

ELTEK ASA

REPORT FOR THE THIRD QUARTER OF 1999

All figures in million NOK

KEY FIGURES	Per third quarter			3 rd quarter		
	1999	1998	Pro forma 1998	1999	1998	Pro forma 1998
Revenue	738,4	603,6	638,8	266,8	197,7	211,9
Operating profit ¹⁾	58,7	41,2	42,5	23,7	7,0	7,3
Profit before tax	57,1	47,4	40,5	21,9	6,8	8,0
Net profit	40,8	35,1	29,8	14,5	5,4	6,5
Operating margin	7,9%	7,2%	6,6%	8,9%	4,8%	3,4%
Profit margin before tax	7,7%	8,3%	6,3%	8,2%	4,7%	3,8%
	30.09.99	31.12.98	30.09.98			
Equity margin (incl. minority interests)	45,8%	47,0%	46,8%			
Order reserve	270	202	192			
Number of employees	723	637	620			

BUSINESS AREAS	Per third quarter			3 rd quarter		
	1999	1998	Pro forma 1998	1999	1998	Pro forma 1998
ELTEK ENERGY						
Revenue	450,8	330,4	358,8	176,4	114,2	128,4
Operating profit	32,1	16,9	17,5	16,0	2,3	2,6
Operating margin	7,1%	5,1%	4,9%	9,1%	2,0%	2,0%
ELTEK FIRE & SAFETY						
Revenue	304,3	287,4	294,2	95,7	88,2	88,2
Operating profit	26,6	24,2	24,9	7,7	4,8	4,8
Operating margin	8,7%	8,4%	8,5%	8,0%	5,4%	5,4%

Pro forma figures include companies purchased in 1999 and exclude gains from sales in 1998 of NOK 8,3 million before tax and NOK 6,3 million after tax.

¹⁾ Including goodwill depreciation of NOK 4,3 million in 1999 and NOK 2,3 million in 1998.

Sale of Business

The press release which was sent on October 12th, 1999 is enclosed.

Summary

Eltek's growth was further increased in the third quarter, both in turnover and profit. Revenues were NOK 266,8 (197,7) million and this is NOK 27,6 million, or 12 % higher than the previous quarter. The operating profit was NOK 23,7 (7,0) million, and profit before tax was NOK 21,9 (6,8) million for the third quarter. Per third quarter revenue was NOK 738,4 (603,6) million, an increase of 22 % from 1998, while operating profit increased by 42 % to 58,7 (41,2). By comparing profit before tax, which was NOK 57,1 million in 1999 and NOK 47,4 million in 1998, it must be taken into consideration that last year's profit included a sales gain of NOK 8,3 million.

It is Eltek Energy that is responsible for the largest growth in both turnover and profit. In the third quarter, Eltek Energy achieved an operating margin of 9,1 %, an improvement of 1,5 %-points from the previous quarter. Per third quarter, Eltek Energy had 36% higher operating revenue and 90 % higher operating profit than in 1998. Eltek Fire & Safety also achieved in the third quarter higher revenue and a clear improvement in operating margin in comparison to 1998. Revenue per third quarter shows an increase of 6 %, while operating profit increased by 10 %.

Eltek Energy

In the third quarter, Eltek Energy achieved revenue of NOK 176,4 (114,2) million, while operating profit was NOK 16,0 (2,3) million. Revenue per third quarter was NOK 450,8 (330,4) million and operating profit was NOK 32,1 (16,9) million. The positive development in the second quarter is thus strengthened in the third quarter with revenue and operating profit which are respectively NOK 31 million and NOK 5 million higher than in the second quarter.

Order intakes were still good so that the order backlog in the third quarter increased from NOK 28 million to NOK 169 million.

Turnover in the third quarter show a growth of 54 % as compared to last year's third quarter, while the growth per third quarter is 36 %. It is the European market which is responsible for the largest growth in sales, and this market represents 54 % of the sales in the quarter and 48 % of the sales so far this year. In addition to the purchase of S.F.E.E. in France, the growth comes from deliveries to the build up of inter-european networks for IP-telefoni and the radio link TETRA. Eltek was chosen to be the supplier to these projects in sharp international competition and will continue to deliver throughout 1999 and 2000. The sales in Asia continue to stay at a high level after the start of deliveries to Malaysia and constitute 29 % of the total sales per third quarter. The Norwegian market is also under good development with a growth of 31 %. The increase in sales comes as a result of increased sales efforts towards other markets than telecom. During the third quarter, the Canadian Defence placed orders for the remaining NOK 30 million under the frame agreement of NOK 42 million, and this will essentially be delivered in the fourth quarter this year.

