

## Key figures

(NOK million)	1999	1998	1997	1996	1995
<b>Results</b>					
Sales income	1 042.4	822.6	613.5	526.9	451.0
Operating profit	263.5	57.2	42.6	17.1	27.7
Profit before tax	262.2	62.0	38.7	15.7	25.8
Ordinary net profit	186.9	48.2	29.2	9.2	16.7
<b>Capital</b>					
Total capital	659.0	475.5	319.1	242.6	224.3
Equity (incl. min.)	280.5	223.4	109.8	80.3	76.1
Equity ratio	42.6%	47.0%	34.4%	33.1%	33.9%
<b>Shares</b>					
No. of shares (1 000)	14 042	13 825	10 428	9 700	9 700
Profit per share, excl. gain on sale	3.95	3.60	2.70	0.51	2.56
Dividend per share	10.00*	1.00	1.44	0.00	1.19
<b>Employees</b>					
No. of employees per 31.12	623	637	532	465	373

\* Extra-ordinary dividend, paid in December 1999

## Telecom POWER FOR Mobile AND Internet Communication

Eltek is a leading global company involved in developing, manufacturing and marketing of power supplies for Internet and the telecom industry. In 1999, the company's market position was strengthened by a strong growth in both revenue and profit. To focus Eltek's resources and efforts as much as possible on the expanding telecom power market, the decision was made in 1999 to sell off the Eltek Fire & Safety business.

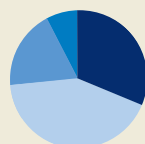
Sales distribution  
Eltek Energy 1999

- Norway, 101 MNOK
- Europe, 332 MNOK
- Asia, 170 MNOK
- Rest of the world, 58 MNOK

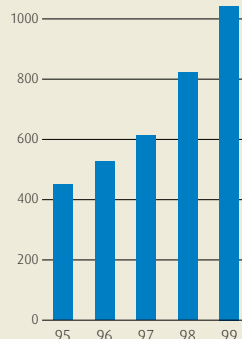


Sales distribution  
Eltek Group 1999

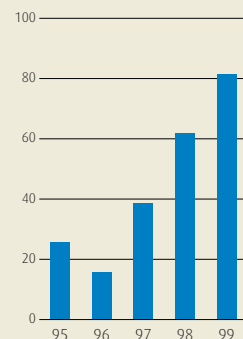
- Norway, 326 MNOK
- Europe, 440 MNOK
- Asia, 197 MNOK
- Rest of the world, 79 MNOK



Development revenue  
Eltek Group (NOK million)



Development profit before tax  
Eltek Group (NOK million)  
excl. gain on sale



# Global growth requires CONCENTRATION AND **STRENGTH**

**An important change of strategy in 1999** Eltek's ambition is to be a world leader in its field. This ambition is not a goal in itself, but an absolute necessity if we are to develop our company to compete in a global marketplace, where competition is increasing and changes are occurring ever more rapidly. It has been clear to us at Eltek for some time that we need to concentrate all our financial and human resources on one of our two business areas. This is the reason behind our decision to sell Eltek Fire & Safety, a sale which was partly completed in 1999.

**A natural sequence of events** Our concentration on one area of business follows on naturally from a sequence of events that began four to five years ago, when professional investors such as Telenor Venture and SND Invest, acquired significant share positions in the company. The next milestone was the listing of the company on the Oslo Stock Exchange in 1998, which was done in order to facilitate the addition of the capital required for further growth. In parallel to this, we strengthened our power supply business by establishing subsidiaries in several countries, through partnerships or acquisitions. This has given us broader expertise, new products and improved global distribution.

**Our focus is telecom power** The decision to focus on telecom power and Eltek Energy was taken for the following reasons: Telecom power is a market with great growth potential – over the next three to four years it is expected that the market will double in size from the estimated current level of NOK 15 billion. Eltek's roots are in the telecom business, and therefore it is within this area that we have the greatest chance of succeeding in a global market.

**Expertise is the key** A key element in Eltek's development is the shift from being a manufacturer of components to a supplier of systems and turn key solutions. In 1999, the manufacturing of high-volume components has to a large extent been outsourced to suppliers with size and cost levels suited to producing standardised components at significantly lower costs than is possible in smaller setups. This outsourcing gives us the opportunity to focus on one of our key competitive edges – our technical expertise and R&D capabilities. During the year we have strengthened this expertise through the acquisition of the remaining shares and subsequent integration of Unitech into Eltek Energy. This provides us with an

additional advantage as we look to exploit the opportunities of the growing OEM market for telecom power supplies. In years to come, we will place even more emphasis on developing our world-class research and development environment.

**An international player** Global reach is a requirement for those suppliers who aspire to being amongst the leaders in the telecom power industry. Eltek's global distribution network, which mainly consists of wholly or partly owned companies, is one of our strongest competitive advantages. In 1999, we have further strengthened this network through the acquisition of Société de Fabrications Electricques et Electroniques (S.F.E.E.) in France. This has created a stronghold for us in this important telecom market, as well as providing an inroad into Northern Africa.

