



## Press Release

### **Eltek Reports First Quarter 2010 Financial Results**

PETACH-TIKVA, Israel, June 14, 2010 (NASDAQ:ELTK) - **Eltek Ltd.**, the leading Israeli manufacturer of advanced flex-rigid circuitry solutions, announced today its financial results for the first quarter of 2010.

**Revenues** for the quarter ended March 31, 2010 were \$9.6 million, compared with revenues of \$9.5 million in the first quarter of 2009.

**Gross profit** for the first quarter of 2010 was \$1.0 million (11% of revenues), compared with gross profit of \$1.6 million in the first quarter of 2009 (17% of revenues). The decrease in gross profit is attributable mainly to the lower exchange rates of the US dollar and the Euro against the NIS compared to the first quarter of 2009 (by 8.7% and 2.3%, respectively), and costs of revenues.

**Operating loss** for the first quarter of 2010 was \$559,000 compared with an operating profit of \$165,000 in the first quarter of 2009.

**Net loss** for the first quarter of 2010 was \$682,000 or (\$0.10) per fully diluted share, compared with a net profit of \$105,000 or \$0.02 per fully diluted share in the first quarter of 2009. The decrease in net income is mainly attributable to the decrease in gross profit and increase in financial expenses, mainly as a result of the impact of the devaluation of the US dollar and the Euro against the NIS compared to the first quarter of 2009.

**EBITDA:**

In the first quarter ended March 31, 2010, Eltek had EBITDA of \$16,000 compared with EBITDA of \$646,000 in the first quarter of 2009.

ELTEK uses EBITDA as a non-GAAP financial performance measurement. EBITDA is calculated by adding back to net income interest, taxes, depreciation and amortization. EBITDA is provided to investors to complement results provided in accordance with GAAP, as management believes the measure helps illustrate underlying operating trends in the Company's business and uses the measure to establish internal budgets and goals, manage the business and evaluate performance. EBITDA should not be considered in isolation or as a substitute for comparable measures calculated and presented in accordance with GAAP. Reconciliation between the Company's results on a GAAP and non-GAAP basis is provided in a table immediately following the Consolidated Statement of Operations

**Management Comments:**

**Arieh Reichart**, President and Chief Executive Officer of Eltek commented: "The global economic slowdown continued in the first quarter of 2010, thus we did not see the anticipated increase in revenues. Our cost reduction plans continue, mainly through a reduction in the number of employees and increased emphasis on our manufacturing efficiency program, which includes eliminating activities that do not provide added value to our products. The impact of these cost reduction measures has not been fully reflected in our results yet."



Mr. Reichart continued: "Since the beginning of 2010, Eltek has received orders from several new U.S. customers, including a first order from a major U.S. medical equipment manufacturer. We continue to see sales opportunities in the U.S. military market with regard to the ITAR (International Traffic in Arms Regulations) approval and expect to increase our business in the U.S. market in 2010," Mr. Reichart concluded.

### **About the Company**

Eltek is Israel's leading manufacturer of printed circuit boards, the core circuitry of most electronic devices. It specializes in the complex high-end of PCB manufacturing, i.e., HDI, multilayered and flex-rigid boards. Eltek's technologically advanced circuitry solutions are used in today's increasingly sophisticated and compact electronic products. For more information, visit Eltek's web site at [www.eltekglobal.com](http://www.eltekglobal.com).

### **Forward Looking Statement:**

Certain matters discussed in this news release are forward-looking statements that involve a number of risks and uncertainties including, but not limited to statements regarding expected results in future quarters, risks in product and technology development and rapid technological change, product demand, the impact of competitive products and pricing, market acceptance, the sales cycle, changing economic conditions and other risk factors detailed in the Company's Annual Report on Form 20-F and other filings with the United States Securities and Exchange Commission.

