputes with former minority shareholders in January 2010
- Net interest bearing debt reduced by NOK 429 million to NOK 596 million, including new debt of NOK 235 million related to purchase remaining shares in Eltek Valere
- Evaluating bond issue to refinance debt from Eltek Valere share purchase and improve financial flexibility

(NOK million, unaudited)	4Q'09	4Q'08	2009	2008	3Q '09
Order entry	1,239	1,770	5,397	6,252	1,370
Revenue	1,497	1,873	5,778	5,958	1,408
Gross Profit	349	366	1,338	1,364	315
EBITDA	118	3	436	323	108
Depreciation, amortization and impairment	-261	-796	-446	-940	-63
EBIT	-143	-792	-11	-616	45
Pre-tax profit	-173	-868	-92	-758	27
<i>Gross margin (%)</i>	23.3 %	19.5 %	23.2 %	22.9 %	22.4 %
<i>Non-recurring operational items</i>	-199	-893	-220	-911	0
<i>EBITDA before non-recurring items</i>	127	168	465	507	108
<i>EBIT before non-recurring items</i>	56	101	209	295	45

Note: EBIT includes amortization of purchase price allocation (PPA) NOK 7 million in 4Q'09 (11), NOK 38 million in 2009 (37).

Highlights for the fourth quarter 2009

- Free cash flow of NOK 194 million in the fourth quarter
- Continued challenging market - 20 percent revenue decline from high level in fourth quarter 2008
- Developing new business opportunities in Solar Power inverters and electric vehicle chargers
- Positive gross margin development in Eltek Valere - improvements still needed in Nera Networks
- Impairment of NOK 190 million in Nera Networks

2009 Overview

The top priorities for Eltek in 2009 were to improve cash flow and strengthen its financial flexibility. Measures to improve working capital management and cash collection have paid off. For the full year, all the business segments reported positive free cash flow.

Overall, net cash flow from operating activities improved by NOK 947 million to NOK 838 million in 2009.

Working capital was reduced by NOK 685 million to NOK 899 million. Working capital management remains a key priority going forward.

Free cash flow improved NOK 1,047 million, to NOK 585 million.

Eltek has shown strong growth in prior years but faced a tougher market due to the globally lower investment activity in 2009. Revenue declined by three percent to NOK 5,778 million in 2009 and by eight percent on a currency adjusted basis. This compares to revenue growth of 20 percent from 2007 to 2008.

Gross profit declined by two percent to NOK 1,338 million despite a slight improvement in gross margin in 2009.

EBITDA improved by 35 percent in 2009 but declined by 8 percent when adjusting for non-recurring items in both years.

Eltek Valere showed a satisfactory development, given the global market slowdown. Although posting a 12 percent revenue decline, the company continued to gain market share and strengthened its relative position in 2009.

Eltek Valere also managed to increase gross margins in 2009, and to reduce operating costs in response to the lower activity level. Eltek Valere also generated strong free cash flow throughout the year.

Eltek assumed full ownership of Eltek Valere in December 2009, and in January 2010 settled all disputes with the former minority shareholders in Eltek Valere. Eltek is currently evaluating a bond issue to exercise a favourably priced option for early repurchase of the promissory notes the company issued as payment for the shares.

NeraTel performed relatively well and increased revenue by 20 percent in 2009. The gross margin decline was caused by changes in revenue mix between the business areas. Operating costs increased significantly less than the revenue increase.

Nera Networks reported a four percent revenue increase in 2009. However, intense competition, price erosion, and low capacity utilization put further pressure on gross margin in 2009.

The development in Nera Networks has resulted in year-end asset impairments of NOK 190 million.

As a result, Eltek reported an EBIT loss of NOK 11 million for 2009.

Net financial items for the Eltek Group were less negative in 2009 than in the previous year, due to currency developments.

Due to the impairments, Eltek reported a loss before tax of NOK 92 million for the full year, compared to a loss before tax of NOK 758 million in 2008.

Eltek recognized tax of NOK 104 million for 2009, and net loss for the full year amounted to NOK 196 million (824).

Income Statement for the fourth quarter 2009

The figures below describe developments in the fourth quarter and full year 2009 (fourth quarter and full year 2008 in brackets).

Eltek's revenue of NOK 1,497 million in the fourth quarter 2009, was 20 percent below the fourth quarter 2008 and down 13 percent on a currency adjusted basis.

Revenue increased by six percent from the previous quarter.

Order entry was NOK 1,239 million. The decline of 30 percent from record high levels in the fourth quarter 2008 also reflects currency developments. The 10 percent decline from the previous quarter reflects normal seasonality.

Gross profit declined by five percent from the fourth quarter 2008 but increased 11 percent from the third quarter 2009.

Gross margin improved to 23.3 percent from 19.5 percent in the fourth quarter 2008 and 22.4 percent in the previous quarter. Margins improved in all segments in the quarter, although from low levels in Nera Networks.

EBITDA was NOK 118 million in the fourth quarter, and NOK 127 million adjusted for non-recurring items related to change of CEO.

This was an improvement from the third quarter, although higher operating earnings in Eltek Valere and NeraTel were partly offset by higher operating costs in Nera Networks.

EBIT was a negative NOK 143 million, including NOK 190 million impairment charges related to Nera Networks. Adjusted for non-recurring items, EBIT increased to NOK 56 million from NOK 45 million in the third quarter.

Net financial items were a negative NOK 31 million in the fourth quarter including a negative currency effect of NOK 8 million. Net interest expense was reduced by NOK 3 million from the previous quarter to NOK 18 million, due to lower debt.

The currency effect in the quarter mainly reflects accounting for hyperinflation in Venezuela, which was partly offset by positive effects from stronger USD and Brazilian Reais.

