

**ELTEK ASA**  
**REPORT FOR FIRST HALF YEAR 1998**

**KEY FIGURES**

ELTEK	1. half year		2. quarter		All figures in mill NOK
	1998	1997	1998	1997	
	Revenue	405,9	317,6	209,0	178,6
Operating profit	34,1	19,3	17,0	16,0	48,7
Profit before tax	40,6	17,4	24,7	14,7	43,8
Net profit	28,7	12,3	17,5	10,5	32,2
Profit per share (NOK.) *	2,08		1,27		
Operating margin	8,4 %	6,1 %	8,2 %	9,0 %	6,8 %
Profit margin (pre tax)	10,0 %	5,5 %	11,8 %	8,2 %	6,1 %
	30.06.98	31.12.97			
Equity margin (incl. minorities)	45,5 %	25,5 %			
Net interest-bearing debt.	3,0	53,0			
Order reserve	171	152			
Number of employees	617	577			

**BUSINESS AREAS**

	1. half year		2. quarter		Total 1997
	1998	1997	1998	1997	
<b>ELTEK ENERGY</b>					
Revenue	216,2	174,3	104,2	101,6	383,7
Operating profit	14,7	10,3	7,3	9,5	26,4
Operating margin	6,8 %	5,9 %	7,0 %	9,4 %	6,9 %
<b>ELTEK FIRE &amp; SAFETY</b>					
Revenue	199,2	154,2	108,4	84,1	357,1
Operating profit	19,4	8,9	9,7	6,5	22,3
Operating margin	9,7 %	5,8 %	8,9 %	7,7 %	6,3 %

\* Calculated on total number of shares after share issue to Norfass Holding in Sept. 1998

**COMMENTS**

Figures for 1997 in brackets.

Eltek's activities comprise of development, production and sale of power supply systems (Eltek Energy) and fire protection systems (Eltek Fire & Safety). Eltek ASA was quoted on the Oslo Stock Exchange for the first time on July 8, 1998.

## **Merger, acquisition and sale of companies**

With effect from January 1, 1998, Norfass AS was merged with Eltek Fire & Safety. Magnus Fergin Belysning AB and Intelligent Emergency Lighting Systems AS (IEL) were acquired during the first quarter and, from April 1, are included in the Profit and Loss Account for Eltek Fire & Safety. Eltek Energy's owner-share in Unitech AS has been increased in 1998 from 25% to 76%. Universal Communication AS which was consolidated as a subsidiary in 1997 and, in the first quarter of 1998 as an associated company, was sold in the second quarter. Eltek's share in Wireless Systems AS was also sold in the second quarter. All the companies are included in the accounts for 1997 in the same way as for 1998.

## **Summary**

The Eltek Group had a revenue of NOK 406 mill. for the first half-year, which is NOK 88 mill. (28%) higher than for the corresponding period in 1997. The revenue for the second quarter was NOK 209 (179) mill.

The operating profit was NOK 34.1 mill., which is an increase of 77% from the previous year. The operating profit for the second quarter was NOK 17 (16) mill. The result before tax was NOK 40.6 mill. The sale of Eltek's interests in Ucom and Wireless Systems resulted in a profit before tax of NOK 8.3 mill., which is included in the financial items. The result after tax was NOK 28.7 (12.3) mill. for the first half-year and NOK 17.5 (10.5) mill. for the second quarter, including a sales profit of NOK 6.3 mill.

Europe, excluding Norway, has the greatest increase in revenue, with a growth of 45%. Norway showed a growth of 33%. In Asia revenue is reduced by 10% compared to 1997. The reduction is caused by the absence of offshore deliveries, although power supply systems are still increasing. For the rest of the world, sales have doubled since 1997. Distribution of revenue is as follows: 42% for Norway, 37% for Europe, 18% for Asia and 3% for the rest of the world.

## **Eltek Energy**

Revenue was NOK 216 mill. for the first half-year, which is an increase of NOK 42 mill. (24%) from last year. While sales in 1997 totalled NOK 73 mill. in the first and NOK 102 mill. in the second quarter, the situation is the opposite this year with 112 in the first and 104 in the second quarter. The operating profit for the first half-year of NOK 14.7 (10.3) mill. corresponds to an operating margin of 6.8 (5.9) %. In the second quarter the operating margin was 7.0 (9.4) %.

Eltek Energy sells its products primarily to telecommunication and the development in this market has been positive also in 1998. In the European market, with Great Britain, Ireland and Germany as the most significant countries for Eltek, sales have increased by 57% from last year. At the beginning of the year a new subsidiary was established in France, aiming at the market in Southern Europe. So far sales are modest totalling approx. NOK 2 mill. for the first half-year. However, due to contacts already established, the volume in this market is expected to increase considerably. In East Asia several projects for which contracts have been achieved, have been delayed. But also this market showed an increase last year of 6.5%. China constitutes 79% of sales in this region. The subsidiary in Singapore, established in 1997, has signed a frame agreement with Singapore Telecom for NOK 18 mill., for deliveries over the next two years. In July, the Norwegian subsidiary Unitech, which is an OEM supplier, entered into a frame agreement with the Canadian Army for NOK 40 mill., for deliveries over the next 21 months. Within framework agreements, the order

reserve includes only fixed orders. The total revenue is distributed as follows: 14% for Norway, 55% for Europe, 29% for East Asia and 2% for the rest of the world.