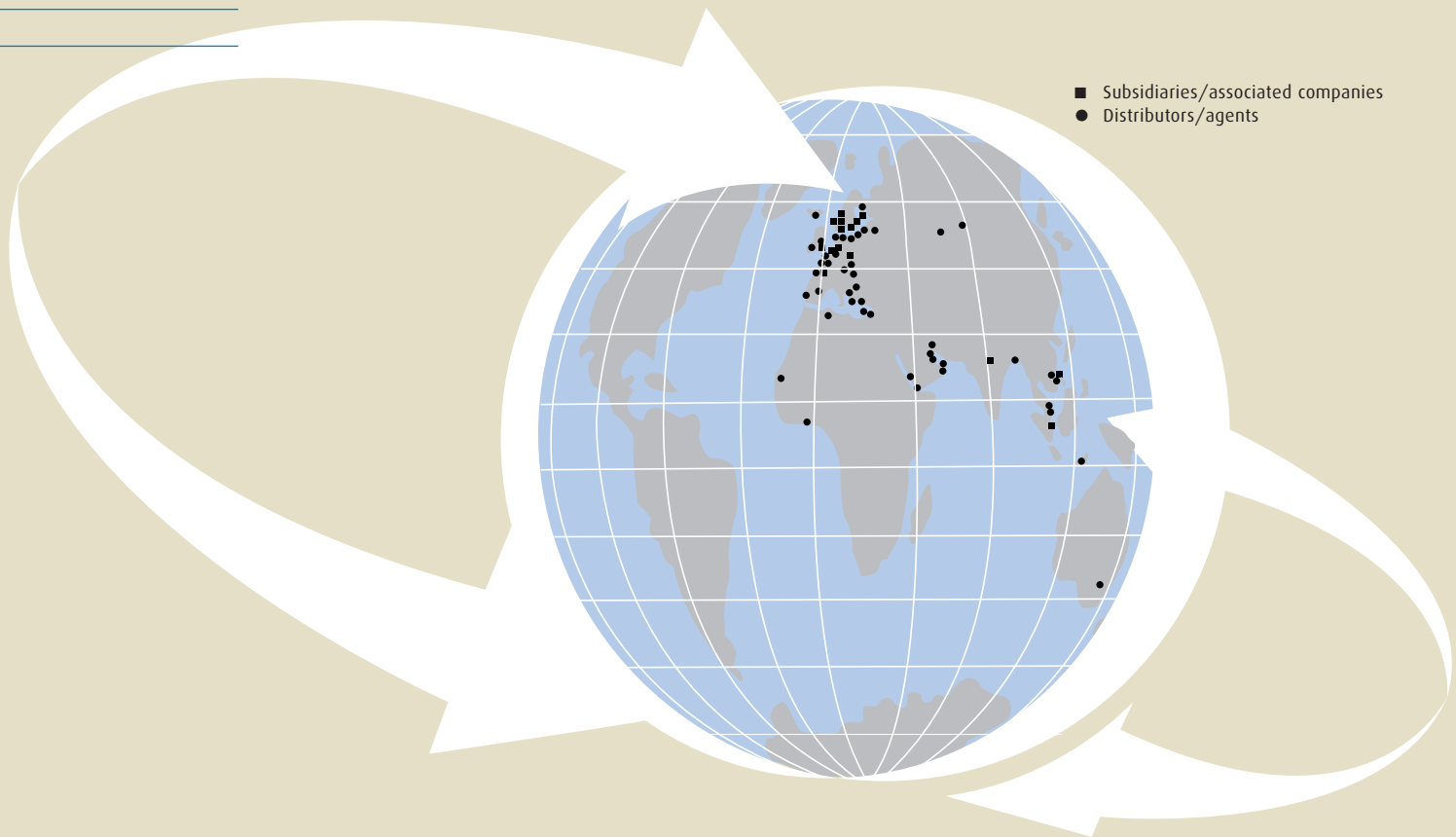
**Positioned for the future** Eltek has both the financial strength and the flexibility needed to further enhance our business through acquisitions and organic growth. By concentrating on Eltek Energy, we have ensured a solid platform from which to pursue the opportunities that the fast-growing telecom power market will present in future years. We are investing heavily in research and development, and we have reduced our cost base significantly through outsourcing the manufacture of our high-volume products.

We now appear as a company focused on telecom. We look ahead with great optimism, and look forward to taking significant steps in the coming year en route to being a world leader within telecom power.

**SELLING ELTEK FIRE & SAFETY GIVES US THE OPPORTUNITY TO DEVELOP ELTEK ENERGY AND OUR TELECOM POWER BUSINESS EVEN FURTHER**

**Alain F. Angelil** Group CEO





## A GLOBAL LEADER

### Supplying power to the telecom industry

Eltek Energy, a subsidiary of Eltek ASA, is one of the world's leading suppliers of power-supply systems for the international telecommunications industry. Its product lines range from small power-supply units integrated into the solutions of other telecom equipment suppliers, to complex, turnkey energy systems supplying power to large telephone exchanges covering several hundred square metres. All products satisfy the particular and demanding requirements of sensitive telecommunications equipment.

### Global distribution NETWORK

Eltek is an international company with more than 600 employees, and subsidiaries, associated companies and distributors in 39 countries. This network is one of the company's major strengths, making it possible to serve global, as well as regional customers efficiently. In the future, the network will be further expanded into new markets, for example, North and South America.

### A LEADER WITHIN fire protection

Eltek Fire & Safety is a leading supplier in Northern Europe of complete fire-protection systems for office buildings, public institutions, hotels, hospitals and industrial facilities. Its systems include fire detection and alarm, extinguishing and evacuation.