Due to the impairment charges, Eltek had a loss before tax of NOK 173 million in the fourth quarter 2009. In the fourth quarter 2008 the company reported a loss before tax of NOK 868 million, including goodwill impairment and significant other non-recurring items.

Cash Flow and Balance Sheet

Net cash flow from operating activities was NOK 252 million in the fourth quarter and NOK 838 million for the full year 2009. This marks a sharp improvement from the negative net cash flow of NOK 109 million from operating activities in 2008.

All three business segments reported positive cash flow from operating activities both for the fourth quarter and the full year. Eltek Valere had particularly strong cash flow generation in the fourth quarter, and was also the largest cash flow contributor for the full year.

The stronger cash flow primarily reflects improvements in supply chain management, payment terms, and cash collection.

Net working capital was reduced by NOK 194 million in the fourth quarter and by NOK 685 million for the full year. Lower inventory was the main contributor in the fourth quarter and lower trade receivables the main driver for the full year decline.

Overall inventories amounted to NOK 592 million at 31 December, 2009, down NOK 91 million in the fourth quarter and down NOK 391 million from the end of 2008.

Trade receivables stood at NOK 1,264 million at the end of 2009, down NOK 12 million during the fourth quarter and a reduction of NOK 659 million during 2009.

Trade creditors amounted to NOK 724 million at the end of the year, a decrease of NOK 63 million during the quarter and a decrease of NOK 272 million from the end of 2008.

Net capital tied up in projects amounted to NOK 284 million, mainly relating to Nera Networks. This was a decline of NOK 65 million in the fourth quarter and NOK 66 million during 2009.

Net cash flow from investing activities was a negative NOK 58 million in the fourth quarter, including capitalized R&D of NOK 41 million and NOK 4 million in payments for minority interests in subsidiaries of Eltek Valere.

For the full year, net cash flow from investing activities amounted to NOK 253 million, of which NOK 141 in capitalized R&D and NOK 56 million in payments for minority interests in subsidiaries. In 2008, net cash flow from investing activities amounted to NOK 353 million.

Free cash flow was thus NOK 194 million in the fourth quarter, and NOK 585 million for the full year 2009, which compares to negative free cash flow of NOK -148 million in the fourth quarter 2008 and a negative NOK 462 million for the full year 2008.

Net cash flow from financing activities was a negative NOK 279 million in the fourth quarter, which reflects down payments of long-term debt and reduced utilization of bank overdraft facilities. For the full year 2009, net cash flow from financing was a negative NOK 339 million.

Taking into account currency translation effects, Eltek's cash and cash equivalents decreased by NOK 64 million in the fourth quarter 2009 but increased by NOK 193 million for the full year to NOK 815 million at 31 December, 2009 (622).

Total assets were NOK 4,660 million at the end of 2009, a decline of NOK 460 million in the fourth quarter and down NOK 1,511 million from the end of 2008. This mainly reflects the reduced working capital and the impairment of assets in Nera Networks.

Equity amounted to NOK 1,330 million, a decrease of NOK 334 million in the quarter and down NOK 521 million during 2009. The decline mainly reflects asset impairment, acquisitions of minority interests and currency translation effects.

The equity ratio was 28.5 percent at the end of the year, down from 30.0 percent at the end of 2008. Adjusted for goodwill, the equity ratio declined to 27.5 percent from 29.1 percent at 31 December 2008.

Gross borrowings were NOK 1,412 million and net interest bearing debt NOK 596 million at the end of the 2009. This includes new debt of NOK 235 million (USD 40.4 million) related to the buy-out of Eltek Valere minority shareholders in December 2009.

Overall, gross borrowings declined by NOK, NOK 44 million in the fourth quarter and by NOK 235 million from the end of 2008. Net interest bearing debt increased by NOK 21 million in the fourth quarter but declined by NOK 429 million from the end of 2008.

The company complies with all covenants under its loan agreements.

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.

Reference is made to previous interim reports, which describe the minority shareholders' put options on Eltek for their shares in Eltek Valere.

The exercise of these options was effectuated in December, following the resolution of valuation issues by third parties earlier in the fourth quarter. Eltek acquired the shares and became the sole owner of Eltek Valere on 18 December, 2009.

The promissory notes were effectively issued 7 January 2010, and have a 24 month maturity and an eight percent coupon increasing by one percentage-point per quarter to a maximum 15 percent.

However, Eltek and the Eltek Valere minority shareholders in January 2010 entered into a settlement agreement, pursuant to which all disputes between the parties are fully and finally settled.

Under this agreement, Eltek can until 12 April, 2010 choose to exercise its option to purchase for cancellation all the promissory notes against a total payment of USD 30 million.

The company is currently exploring the possible issuance of a bond loan to finance the repurchase of the promissory notes and further strengthen its financial flexibility.

Revenue growth – 4Q 2009 vs. 4Q 2008

	Reported	Currency adjusted
Eltek Valere	-24%	-15%
Nera Networks	-15%	-13%
NeraTel	-19%	-6%
Total	-20%	-13%

Revenue growth – 2009 vs. 2008

	Reported	Currency adjusted
Eltek Valere	-12%	-16%
Nera Networks	4%	-2%
NeraTel	20%	12%
Total	-3%	-8%

Eltek Valere

NOKm	4Q 2009	4Q 2008	2009	2008	3Q 2009
Order entry	703	1,046	3,116	3,703	795
Revenue	821	1,083	3,239	3,664	827
Gross profit	219	233	836	866	214
EBITDA	110	45	350	285	95
Depr & amortization and impairment	-41	-771	-147	-856	-36
EBIT	69	-726	203	-571	59
<i>Gross margin (%)</i>	26.6 %	21.5 %	25.8 %	23.6 %	25.9 %
<i>Non-recurring items</i>	0	-791	-10	-794	0
<i>EBITDA before non-recurring items</i>	110	108	360	352	95
<i>EBIT before non-recurring items</i>	69	65	213	224	59

Not

The market for telecom power supply remained relatively weak throughout the year, in line with the overall telecom equipment market.