**Unaudited Consolidated Statements of Operations**  
(In thousands US\$, except per share data)

	<u>Three months ended</u>		<u>Year ended</u>
	<u>March 31,</u>		<u>December 31,</u>
	<u>2010</u>	<u>2009</u>	<u>2009</u>
<b>Revenues</b>	<b>9,633</b>	9,492	36,442
<b>Costs of revenues</b>	<b>(8,594)</b>	<b>(7,869)</b>	<b>(30,882)</b>
<b>Gross profit</b>	<b>1,039</b>	1,623	5,560
Research and development income, net	<b>0</b>	0	0
Selling, general and administrative expenses	<b>(1,598)</b>	<b>(1,458)</b>	<b>(6,016)</b>
<b>Operating loss</b>	<b>(559)</b>	165	<b>(456)</b>
Financial expenses, net	<b>(169)</b>	<b>(24)</b>	<b>(424)</b>
Other income, net	<b>(2)</b>	4	4
<b>Loss before income tax expenses</b>	<b>(730)</b>	145	<b>(876)</b>
Income tax (expenses), net	<b>(6)</b>	<b>(36)</b>	<b>(34)</b>
<b>Net Profit (loss)</b>	<b>(736)</b>	109	<b>(910)</b>
Net profit (loss) attributable to non controlling shareholders	<b>54</b>	<b>(4)</b>	30
<b>Net loss attributable to shareholders</b>	<b>(682)</b>	105	<b>(880)</b>
<b>Earning per share</b>			
Basic net loss per ordinary share	<b>(0.10)</b>	0.02	<b>(0.13)</b>
Diluted net loss per ordinary share	<b>(0.10)</b>	0.02	<b>(0.13)</b>
Weighted average number of ordinary shares used to compute basic net loss per ordinary share (in thousands)	<b>6,610</b>	6,610	6,610
Weighted average number of ordinary shares used to compute diluted net loss per ordinary share (in thousands)	<b>6,610</b>	6,610	6,610

**Eltel Ltd.**  
**Unaudited Consolidated Balance Sheets**  
(In thousands US\$)

	<u>March 31,</u>		<u>December 31,</u>
	<u>2010</u>	<u>2009</u>	<u>2009</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	754	1,264	1,258
Receivables: Trade, net of provision for doubtful accounts	8,183	7,620	6,932
Other	595	244	222
Inventories	3,732	3,778	3,938
Prepaid expenses	394	270	241
<b>Total current assets</b>	<b>13,658</b>	13,176	12,591
<b>Assets held for employees' severance benefits</b>	<b>1,489</b>	1,162	1,432
<b>Fixed assets, less accumulated depreciation</b>	<b>8,882</b>	8,881	9,175
<b>Goodwill</b>	<b>534</b>	529	573
<b>Total assets</b>	<b>24,563</b>	23,748	23,771
<b>Liabilities and Shareholder's equity</b>			
<b>Current liabilities</b>			
Short-term credit and current maturities of long-term debts	5,926	5,525	5,638
Accounts payable: Trade	5,490	5,189	4,666
Related parties	599	522	713
Other	4,247	3,603	3,558
<b>Total current liabilities</b>	<b>16,262</b>	14,839	14,575
<b>Long-term liabilities</b>			
Long term debt, excluding current maturities	2,493	2,056	2,617
Employee severance benefits	1,470	1,250	1,440
<b>Total long-term liabilities</b>	<b>3,965</b>	3,305	4,057
<b>Equity</b>			
Ordinary shares, NIS 0.6 par value authorized 50,000,000 shares, issued and outstanding 6,610,107 as of September 30, 2009, 6,610,107 as of September 30, 2008 and 6,610,107 as of December 31, 2008	1,384	1,384	1,384
Additional paid-in capital	14,328	14,328	14,328
Cumulative translation adjustment related to change in reporting currency	2,396	2,072	2,635
Cumulative foreign currency translation adjustments	186	346	309
Capital reserve	695	695	695
Accumulated deficit	(14,888)	(13,537)	(14,522)
<b>Shareholders' equity</b>	<b>4,101</b>	5,288	4,829
<b>Non controlling interest</b>	<b>235</b>	316	310
<b>Total equity</b>	<b>4,336</b>	<b>5,604</b>	<b>5,139</b>
<b>Total liabilities and shareholders' equity</b>	<b>24,563</b>	23,748	23,771

**Non-GAAP EBITDA Reconciliations**

	<u>Three months ended</u>		<u>Year ended</u>
	<u>March 31,</u>		<u>December 31,</u>
	<u>2010</u>	<u>2009</u>	<u>2009</u>
	<u>Unaudited</u>		
<b>GAAP net loss</b>	(682)	105	(880)
<b><u>Add back items:</u></b>			
Financial expenses, net	169	24	424
Tax expenses (income)	6	36	34
Impairment loss on goodwill	0	0	0
Depreciation	523	481	2,030
<b>Adjusted EBITDA</b>	<b>16</b>	<b>646</b>	<b>1,608</b>