ELTEK'S AMBITION IS TO GROW FASTER THAN THE TELECOM POWER MARKET

## Cost-efficient PRODUCTION AND efficient LOGISTICS

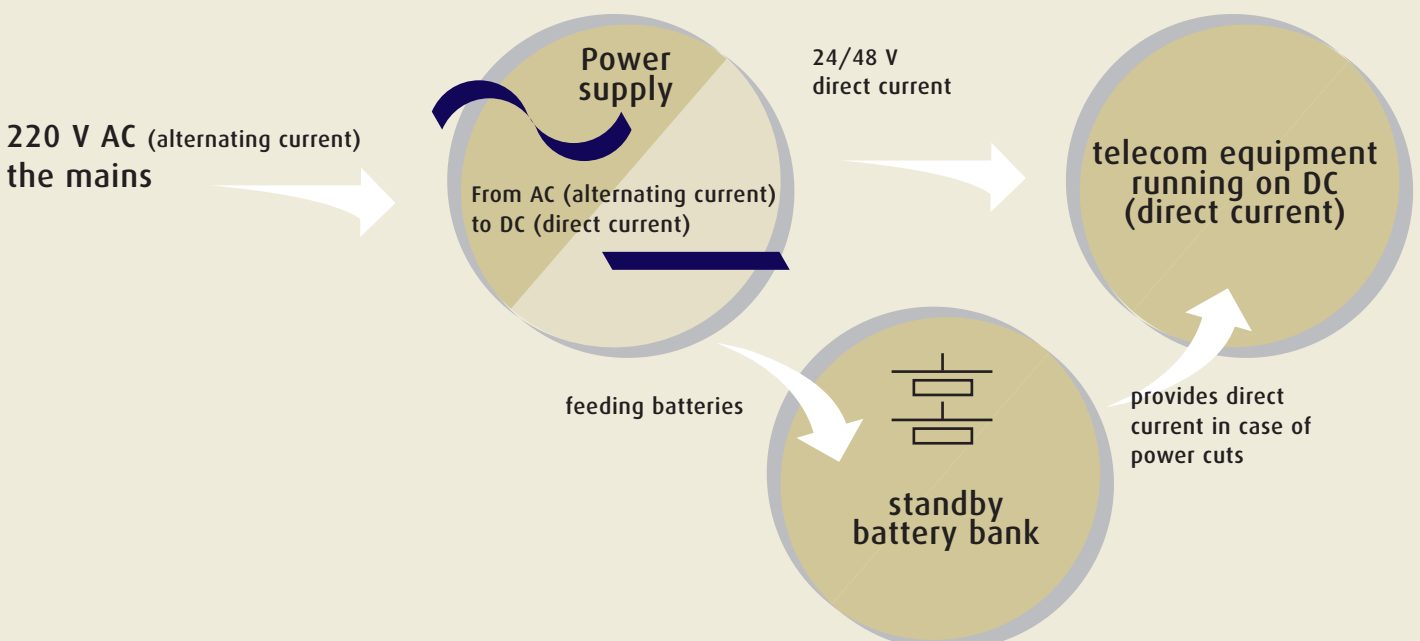
Some of Eltek's products are standardised units manufactured in large volumes; in order to produce them in the most cost-effective way, manufacturing is outsourced to external, specialised suppliers.

To complement this, a logistics system has been established with storage and distribution centres close to production facilities. This enables customers of, and companies within, the Group to order and receive products within a minimum timescale, anywhere in the world.

The integration of complete solutions and systems takes place at Eltek companies that are local to the customer, and in accordance with their needs.

# POWER SUPPLY

A power supply unit for electronic use can, in principle, be a relatively simple device that transforms a 220/240V alternating current to a lower voltage direct current that is fed to the equipment. In the case of telephone switches, the power supply must be uninterrupted to ensure the telephone network remains in operation. Therefore, power is delivered to a standby battery bank as well as to the equipment itself. In addition to these requirements, the telecom industry demands equipment with exceptional reliability, low noise levels, high output and cost-efficient, tailor-made solutions featuring advanced communication facilities.



STRONG **GROWTH** in the telecom power market



Highlights of 1999

**Frame agreement with Level 3 Communications. Eltek supplies power for three large IP telephony gateways in Frankfurt, Paris and Amsterdam.**

**Outsourcing of Eltek's high-volume rectifier modules. Substantial cost reductions in the second half-year.**

**Telecom equipment requires specialised power supplies** Equipment used in fixed and mobile telecom networks is highly specialised, and requires power supplies that meet exacting standards of performance and quality. Eltek is one of the leaders in this market segment, which is also the fastest growing power supply segment in the world, and the second largest, behind PCs and computer equipment.

**Mobile communications conquers the world** It is not only Norway that is experiencing a steep growth in mobile telephone penetration (although we are among the top three nations in the world, along with Iceland and Finland). In developing countries, where telecommunication networks are insufficiently developed, mobile communications is often the preferred method of expansion, since this is less costly than building fixed networks. At the same time, growth in more mature markets is skyrocketing, with increasing numbers of users and the continuous introduction of new capacity and functionality in mobile networks. When the next generation mobile network technology, UMTS, is ready for deployment in a few years time, the majority of the current GSM network structure (switches and approximately 8 000 base stations in Norway alone) will need to be replaced. Telecom equipment suppliers are the driving force behind this development. The new network equipment will be deployed mainly in the form of larger, integrated units. The power supply units will be manufactured in large volumes by OEM suppliers for a restricted number of customers, and to exacting specifications.