However, market information indicates that Eltek Valere strengthened its market position and gained market share in 2009. The company will continue to explore the pockets of growth seen in some developing markets and in the potentially large replacement market for existing networks.

Eltek Valere is well positioned in the market with its High Efficiency (HE) product range and its hybrid solar solutions, as lower energy consumption and operational efficiency are increasingly important for the customers.

Eltek Valere also seeks growth opportunities for industrial applications and in new business areas such as solar power inverters and chargers for electric vehicles.

Revenue

Eltek Valere achieved revenue of NOK 821 million in the fourth quarter 2009, a decline of 24 percent from the fourth quarter 2008 and a decline of 15 percent on a currency adjusted basis.

Revenue declined by one percent from the third quarter 2009.

For the full year 2009, Eltek Valere generated revenue of NOK 3,239 million, which was a decline of 12 percent from 2008 and down 16 percent on a currency adjusted basis.

Quarterly revenue by geographical segment

	4Q'09	Chg. vs. 4Q'08	Chg. vs. 3Q'09
Americas	245	-28%	-5%
EMEA	357	-16%	4%
Asia Pacific	220	-31%	-2%
Total	821	-24%	-1%

EMEA remains the largest region for Eltek Valere, accounting for 44 percent of total revenue, and revenue in the region increased four percent from the previous quarter. Revenue growth was particularly strong in Europe, with higher deliveries in the Nordic region, Poland and Russia. Revenue declined in Italy, Iran and in Africa.

Americas accounted for 30 percent of revenue but reported five percent lower revenue than in the third quarter. Brazil and Ecuador contributed positively to the revenue development, whereas Argentina and Canada reported revenue declines. Revenue in the US market was relatively stable.

Revenue in Asia Pacific accounted for 27 percent. Revenue declined two percent from the third quarter, as lower revenue in India and China were almost compensated by higher revenue in Australia, Pakistan and Vietnam.

As a result of lower investment activities in the telecom industry, revenue declined in all regions compared to the record high levels reported in the fourth quarter 2008.

Gross margin

Eltek Valere reported gross profit of NOK 219 million in the fourth quarter 2009, which was six percent below the fourth quarter 2008 but two percent above the third quarter.

The gross margin increased to 26.6 percent (21.5) from 25.9 percent in the previous quarter.

The continued margin improvement reflects changes in product and customer mix, as well as efforts to reduce material and freight costs.

Gross profit declined four percent to NOK 836 million for the full year 2009, although gross margin improved to 25.8 percent from 23.6 percent in 2008.

Operating costs

Operating costs amounted to NOK 150 million in the fourth quarter, showing a cost reduction from NOK 155 million in the previous quarter.

This reflects gradually increasing effect of the cost reducing actions taken earlier in 2009 to align the organisation to a lower activity level.

The annual effect of these cost measures has been estimated at NOK 30 million.

Depreciation and amortization accounted for NOK 41 million of the operating costs, including NOK 6 million in amortization of PPA. This compares to NOK 36 million including NOK 8 million in amortization of PPA in the third quarter. The increase primarily reflects completion of projects and commencement of amortization.

For the full year 2009, operating costs amounted to NOK 623 million, excluding NOK 10 million in non-recurring items related to restructuring costs in the second quarter.

Operating costs declined by NOK 20 million from 2008 to 2009, adjusted for non-recurring items in both periods.

Operating profit

EBITDA was NOK 110 million in the fourth quarter 2009 (45), which was 16 percent above the third quarter 2009.

EBIT was NOK 69 million (-726), which was 16 percent higher than in the previous quarter.

For the full year 2009, EBITDA increased 23 percent to NOK 350 million, whereas EBITDA adjusted for non-recurring items increased two percent to NOK 360 million.

Reported EBIT increased to NOK 203 million from NOK -571 million in 2008, whereas EBIT adjusted for non-recurring items declined to NOK 213 million from NOK 224 million in 2008.

Order entry

Order entry came in at NOK 703 million in the fourth quarter 2009, which was a decline of 33 percent from the fourth quarter 2008 and also 12 percent below the previous quarter.

For the full year 2009, order entry declined 16 percent to NOK 3,116 million.

Order backlog was NOK 430 million at the end of the fourth quarter, 23 percent below the end of the previous quarter and 24 percent lower than at the end of 2008. NOK 316 million was for delivery within 90 days.

Developing new business areas

Eltek Valere is seeking to develop new industrial markets based on its position as the "Greenest Company in the Power Industry".

The company believes its HE (high efficiency) products hold the key to the large replacement market in the telecom industry, and its turn-key solar/ hybrid power solutions for remote off-grid telecom further strengthens its profile as a power efficient and environmentally responsible company.

As communicated in the interim report for the third quarter, Eltek Valere is now entering a new "green" segment with power inverters for the grid-connected solar power market. Eltek Valere believes its high-efficiency inverters will be able to transform DC currents from solar panels into AC grid-power more efficiently than the solutions found in the market today.

The company has entered into strategic partnerships to secure an early commercial entry, and is running a solar inverter development program which 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.

The broadening of the application area for the company's core technologies and competencies was further exemplified in January 2010, when Eltek Valere signed its first agreement for delivery of battery chargers for electrical vehicles to Think City.