Incoming orders were NOK 209 (187) mill. for the first half-year, which is NOK 3 mill. more than the revenue, considering that internal sales to Eltek Fire & Safety are not included in incoming orders.

### **Eltek Fire & Safety**

Revenue shows a growth from last year of 29% to NOK 199 (154) mill. In the second quarter revenue was NOK 108 (84) mill. The increase from the first quarter of NOK 28 mill. is partly due to the consolidation of Magnus Fergin Belysning, and with IEL from the second quarter by NOK 10 mill.

The operating profit for the first half-year was NOK 19.4 (8.9) mill. corresponding to a operating margin of 9.7 (5.8) %. In the second quarter the operating margin was 8.9 (7.7) %.

The Norwegian market shows the greatest growth, with an increase of 45%. The rest of Europe has increased by 16%. Three major offshore deliveries to Asia in 1997 have not been repeated this year and this, together with reduced activity within the marine market in Asia resulted in a 50% reduction in sales to Asia compared to 1997. This is, however, counteracted by sales to Australia. Geographically, sales are distributed with 72% to Norway, 18% to Europe, 5% to Asia and 5% to the rest of the world.

The acquisition of Magnus Fergin Belysning has contributed to Eltek's position as Scandinavia's principal supplier of emergency lighting systems to land-based markets. By exploiting the synergy effect between this company and Eltek AB, a positive development is expected within the Swedish market during the second half-year for fire alarm systems. Likewise, the synergy effect between Fergin and IEL will be exploited to increase the sale of emergency lighting outside Scandinavia. Fergin has secured the contract for emergency lighting in the Øresund Tunnel. This provides Eltek with a good foundation to meet the expected increase in demand for this product, also in Norwegian tunnels. After influencing the Chinese market for two years, the first contract was signed in the first half-year. In co-operation with a partner, other interesting projects in China are in progress.

Norfass has had a very active first half-year in the offshore market, with an increase in volume of 53%. Fewer new projects have been tendered during the first half-year and the volume will therefore be reduced in the second half-year when several new products, however, are expected to provide the foundation for considerable activity next year. Eltek's sale of fire alarm systems offshore, which has so far been insignificant, is expected to increase through Norfass' sales channels.

In the marine market the reduction in the East Asia is more than counterbalanced by increased sales in Europe and USA where initial contracts for fire fighting systems on cruise ships have been finalised. By establishing new agents in Japan and Korea we hope to re-establish the volume in these markets.

The order reserve at 30.06.98 was NOK 104 (81) mill.

Eltek has launched a number of new products and solutions during the first half-year, amongst other things an integrated network for fire alarm systems and a new control unit. In addition come a new detector series and an OEM product from the world's largest producer of early smoke-detection systems.

## **Financial status**

Equity capital at 30.06.98 amounts to NOK 208 mill., after the issue of shares prior to the listing on the stock exchange. The share of equity capital is 45.5%, including minority interests of NOK 7 mill. Corresponding figures were 25% per 31.12.97 and 26.4% per 31.03.98. Net interest bearing liabilities amounted to NOK 3 mill. Liquidity including unused overdraft facilities amounted to NOK 62 mill. In addition, Eltek has a frame agreement for leasing of NOK 10 mill., as well as a frame agreement for investments in other companies of NOK 50 mill.

As at August 18 the largest shareholders were the Angelil family with 47.5% of the company's shares, Norfass Holding with 8.4%, SND 7.6%, Telenor Venture 4.5% and Omega Investment Fund with 3.9%. The total number of shareholders was 703. 350 company employees own altogether 4.9% of shares.

## **Prospects**

After the strong growth in the other markets, Asia's share of Eltek's total revenue was reduced from 25 to 17%. However, the frame agreement with Singapore Telecom provides a good foundation for further growth, also in Asia. Development within telecom is stable in China but if the Chinese currency is devalued it is expected that this will in time have a negative effect on this market also. The strong development in Norway as well as in Europe is therefore very positive for Eltek. Through increased focus on Southern Europe, Eltek Energy's position in these markets is expected to be considerably strengthened. The breakthrough for Eltek Fire & Safety in China also provides a good foundation for increased sales.

By increasing the focus on product development we have succeeded in increasing product content and output for our power supply products while, at the same time, considerably reducing costs. Several new products have been launched within fire protection.

On the basis of market development, new contracts and Eltek's focus on product development and the development of new marketing and distribution channels, the Board of Directors will maintain the targets which have been set and regard the company as being on schedule with regard to these meeting targets.