**The Internet drives growth in fixed communications** IP technology, or Internet technology, is the most important factor behind the growth in fixed network communications. Modern Internet communication and IP telephony is based on packet-switched technology, where networks can utilise available capacity much more efficiently than traditional telephone networks, and are suitable for both data and voice communication. The number of service providers is growing rapidly, and several of them are building new switches and gateways of substantial size. For these new switches,

**THE GLOBAL TELECOM POWER MARKET, IN WHICH ELTEK ENERGY IS A LEADING PLAYER, IS EXPECTED TO DOUBLE FROM NOK 15 BILLION TO NOK 30 BILLION IN THE NEXT THREE YEARS.**

the service providers request turnkey energy systems that integrate several types of equipment and are delivered with installation, training, service, maintenance and other related services included. The service providers are often global and require suppliers that can serve them efficiently and consistently around the world.

**Eltek Energy is organised and positioned to meet market demands** Eltek Energy is focusing on both OEM deliveries, mainly to mobile networks, and on turnkey energy system solutions, mainly for fixed networks. This is reflected in the organisation of the company, which is divided along the same lines. Eltek Energy has many years of experience as an OEM supplier, in particular through the wholly owned subsidiary Unitech – a long-standing supplier of OEM products to the military and industrial markets. Eltek Energy also enjoys long-standing relations with major telecom equipment suppliers such as Alcatel, Motorola, Siemens and Nortel. Eltek UK, Eltek Energy's wholly owned UK subsidiary, is spearheading the delivery of turnkey solutions for fixed networks. Both Eltek UK and other companies in the group have substantial expertise and experience in designing and implementing complex turnkey solutions.

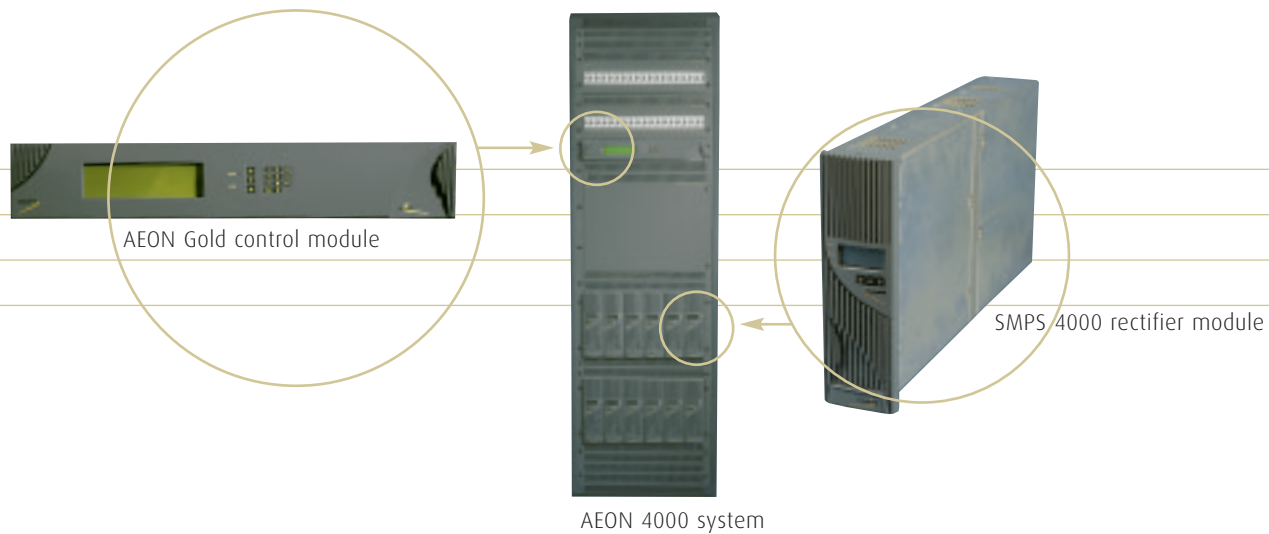


## Research and development

Eltek provides substantial resources for research and development, and with the integration of Unitech as the new OEM division within Eltek Energy, a much larger R&D group is now located in one place. This constitutes one of the leading international R&D environments within telecom power.

## New product – the AEON 4000

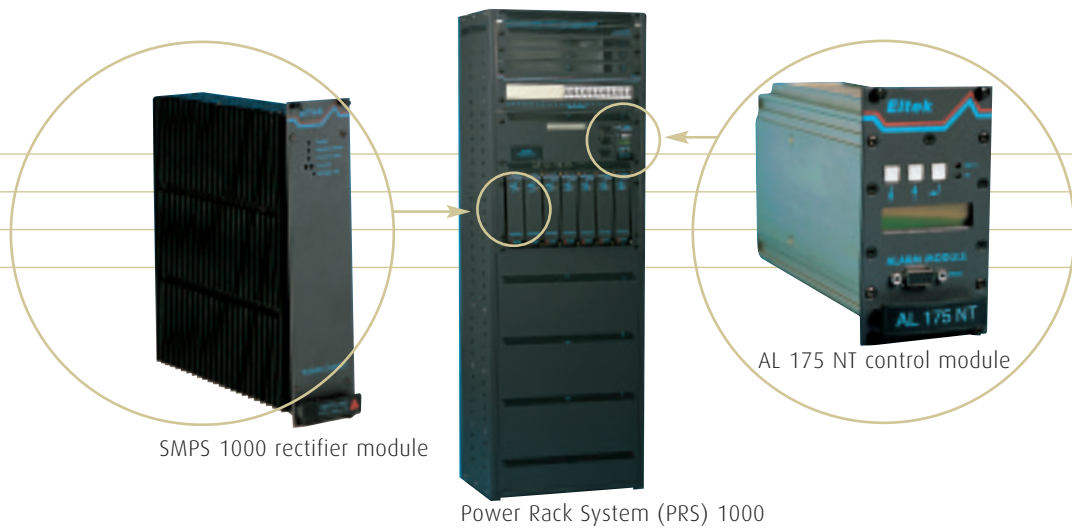
The AEON 4000 was launched at Telecom 1999 in Geneva. This product sets new standards when it comes to combining performance and functionality with compact design. The system is modular and microprocessor-based, and uses a standard communication bus – CAN-bus – and software for internal communication. This allows for greater flexibility, ease of installation and servicing. The concept covers the entire range of power demands from mid-sized to large installations, and facilitates increased standardisation, leading to a reduced number of products and substantial logistic benefits.