Nera Networks

NOKm	4Q 2009	4Q 2008	2009	2008	3Q 2009
Order entry	444	457	1,822	1,882	443
Revenue	513	604	1,872	1,797	434
Gross profit	85	90	336	347	70
EBITDA	17	-50	89	34	22
Depreciation and amortization	-26	-19	-89	-62	-21
EBIT	-199	-69	-189	-28	0
<i>Gross margin (%)</i>	<i>16.6 %</i>	<i>15.0 %</i>	<i>18.0 %</i>	<i>19.3 %</i>	<i>16.2 %</i>
<i>Non-recurring items</i>	<i>-190</i>	<i>-102</i>	<i>-200</i>	<i>-102</i>	<i>0</i>
<i>EBITDA before non-recurring items</i>	<i>17</i>	<i>52</i>	<i>100</i>	<i>136</i>	<i>22</i>
<i>EBIT before non-recurring items</i>	<i>-9</i>	<i>33</i>	<i>11</i>	<i>74</i>	<i>0</i>

Nera Networks achieved revenue growth in a challenging market in 2009, and further broadened the Evolution radio portfolio with Evolution Edge during the year.

The company has a strong focus on working capital management, and generated a significant free cash flow in 2009.

Revenue

Nera Networks achieved revenue of NOK 513 million in the fourth quarter 2009, corresponding to a decline of 15 percent from the fourth quarter 2008 and a decline of 13 percent on a currency adjusted basis.

Revenue increased 18 percent from the third quarter 2009.

For the full year 2009, revenue increased four percent to NOK 1,872 million but declined two percent on a currency adjusted basis.

Quarterly revenue by geographical segment

	4Q'09	Chg. vs. 4Q'08	Chg. vs. 3Q'09
Americas	253	-22%	24%
EMEA	228	5%	11%
Asia Pacific	32	-50%	28%
Total	513	-15%	18%

Americas was the largest contributor in the fourth quarter, accounting for 49 percent of revenue, followed by EMEA at 44 percent and Asia Pacific at only six percent.

Revenue in the Americas increased 24 percent from the previous quarter, mainly explained by higher deliveries in Brazil.

Revenue in EMEA increased 11 percent from the third quarter, as higher revenue in South Africa more than compensated for declines in Europe and the Middle East.

Revenue in Asia Pacific mainly reflects deliveries of transmission products to NeraTel, and remained low in absolute terms although revenue increased 28 percent from the previous quarter.

Compared to the record high volumes in the fourth quarter 2008, revenue declined sharply in Americas and Asia Pacific but increased slightly in EMEA.

Gross margin

Gross profit was NOK 85 million in the fourth quarter 2009, down six percent from the fourth quarter 2008 but up 21 percent from the previous quarter.

Gross margin improved to 16.6 percent (15.0) from 16.2 percent in the third quarter 2009.

Gross margin

Gross profit was NOK 85 million in the fourth quarter 2009, down six percent from the fourth quarter 2008 but up 21 percent from the previous quarter.

Gross margin improved to 16.6 percent (15.0) from 16.2 percent in the third quarter 2009.

The gross margin is still affected by intense competition and product prices pressure. In the fourth quarter, gross margin was further negatively affected by approximately NOK 15 million in inventory write-downs. For the full year 2009, gross profit was NOK 336 million (347) and the gross margin 18.0 percent (19.3).

Nera Networks believes competition and price erosion will continue in the transmission market also going forward. However, the main challenge is volume related, as radio production and sales were too low in 2009 to generate the scale advantages required in the transmission industry. Industry analysts expect a pick-up in demand and double-digit growth in the years to come, which should offer improvement potential for Nera Networks both on the top-line and in terms of margins.

Operating costs

Excluding impairment charges of NOK 190 million, operating costs increased to NOK 94 million from NOK 70 million in the previous quarter.

R&D and engineering costs increased NOK 6 million from the previous quarter. Operating costs were furthermore charged with NOK 11 million in increased provisions for pension liabilities and bad debt in the fourth quarter.

For the full year 2009, operating costs amounted to NOK 335 million (375), excluding the impairment charge of NOK 150 million. Adjusting for non-recurring items in both periods, operating costs increased by 19 percent to NOK 325 million.

Operating profit

EBITDA was NOK 17 million in the fourth quarter 2009 (50), which compares to NOK 22 million in the third quarter 2009.

The sequential decline from the previous quarter is explained by the higher operating costs.

EBIT was NOK -9 million excluding impairment charges (33), down from NOK 0 million in the third quarter 2009.

For the full year 2009, EBITDA increased to NOK 89 million from NOK 34 million in 2008. However, EBITDA declined to NOK 100 million from NOK 136 million adjusted for non-recurring items in both periods.

The EBIT-loss increased to NOK 189 million from NOK -28 million in 2008, reflecting the impairment charges of NOK 190 million. Adjusted for non-recurring items, EBIT declined to NOK 11 million from NOK 74 million in 2008.

Order entry

New orders amounted to NOK 444 million in the fourth quarter 2009, which was a modest decline of one percent from the third quarter 2009 and three percent below the fourth quarter 2008.

For the full year 2009, order entry declined by three percent to NOK 1,822 million.

Order backlog was NOK 651 million at the end of 2009, down from NOK 719 million at the end of the third quarter and from NOK 700 million at the end of 2008. NOK 300 million was for delivery within 90 days.

NeraTel

NOKm	4Q 2009	4Q 2008	2009	2008	3Q 2009
Order entry	108	317	573	834	164
Revenue	194	239	798	666	164
Gross profit	45	47	166	155	31
EBITDA	20	21	67	63	7
Depreciation and amortization	-4	-6	-21	-20	-6
EBIT	16	15	47	43	1
<i>Gross margin (%)</i>	<i>23.1 %</i>	<i>19.7 %</i>	<i>20.9 %</i>	<i>23.3 %</i>	<i>18.9 %</i>

Note: EBIT includes amortization of PPA with NOK 1 million for 4Q'09 (3), NOK 9 million for 2009 (10)

NeraTel reported revenue of NOK 194 million in the fourth quarter, which was a decline of 19 percent from the fourth quarter 2008 but only six percent lower on a currency adjusted basis.