Restructuring of the production has been forwarded and the staff in Norway this year is reduced by 44 employees. Outsourcing of products with high sales volume have contributed to considerable reductions in cost in the third quarter. These processes will continue to contribute to further reductions in product costs in the future.

Eltek Energy participated with stand at Telecom 99 in Geneva and while there, introduced it's new power supply system, Aeon 4000. The most important application for this system is communication systems with high power consumption, for example IP-telefoni. Great expectations are placed on this product which in addition to better functionality, also has a considerable reduced production cost in comparison to Eltek Energys present large system. The product is expected to be ready for sale in the first quarter next year.

On the basis of good order intakes, the efforts directed at restructuring of production and the company's input in the product and market development, the Board expect continued positive development.

Eltek Fire & Safety

In the third quarter, Eltek Fire & Safety achieved a revenue of NOK 94,7 (88,2) million. Turnover is normally lower in the third quarter than in the other quarters. Operating profit in the third quarter was NOK 7,7 (4,8) million. Turnover per third quarter was NOK 304,3 (287,4) million and operating profit was NOK 26,6 (24,2) million.

The order intake in 1999 is NOK 288 million and the order backlog as of Sept. 30th, 99 was NOK 103 million.

The land based business in Eltek Fire & Safety showed revenues of NOK 165 million, an increase of NOK 37 million in comparison to 1998. Out of these increases come NOK 15 million from consolidation of companies acquired, while NOK 22 million is from the increase in sales both in Norway and the most important export markets, Sweden, Denmark and The Netherlands. Offshore and maritime divisions have in 1999 had revenues of NOK 138 million, which is NOK 21 million less than for the corresponding period in 1998. This is attributed to lower activity within offshore than last year. As a consequence hereof operating profit is reduced compared to last year.

The utilisation of synergy effects between the companies, especially in the land based operation, has resulted in increased operating margins.

Positive development is still expected in the land-based operation in turnover as well as in operating margins.

Financial conditions - Group

Equity increased by 2,5 % to 45,8 % in the third quarter. The strong growth in turnover led to a smaller increase in net working capital and cash in hand was reduced by NOK 2,8 million. Cash position, including unused overdraft credit lines constituted as of Sept. 30th 1999 NOK 113 million. Net interest bearing debt was NOK 68 million.

When the Department of Trade and Industry approves the agreement for the sale of the offshore and maritime divisions in Eltek Fire & Safety, Elteks financial situation improves by NOK 130 million after provisions for tax.

Sale of the land based operations in Eltek Fire & Safety will contribute to further financial strengthening of Eltek. This will give Eltek the possibility to put Eltek Energy in an even better position in the company's global market for telecom power.

Drammen, October 20th, 1999

The Board of Directors of Eltek ASA

**Press Release from Eltek ASA
12th October 1999**

Sale of offshore and marine divisions in Eltek Fire & Safety

Eltek ASA has entered into an agreement with the British company Williams Plc for the sale of the offshore and marine divisions in Eltek Fire & Safety. The sale includes the companies Heien-Larssen AS in Lier with subsidiaries in Singapore and in the United Arab Emirates, as well as Norfass AS in Kristiansand, with its subsidiaries Firetech AS in Stavanger and Norfass Limited in England.

The selling price is 220 MNOK in cash, which will yield to Eltek ASA a profit after tax of approx. 130 MNOK.

Closing of the transaction is subject to approval from the Ministry of Trade and Industry.

The Williams Group is one of the world's leading companies in fire protection systems and had a turnover in 1998 of more than 30 billion NOK. Williams' product portfolio and world-wide market structure gives the divisions considerable potential for further growth.

Heien-Larssen and Norfass/Firetech had total turnover in the first half-year of 1999 of 94 MNOK and an operating profit of 7,1 MNOK. The companies have 92 employees in Norway and 22 employees abroad.

Eltek Fire & Safety is responsible for the fire protection and emergency lighting systems for the offshore, marine and land based markets. Negotiations with other international interests with the object of divesting of the land based operation, are expected to be finalised by the end of November.

The sale of Eltek Fire & Safety will give Eltek increased financial strength to direct more effort towards the build-up of Eltek's global activity within power supply systems.