**A global player** Eltek Energy is a truly international organisation, with subsidiaries and associated companies in 10 countries, and distribution through partners in another 26.

### ELTEK ENERGY IN SCANDINAVIA

Eltek Energy's headquarters are in Norway. This is also the home of the main research and development department, as well as the main resources for central functions such as logistics and outsourcing. The OEM part of the business also has its core resources in Norway, principally through Unitech, which became a wholly owned subsidiary in 1999 following Eltek's acquisition of the remaining 24% of the company's shares. Unitech has solid expertise and many years of experience in the development of power supply solutions for rigorous applications and customers. In 1999, Eltek Energy also acquired 34% of the shares in the Swedish company Micropower, which develops power supplies for electric vehicles. This supplements Eltek Energy's product line, in addition to providing a broader customer base and broader distribution.



## Best-selling product

**SMPS 1000, launched in 1998, is one of Eltek Energy's best-selling products with annual sales of approximately 50 000 units.**

**SMPS 1000 is a compact rectifier module that employs state-of-the-art power supply technology to achieve high output, advanced functionality, extreme reliability and competitive price.**

### ELTEK ENERGY IN EUROPE

In the European market Eltek UK is the main company within the group when it comes to turnkey energy system solutions. Eltek UK has significant resources and expertise within engineering, production, sales and servicing, and employs over 100 personnel. The company also has a defined responsibility for sales in Western Europe, the Americas, India, the Middle East and South Africa. Through Gertek in Germany Eltek Energy has direct access to the large Central European market, while Eltek Polska covers the growing Polish and Eastern European markets. Eltek Energy in France has grown substantially following the acquisition of 51% of the shares in S.F.E.E. in 1999, giving the company significantly improved distribution in Southern Europe, plus access to North Africa.

### ELTEK ENERGY IN ASIA/OCEANIA

In the growing Asian market, where much of the world's electronic equipment is manufactured, Eltek Energy is represented by majority-owned companies in Hong Kong, Singapore and India. These three companies form the backbone of an Asian operation that also includes Malaysia, the Philippines, Thailand, Australia, as well as China. With the recovery of the Asian economies, this region once again stands out as an important and very promising one for Eltek Energy.

**Important contracts in 1999** During the year, Eltek Energy won several important contracts contributing to a 49% growth in sales income compared with the previous year.

Highlights of 1999

**Contract with Motorola in Australia for power supply to mobile networks.**

**Contract with KPN/Quest for deliveries to pan-European networks.**

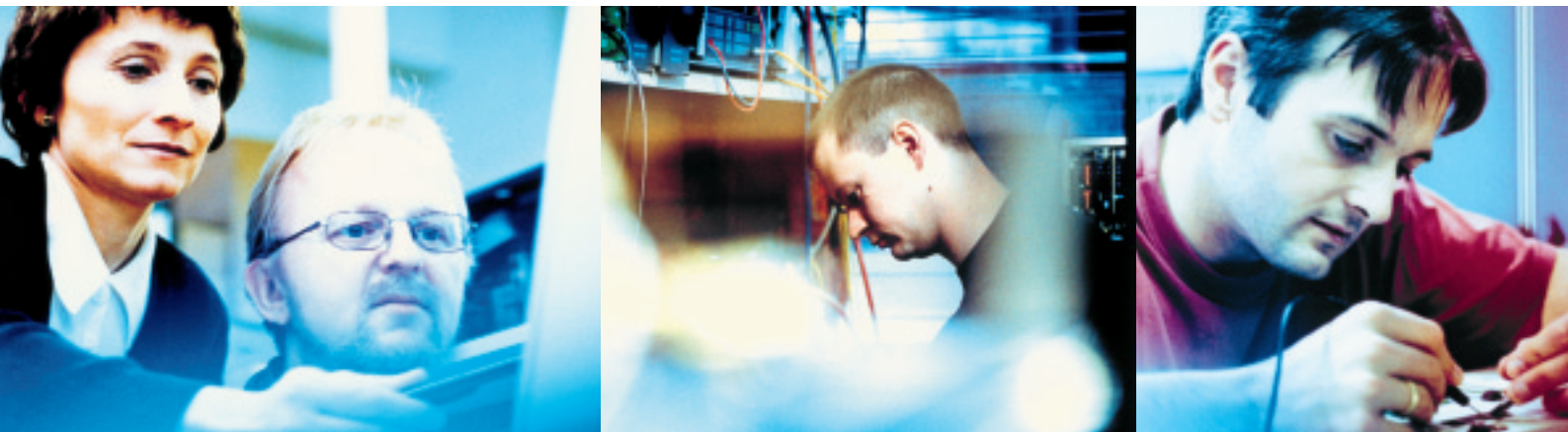
**Acquisition of the remaining 24% of the shares in Unitech in Norway.**

**Acquisition of Micropower (34%) in Sweden and S.F.E.E. (51%) in France.**



## Extended research environment

Eltek co-operates closely with Norwegian academic research institutions, and participates in several research projects of significant size, partly funded by the Norwegian Research Council.