Revenue increased 19 percent from the third quarter 2009.

Gross profit was NOK 45 million in the fourth quarter 2009, down five percent from the fourth quarter 2008 but 45 percent above the previous quarter. Gross margin increased to 23.1 percent from 19.7 percent in the fourth quarter 2008 and 18.9 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 20 million in the fourth quarter 2009, slightly below the fourth quarter 2008 but an improvement from NOK 7 million in the third quarter 2009. EBIT was NOK 16 million, slightly up from the fourth quarter 2008 and up from NOK 1 million in the third quarter 2009.

Order entry was relatively low at NOK 108 million in the fourth quarter 2009, reflecting low order inflow from the fluctuating transmission segment. Order entry was NOK 317 million in the fourth quarter 2008 and NOK 164 million in the third quarter 2009.

The order backlog was NOK 395 million at the end of the fourth quarter, which compares to NOK 479 million at the end of the third quarter and NOK 618 million at the end of 2008. NOK 164 million was for delivery in the next 90 days.

For the full year 2009, revenue increased 20 percent to NOK 798 million, whereas gross profit increased by seven percent to NOK 166 million. Split by segments, the company saw higher Transmission revenue, while Infocomm revenue and SatCom revenue were relatively stable in 2009.

EBITDA also increased by seven percent, to NOK 67 million in 2009, whereas EBIT increased nine percent to NOK 47 million.

Order entry amounted to NOK 573 million for the full year 2009, which was a decline of 32 percent from the previous year. This mainly reflects a decline in the transmission business.

NeraTel is a separately listed company on the Singapore Exchange. The company presented its interim results for the fourth quarter and full year 2009 on 10 February 2009. For further information, please see www.neratel.com.sg.

Corporate

Corporate costs amounted to NOK 28 million in the fourth quarter (8), including non-recurring items of NOK 9 million relating to the change of CEO.

The cost level in the fourth quarter was also negatively affected by advisory services related to the dispute with former Eltek Valere minority shareholders.

For the full year 2009 corporate costs amounted to NOK 71 million, including the abovementioned non-recurring items.

Organizational changes

Jan T. Jørgensen resigned from his position as CEO in November 2009, and the Board of Directors appointed Mr. Rune Finne as new CEO of Eltek ASA. Finne comes from the position as President of ABB Norway AS, and will assume the position as CEO of Eltek ASA on 1 March 2010.

Jørgen Larsen has been acting CEO since Jørgensen went on sick leave in August 2009, and will resume his position as EVP Business Development from 1 March 2010.

The Board of Directors would like to thank Mr. Jørgensen and Mr. Larsen for their contributions as CEO.

Outlook

Order entry declined in the fourth quarter, and normal seasonal patterns indicate a revenue decline from the fourth quarter to the first quarter in the following year.

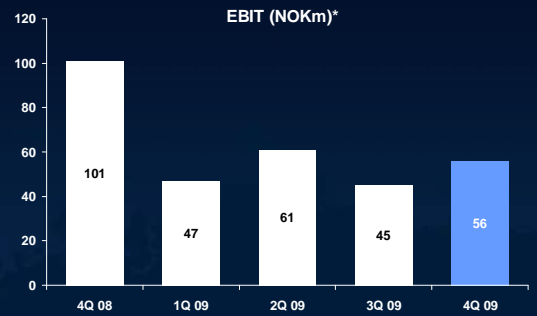
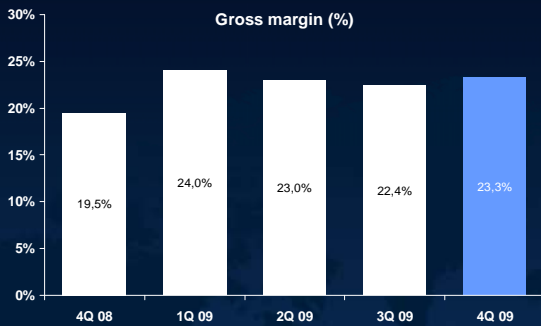
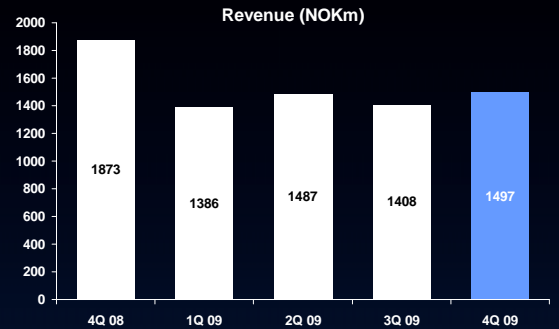
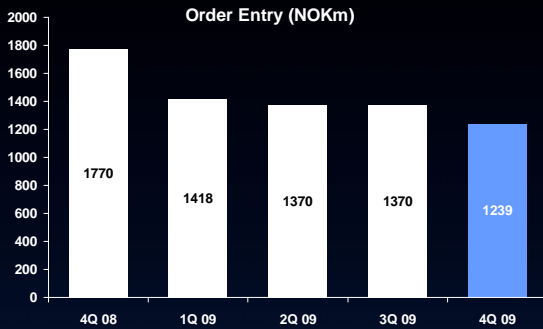
Overall, Eltek expects that the telecom power market will stabilize during 2010, and that the transmission market will show growth.

Eltek believes it has a good foundation to strengthen its position going forward, with a power efficient product portfolio of power supply products and a broader Evolution radio portfolio. Nera Networks should benefit from an expected upturn in the overall point-to-point microwave equipment market from 2010 onwards. Eltek Valere expects growth for industrial applications, and stands to benefit from growth initiatives in new areas such as solar power inverters and electric vehicle chargers.

Focused working capital programs triggered sharply improved cash flow generation in all business areas in 2009. Working capital management remains a key priority with an aim to generate positive free cash flow in all segments also in 2010.