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ELTEK GROUP

Profit and Loss Account

	Per 3rd Quarter			3rd Quarter			Year
	1999	1998	Pro forma 98	1999	1998	Pro forma 98	1998
Revenue	738 389	603 617	638 821	266 743	197 676	211 886	822 574
Cost of goods sold	408 463	340 174	361 326	155 129	118 412	127 274	428 138
Other operating costs	258 941	214 512	225 790	83 489	69 198	73 973	326 142
Ordinary depreciations	12 310	7 781	9 184	4 455	3 041	3 302	11 092
Total operating costs	679 714	562 467	596 299	243 073	190 651	204 549	765 372
Operating profit	58 675	41 150	42 521	23 670	7 025	7 337	57 202
Share of result in ass. comp.	671	9 161	2 148	135	256	1 366	9 577
Financial income and cost	-2 218	-2 913	-4 178	-1 924	-474	-677	-4 758
Net financial items	-1 547	6 248	-2 030	-1 789	-218	689	4 819
Profit before tax	57 127	47 398	40 491	21 881	6 807	8 026	62 021
Taxes	16 375	12 267	10 708	7 395	1 375	1 556	13 797
Net profit	40 752	35 131	29 783	14 486	5 432	6 471	48 224
Minority interests	3 124	1 860	2 267	1 657	884	1 088	2 531

Balance Sheet

	30.09.99	30.09.98	Pro Forma 30.09.98	31.12.98
	Goodwill	56 266	42 107	56 490
Other fixed assets	67 183	47 490	54 287	53 917
Share of ass. companies	17 452	2 471	17 758	2 657
Total fixed assets	140 902	92 068	128 535	99 525
Stock	157 017	115 807	120 959	132 286
Trade debtors	237 776	192 548	210 411	182 465
Other short term receivables	14 898	23 388	24 228	12 852
Cash in hand, bank deposits	40 629	45 363	50 578	48 358
Total current assets	450 320	377 106	406 176	375 961

Total assets	591 222	469 174	534 711	475 486
Share capital	13 825	13 825	13 825	13 825
Other equity	238 054	198 051	194 605	200 999
Total equity	251 879	211 876	208 430	214 824
Minority interests	18 773	7 758	13 964	8 565
Pension liabilities	9 344	8 567	8 567	9 312
Other long term liabilities	74 857	26 292	72 609	25 624
Total long term liabilities	84 202	34 859	81 176	34 936
Bank overdraft	39 413	21 169	21 169	8 141
Trade creditors	93 646	91 378	99 809	97 017
Other short term liabilities	103 310	102 134	110 163	112 003
Total current liabilities	236 369	214 681	231 141	217 161
Total liabilities and equity	591 222	469 174	534 711	475 486

ELTEK GROUP - Pro forma

Figures for the Group excluding the operations for which a sales agreement has been entered into.

Profit and Loss Account

	Per 3rd Quarter	
	1999	Pro forma 99
Revenue	738 389	602 722
Cost of goods sold	408 463	328 259
Other operating costs	258 941	215 151
Ordinary depreciations	12 310	11 025
Total operating costs	679 714	554 435
Operating profit	58 675	48 287
Share of result in ass. comp.	671	671
Financial income and cost	-2 218	-1 400
Net financial items	-1 547	-729
Profit before tax	57 127	47 557
Taxes	16 375	13 696
Net profit	40 752	33 861
Minority interests	3 124	3 132

Balance Sheet

	30.09.99	Pro Forma 30.09.99
	Goodwill	56 266
Other fixed assets	67 183	60 218
Share of ass. companies	17 452	17 452
Total fixed assets	140 902	132 546
Stock	157 017	132 853
Trade debtors	237 776	197 643

Other short term receivables	14 898	12 645
Cash in hand, bank deposits	40 629	32 729
Total current assets	450 320	375 870
Total assets	591 222	508 416
Share capital	13 825	13 825
Other equity	238 054	205 313
Total equity	251 879	219 138
Minority interests	18 773	18 483
Pension liabilities	9 344	7 618
Other long term liabilities	74 857	67 128
Total long term liabilities	84 202	74 747
Bank overdraft	39 413	30 024
Trade creditors	93 646	76 528
Other short term liabilities	103 310	89 497
Total current liabilities	236 369	196 048
Total liabilities and equity	591 222	508 416