### IP TELEPHONY AND INTERNET

Level 3 Communications Inc. aims to be the first operator to fully exploit the potential of IP based communications, by building a dedicated global IP network from scratch. Amidst fierce competition, Eltek Energy won the contract for supplying energy systems to the European part of the network. In 1999, Eltek Energy designed, delivered and installed integrated power supply systems for three highly complex gateways. This equipment is custom-designed, and can be expanded if and when power requirements increase. It has been installed so far in Paris, Amsterdam and Frankfurt, with the majority of deliveries to other large European cities expected during 2000 and 2001.

### GSM IN MALAYSIA

In early 1999, Eltek won the contract for power supplies to Maxis Communication's GSM network in Malaysia. This contract has a value of USD 5 million, with deliveries in 1999 and 2000. It also covers maintenance and local support, and has resulted in Eltek Energy in Kuala Lumpur taking on more than 15 new employees during the second half of the year.

**Focus on research and development** Eltek Energy constitutes one of the leading research and development environments within telecom power. The company also enjoys strong links with the power supply researchers and academics at the Norwegian University for Science and Technology. Eltek Energy's technological expertise makes it an attractive workplace for ambitious professionals, who over the years have developed state-of-the-art power supply technology and products. With product life cycles becoming shorter and technological demands steadily increasing, the maintenance of a competitive advantage through a stimulating professional environment continues to be a main objective for Eltek Energy.

**Future strategies** Eltek Energy has laid down clear strategies to exploit the future potential of the expanding telecom power market. Key elements are: an even stronger emphasis on OEM products and deliveries including a search for candidates for acquisition combined with continued focus on turnkey energy systems and a strong emphasis on research and development within both of the above areas. In addition, the outsourcing of the production of high-volume products will continue. The global sales and distribution network will also be expanded in order to gain access to new markets and regions.

#### TURNKEY ENERGY SYSTEMS

Within turnkey energy systems, Eltek's main focus will be on developing new, compact and cost-effective products, all featuring an advanced and standardised communication system. At the same time, the range of rectifier modules will be reduced, to further streamline production and reduce costs. The distribution network will be expanded, with the Americas and China as key regions of interest.

#### NEW OPPORTUNITIES

The development of tailored products in co-operation with the customer (OEM) will lead to new business opportunities for Eltek Energy. Within this area, focus will be on combining Unitech's long-standing OEM experience within the military and industrial markets, with the rest of Eltek Energy's resources and its good reputation within the telecom power market. Acquisitions, mergers and/or strategic alliances will remain central to the pursuance of Eltek's ambition to become one of the telecom power market's leading players.

**A STRONG GROWTH IN MOBILE TELEPHONY AND INTERNET USAGE IN DENSELY POPULATED ASIA IS FUELLING A SIGNIFICANT GROWTH IN THE TELECOM POWER MARKET THERE. ELTEK IS WELL POSITIONED FOR THIS WITH OWNED COMPANIES AND A BROAD DISTRIBUTION BASE.**

A leading force within **FIRE** PROTECTION



Highlights of 1999

**Launch of Delta Net and Delta Compact: next generation fire-alarm systems.**

**Acquisition of Finntek: second largest emergency lighting company in Finland.**

**Sale of the marine and offshore division (Heien-Larssen/Norfass) to Williams at NOK 220 million.**

**Integrated fire-protection systems** Eltek Fire & Safety is a leading supplier in Northern Europe of complete fire-protection systems for office buildings, public institutions, hotels, hospitals and industrial facilities. Its systems include fire detection and alarm, extinguishing and evacuation. Fire protection is a large global market, and potentially Eltek Fire & Safety has scope within all types of new buildings, as well as existing buildings that are being reconstructed or upgraded. In Norway, Eltek Fire & Safety is a clear market leader, with more than 30 years of experience. It has a strong position in the Nordic region in general, as well as an international network of subsidiaries and distributors, mainly located in Europe. In the mature European market, the annual growth rate is estimated to be approximately 5% in future years.

**A world market** The fire-protection market is characterised by large corporations that operate throughout the world. Consolidation is a clear trend, with the major players seeking to expand their market penetration, product range and expertise through mergers and acquisitions. In accordance with this trend, growth through mergers and acquisitions has also been Eltek Fire & Safety's strategy over the last few years, in order to secure sufficient size and strength. 1998 was a particularly active year, with the acquisition of the Swedish emergency lighting company Magnus Fergin Belysning and the merger with the offshore company Norfass. This strategy, combined with goal-oriented product development, market activities and realisation of synergies between the Group's companies, has resulted in a substantial growth in both turnover and profit. This development continued in 1999.