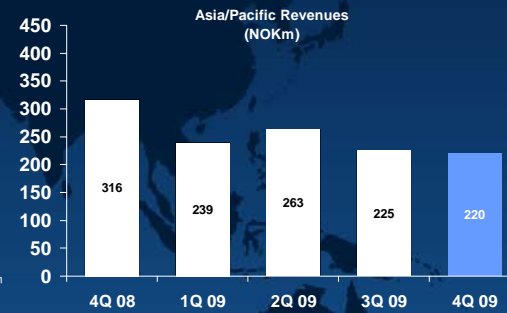
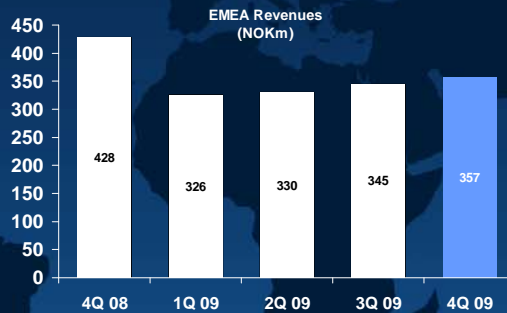
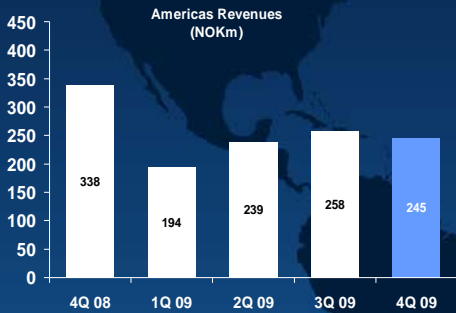
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The Board of Directors

QUARTERLY DEVELOPMENT ELTEK GROUP

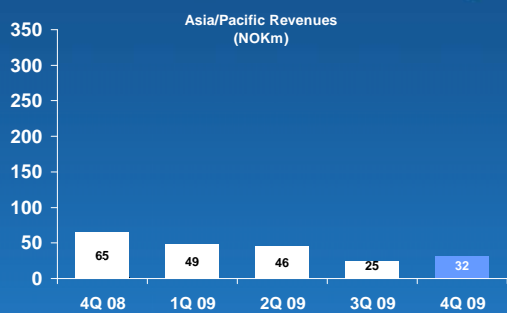
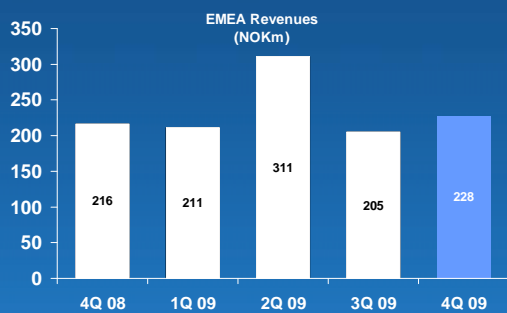
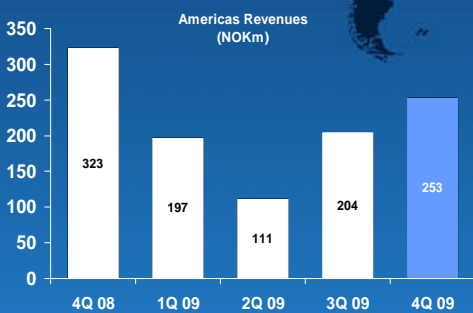


*EBIT before non-recurring items

QUARTERLY DEVELOPMENT BY REGION - ELTEK VALERE



QUARTERLY DEVELOPMENT BY REGION - NERA NETWORKS



Consolidated income statement (unaudited)

Amounts in NOK Million

	<u>4Q 2009</u>	<u>4Q 2008</u>	<u>2009</u>	<u>2008</u>
Revenue	1 497,3	1 872,6	5 777,9	5 958,4
Cost of sales	-1 148,8	-1 506,5	-4 439,4	-4 594,6
Gross profit	348,5	366,1	1 338,4	1 363,8
Selling and marketing costs	-130,2	-146,0	-509,3	-518,0
Administrative costs	-130,1	-105,6	-379,9	-345,6
R&D and engineering costs	-223,0	-83,3	-431,1	-273,6
Other operating items	-8,1	-823,3	-28,7	-842,9
Operating profit	-142,9	-792,2	-10,6	-616,4
Share of result in associated companies	1,4	1,1	1,4	1,1
Net financial items	-31,4	-77,0	-82,8	-142,9
Profit before income tax	-172,8	-868,1	-92,0	-758,3
Income tax expense	-56,2	-12,5	-104,4	-65,8
Net profit	-229,1	-880,6	-196,4	-824,1
Attributable to:				
Equity holders	-240,7	-829,3	-226,2	-797,7
Minority interests	11,6	-51,3	29,9	-26,4
Basic EPS (NOK)	-0,73	-16,41	-0,69	-15,77
Diluted EPS (NOK)	-0,73	-16,41	-0,69	-15,77

Consolidated balance sheet (unaudited)

Amounts in NOK Million

	<u>31.12.2009</u>	<u>31.12.2008</u>
Property, plant & equipment	389,6	521,5
Intangible assets	484,7	719,4
Deferred income tax asset	394,5	421,2
Other non-current assets	11,9	15,7
Total non-current assets	1 280,6	1 677,8
Inventories	592,3	983,0
Trade and other receivables	1 971,5	2 888,3
Cash and cash equivalents	815,5	622,1
Total current assets	3 379,3	4 493,4
Total assets	4 659,9	6 171,2
Share capital	329,2	299,2
Other reserves	823,1	1 375,4
Capital and reserves attributable to equity holders of the Company	1 152,3	1 674,6
Minority interest	177,4	176,2
Total equity	1 329,7	1 850,8
Borrowings	657,1	849,3
Deferred income tax liabilities	3,1	7,7
Retirement benefit obligations	166,5	170,2
Provisions for other liabilities and charges	84,5	208,8
Total non-current liabilities	911,3	1 235,9
Borrowings	754,5	797,6
Trade creditors and other payables	1 416,8	2 009,3
Current income tax payable	20,9	43,1
Provisions for other liabilities and charges	226,7	234,5
Total current liabilities	2 418,9	3 084,5
Total liabilities	3 330,2	4 320,4
Total equity and liabilities	4 659,9	6 171,2
Equity ratio	28,5 %	30,0 %

Consolidated statement of comprehensive income (unaudited)

Amounts in NOK Million	4Q 2009	Restated 4Q 2008	2009	Restated 2008
Profit for the period	-229,1	-880,6	-196,4	-824,1
Fair value adjustments available-for-sale-assets		-1,2		-1,2
Actuarial gains/losses	7,7	-9,3	7,7	-9,3
Net investment hedge (after tax)	11,1	16,4	-16,3	18,4
Currency translation effects	14,1	287,2	-150,0	346,1
Other comprehensive income (loss)	32,9	293,1	-158,6	354,0
Total comprehensive income (loss) for the period	-196,2	-587,5	-355,0	-470,1
Total comprehensive income (loss) attributable to :				
Equity holders of Eltek ASA	-209,5	-614,1	-361,5	-527,7
Minority interests	13,3	26,6	6,6	57,6

Statement of cash flow (unaudited)

Amounts in NOK Million	4Q 2009	4Q 2008	2009	2008
Net cash flow from operations	251,9	-73,8	838,6	-109,1
Net cash flow from investments	-58,0	-73,4	-253,3	-352,6
Net cash flow from financing	-278,9	140,5	-339,1	387,5
Currency effect on cash and cash equivalents	20,8	104,2	-52,8	104,2
Net change in cash and cash equivalents	-64,2	97,5	193,4	30,0
Cash and cash equivalents, beginning of period	879,7	524,6	622,1	592,2
Cash and cash equivalents, end of period	815,5	622,1	815,5	622,1

Statement of changes in equity (unaudited)

Amounts in NOK Million	4Q 2009	4Q 2008	2009	2008
Equity end of previous period	1 664,2	2 468,6	1 850,8	2 394,3
Change in opening balance		-1,4		-1,4
Equity beginning of this period	1 664,2	2 467,2	1 850,8	2 392,9
Total comprehensive income for the period	-196,2	-587,5	-355,0	-470,1
New equity	0,4	239,6	28,8	239,6
Acquisition of minority interests	-138,1	-265,7	-171,1	-280,4
Cost of stock options	0,2	-0,3	2,7	6,5
Dividends	-0,8	-2,5	-26,5	-37,7
Equity end of period	1 329,7	1 850,8	1 329,7	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

	4Q 2009	4Q 2008	2009	2008
INCOME STATEMENT				
Revenue	821,4	1 082,5	3 239,4	3 663,6
Gross profit	218,5	233,0	835,8	866,3
Operating profit/segment results	68,6	-725,7	203,2	-570,7
ASSETS AND LIABILITIES				
Total assets			2 312,1	2 976,7
Total liabilities			1 422,0	2 044,3
OTHER SEGMENT INFORMATION INCL. ABOVE				
Depreciation & amortization	36,7	35,5	141,2	120,9
Capital expenditure	24,3	80,2	84,8	210,5
Impairment goodwill and R&D	4,1	735,3	5,4	735,3
Restructuring expenses		35,3	9,9	38,9
REVENUE BY GEOGRAPHICAL REGION				
Americas	244,5	338,5	935,4	1 030,4
EMEA (Europe, Middle East and Africa)	357,4	428,3	1 357,4	1 483,0
Asia Pacific	219,5	315,7	946,6	1 150,2

Nera Networks

Amounts in NOK Million

	4Q 2009	4Q 2008	2009	2008
INCOME STATEMENT				
Revenue	513,1	603,9	1 871,8	1 797,4
Gross profit	85,2	90,4	336,1	346,9
Operating profit/segment results	-199,3	-68,9	-189,2	-28,3
ASSETS AND LIABILITIES				
Total assets			1 221,4	2 012,7
Total liabilities			1 396,7	1 830,6
OTHER SEGMENT INFORMATION INCL. ABOVE				
Depreciation & amortization	26,0	18,8	88,6	62,4
Capital expenditure	30,8	34,9	108,9	169,6
Impairment R&D and fixed assets	190,0		190,0	
Gain change pension scheme				
Restructuring expenses			10,3	
REVENUE BY GEOGRAPHICAL REGION				
Americas	253,0	322,7	765,0	743,8
EMEA (Europe, Middle East and Africa)	227,7	216,1	955,1	812,8
Asia Pacific	32,4	65,1	151,7	240,8

Nera Telecommunications

Amounts in NOK Million

	4Q 2009	4Q 2008	2009	2008
INCOME STATEMENT				
Revenue	193,9	239,3	797,6	665,9
Gross profit	44,8	47,0	166,5	154,9
Operating profit/segment results	16,3	14,9	46,8	42,7
ASSETS AND LIABILITIES				
Total assets			584,8	699,1
Total liabilities			238,7	283,2
OTHER SEGMENT INFORMATION INCL. ABOVE				
Depreciation & amortization	3,7	5,8	20,7	20,4
Capital expenditure	2,2	3,0	7,8	15,0
REVENUE BY GEOGRAPHICAL REGION				
Americas				
EMEA (Europe, Middle East and Africa)	0,1	0,4	2,2	2,5
Asia Pacific	193,8	128,0	795,6	663,3