**New owners for Eltek Fire & Safety** Early in 1999, it became evident to the board of the Eltek Group that it would be strategically wise to concentrate the Group's efforts and resources on one business area: Eltek Energy. Also, in view of the trends in the world fire-protection market, it would be to Eltek Fire & Safety's advantage to become part of a corporation for which fire protection is the core business. This would open up considerable opportunities in new markets for Eltek Fire & Safety, as well as making it part of a larger, specialised environment of expertise. In line with these strategies, the marine and offshore division of Eltek Fire & Safety was sold to the British company Williams Plc on 29th of November. The sale included

**ELTEK FIRE & SAFETY PROVIDES LEADING INTERNATIONAL TECHNOLOGY AND EXPERTISE IN THE FIELD OF FIRE PROTECTION. THE RECENTLY LAUNCHED NEXT GENERATION FIREPROTECTION SYSTEM, DELTA TECHNOLOGY, IS STATE-OF-THE-ART WHEN IT COMES TO TECHNOLOGY, USER FRIENDLINESS AND MOST IMPORTANTLY – SAFETY.**

the companies Heien-Larssen in Norway with subsidiaries in Singapore and the United Arab Emirates, and Norfass in Norway with subsidiaries Firetech in Norway and Norfass Ltd in the UK. Williams Plc is one of the largest fire protection and security systems corporations in the world, with a global distribution network. In 1998, Williams had a turnover of more than NOK 30 billion.

For land-based operations, which include the parent company Eltek Fire & Safety in Norway and its associated subsidiaries and distributors in other parts of the world, sale negotiations are in progress.

**A leading player in Northern Europe** In 1999, the turnover in Norway for the land-based part of the business made up approximately 58% of the total turnover for this segment. The corresponding figure for 1998 was 65%. In other words, last year's growth outside of Norway was stronger than it was inside, a trend that is expected to continue as the company intensifies its activities in existing and new export markets. With a market share in Norway of 32%, the potential for growth lies first and foremost in export and entry into new markets.



Delta Compact



Delta detection and alarm module



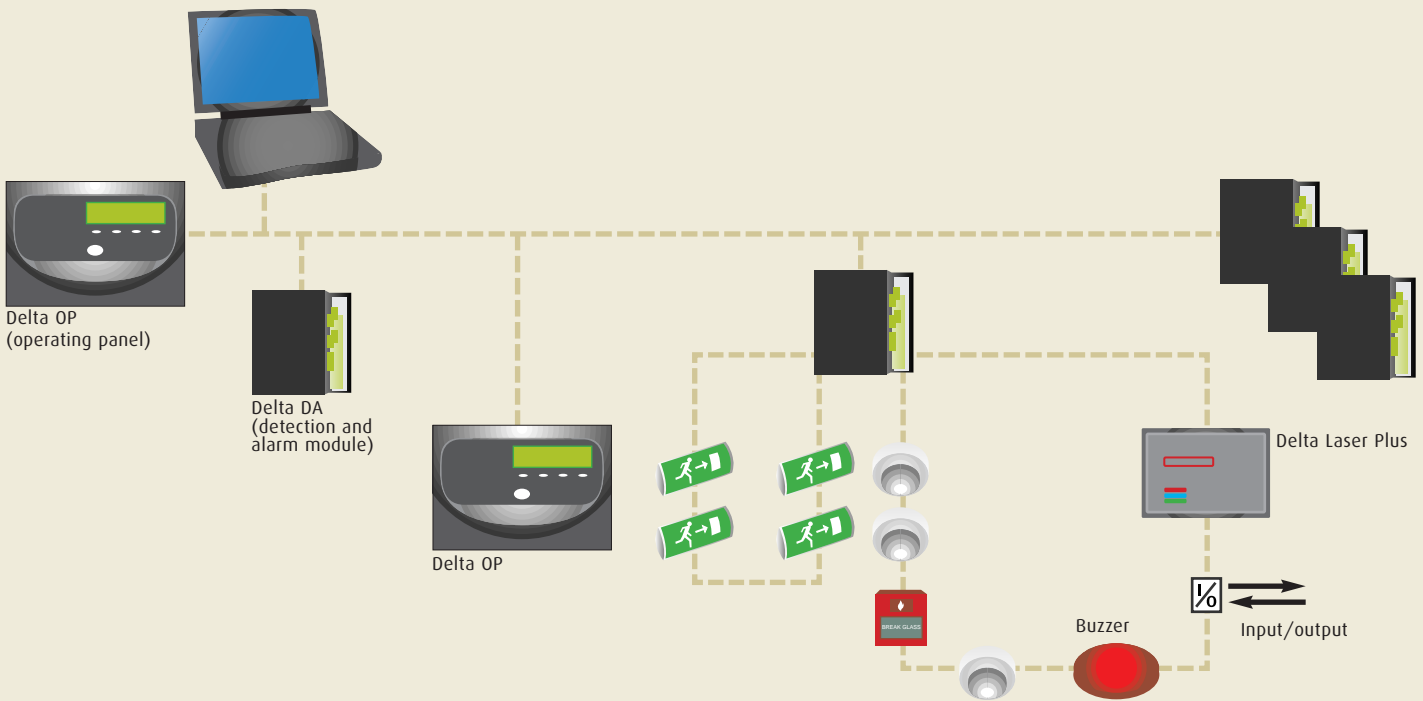
Delta operating panel

## Next generation fire-alarm systems

In September, Eltek Fire & Safety launched a new fire-alarm system, Delta Technology, at the SafeSec security fair. This system is characterised by strong network solutions, flexibility and user friendliness. From a set of basic modules, a completely customised system is built for each case, be it a single building or a large campus. This provides first-class protection, as well as being cost-efficient and simple to maintain. Delta Technology products, such as Delta Net and Delta Compact, will form the backbone of the company's product line in the years to come.