Corporate/unallocated/eliminations

Amounts in NOK Million	4Q 2009	4Q 2008	2009	2008	2008
INCOME STATEMENT					
Revenue	-31.1	-53.1	-130.9	-168.4	-168.4
Gross profit		-4.3		-4.3	-4.3
Operating profit/segment results	-28.6	-12.4	-71.5	-60.1	-60.1
ASSETS AND LIABILITIES					
Total assets			541.6	482.7	482.7
Total liabilities			272.8	162.3	162.3
OTHER SEGMENT INFORMATION INCL. ABOVE					
Depreciation and amortization	0.1	0.1	0.3	0.7	0.7
Capital expenditure	0.3	1.3	0.8	1.7	1.7

3. Property, plant & equipment and Intangible assets

Three months ended 31 December 2009

	Intangible assets				Tangible assets
	Goodwill	R&D	Other	Total	
Net book amount 01.10.2009	64.8	445.8	125.4	636.0	437.5
Additions		40.6	0.3	40.9	16.6
Depreciation		-36.9	-8.0	-44.9	-20.2
Impairment *		-154.1		-154.1	-41.4
Other				0.0	-3.1
Foreign currency translation effects	0.3	-2.5	9.0	6.8	0.2
Net book amount at 31.12.2009	65.1	292.9	126.7	484.7	389.6

Three months ended 31 December 2008

	Intangible assets				Tangible assets
	Goodwill	R&D	Other	Total	
Net book amount at 01.10.2008	785.4	433.7	166.0	1,385.1	464.2
Additions	55.3	41.5	3.0	99.8	19.6
Disposals	-183.4			-183.4	-2.2
Depreciation		-29.3	-9.1	-38.4	-20.0
Impairment	-728.1	-7.2		-735.3	
Other					
Foreign currency translation effects	147.9	17.0	26.7	191.6	59.8
Net book amount at 31.12.2008	77.1	455.7	186.6	719.4	521.4

Twelve months ended 31 December 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		141.5	1.1	142.6	59.8
Depreciation		-134.9	-36.4	-171.3	-77.7
Other				0.0	-9.7
Impairment *		-155.4		-155.4	-41.4
Foreign currency translation effects	-12.0	-13.9	-24.7	-50.6	-62.9
Net book amount at 31.12.2009	65.1	292.9	126.7	484.7	389.6

Twelve months ended 31 December 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	88.0	153.2	5.6	246.8	150.0
Disposals	-183.4			-183.4	-6.0
Depreciation		-102.0	-31.5	-133.5	-68.9
Impairment	-728.1	-7.2		-735.3	
Foreign currency translation effects	196.4	23.6	34.4	254.4	87.6
Net book amount at 31.12.2008	77.1	455.7	186.6	719.4	521.4

* Include impairment R&D Nera Networks NOK 150 million and impairment building Nera Slovakia NOK 40 million. These charges are a result of an impairment test of net operating assets for the the Nera Networks business area.

4. Borrowings

The Company's loan covenants are as follows:

- 1) Goodwill adjusted equity ratio above 22.3% at 31 December 2009
- 2) Net interest bearing debt/EBITDA - ratio below 3.5 at 31 December 2009
- 3) Negative pledge related to assets not already placed as security.

In accordance with the loan agreements, the covenants have been adjusted to reflect the new debt related to the buy-out of the Eltek Valere minority shareholders (see 6 below).

In May 2009 Eltek Valere AS paid installment of NOK 105 million (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). In November 2009 Eltek Valere AS paid another installment of NOK 121 million related to the Term loan of NOK 237 million.

5. Provisions for other liabilities and charges

As described in the 2008 Annual report, Nera Networks received two tax/VAT claims related to its subsidiary in Brazil. Nera disputes both claims but made a provision of NOK 61 million in the 2008 annual accounts. In 4Q 2009 the provision has been increased to NOK 66 million to reflect currency exchange rate development (BRL). The provision is calculated without taking 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 4Q 2009 the provision for put obligations are reduced by NOK 15 million.

6. Buy-out and settlement with the Eltek Valere Minority Shareholders

In 2009 the minority shareholders of Eltek Valere exercised their put option and elected to sell all their shares to Eltek ASA. In December 2009 the put option was effectuated and Eltek ASA became owner of 99.998% of the shares in Eltek Valere. The total consideration for the shares is approximately NOK 235 million (USD 40.4 million), which Eltek ASA settled by issuance of promissory notes. The promissory notes have a 24 months maturity period and a coupon of 8% interest increasing 1%-point every quarter with a maximum of 15%. As at 3Q 2009 a provision of NOK 94 million was reported for this put option liability.

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

7. Other acquisitions/sales

In the fourth quarter the Group acquired 5.88% of the sharecapital of Eltek Sistemas de Energia Indústria e Comércio S.A., Brazil from the minority shareholders.

8. 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. Venezuela have for some time experienced high inflation rates and in the fourth quarter the International Financial Reporting Standards (IFRS) prescribe that the Venezuelan economy should be considered as hyperinflationary for 2009. The hyperinflation effect has been calculated and since no material impact on the quarterly Consolidated income statements and the Consolidated balance sheets the full 2009 effect is included in the fourth quarter.

The Venezuelan currency (VEF) is fixed versus USD at an official rate which has been 2.15 in 2009. January 8th, 2010, the Venezuelan Government chose to devalue and a two rate official currency rate system was introduced. The applicable official rate for Eltek going forward will be USD/VEF 4.30. Timely access to foreign currency have in recent years been an issue in Venezuela, and a parallel currency market has developed and is functioning. The parallel rate is volatile and at year-end 2009 it was approximately USD/VEF 6.00.

Nera Telecom Latin-America is included in the Eltek consolidated accounts based on translation using the official currency rate. The company reports EBIT of NOK 21 million, cash and cash equivalents of NOK 60 million and equity of NOK 73 million.