## Decentralised user friendliness

From a set of basic modules, a 100% customised fire alarm system is designed, which is cost-efficient, simple to maintain and which provides optimum protection.



The Group's headquarters are in Drammen, where the parent company Eltek Fire & Safety is responsible for developing, manufacturing, selling and servicing fire-protection systems in Norway, and those countries where Eltek Fire & Safety does not have subsidiaries.

With the acquisition of I.E.L. Systems, Magnus Fergin Belysning in Sweden and Finntek in Finland, Eltek has become the largest supplier of intelligent emergency lighting systems in the Nordic region. Also I.E.L. Systems operates through global channels presenting opportunities on a wider scale.

Eltek Fire & Safety has its own sales and service companies in Sweden, Finland, the Netherlands and Germany, and distributors in Denmark, Iceland, Poland, the Baltic region, the Czech Republic, Thailand and China.

**Positioned for further growth** Following the establishment in 1997 of Eltek Fire & Safety as a separate business area within the Eltek Group, the company has grown both organically and through mergers and acquisitions, and is today a leading technology centre within its area in Northern Europe. This period has seen increased activity within product development, organisational development and the formulation of marketing initiatives. The company has expanded its extensive distribution network and exploited synergies through aligning resources, technology, and processes between the various companies. Financial results are developing in a positive way, and market indicators are also pointing in the right direction.

## SHARES AND shareholders

KEY FIGURES	1999	1998
Closing price per 31.12	70.00	20.00
High	83.00	40.00
Low	22.00	19.00
Profit per share	13.24	3.60
Profit per share excl. gain on sale	3.95	3.60
Dividend per share	10.00 *	1.00
No. of outstanding shares as at 31.12	14 042 403	13 824 603
No. of outstanding options as at 31.12	1 102 200	660 000
No. of shareholders as at 31.12	624	761
No. of shareholding employees as at 31.12	175	321
Percentage of shares held by employees as at 31.12	4.4 %	4.7 %
Percentage of shares held by foreigners as at 31.12	4.6 %	2.9 %
Market capitalisation as at 31.12 (NOK million)	983.0	276.5

\*Paid as extra-ordinary dividend in December 1999

**Shareholder policy** It is Eltek's objective to give the shareholders a high return on their investments through a good value development of the share, as well as by paying dividend. Growth in the share value will be secured through substantial growth in both revenue and profits.

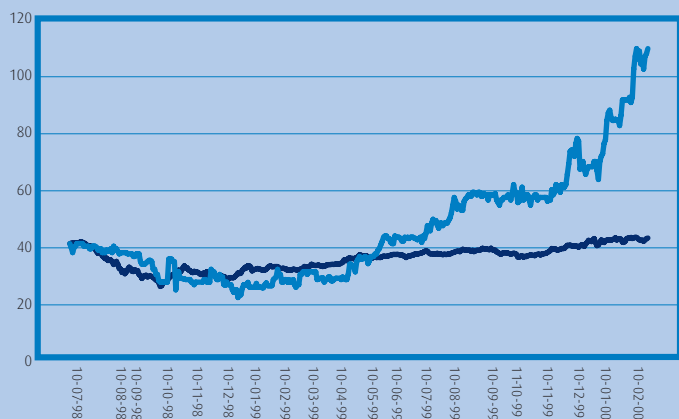
**Information and market contact** Eltek emphasises the need to supply quality information to the market, the shareholders and the financial community at large. This is attained by adhering to legally required methods of reporting as well as actively supplying information via press conferences, analysts' presentation of quarterly results, and various other channels.

**Development in share value** Eltek was listed on the Oslo Stock Exchange on 8th of July 1998. After experiencing a better performance in a falling market than the total index, the share price dropped below the index during the fall of 1998. However, during the spring of 1999, the share made good progress in line with the general market. Following Eltek's presentation of significantly improved results in the second quarter, allied with the announced decision to sell Eltek Fire & Safety, the share price increased significantly more than the total index. The Eltek share was the seventh highest climber of all shares listed on the Oslo Stock Exchange at the close of 1999. This positive trend has continued into 2000.

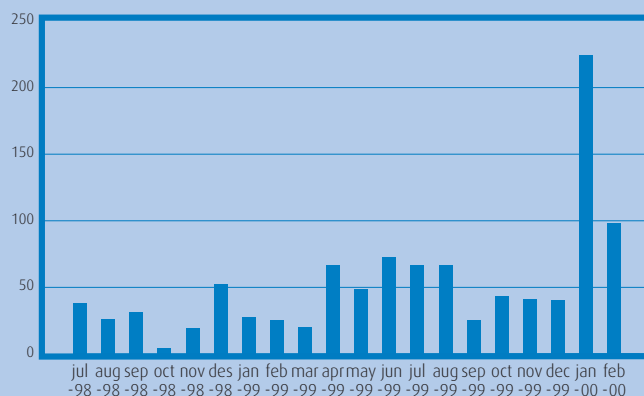
**Liquidity** Up until the close of 1999, the liquidity of the Eltek share on the Oslo Stock Exchange was lower than the average. In the first few months of 2000, when Eltek was defined more clearly as an IT and communications company, interest in the share picked up considerably. Liquidity also increased significantly, and is now well above the average at the Oslo Stock Exchange.

**Option programme and authorities to the board** The board emphasises the need to provide incitements for key personnel, and outstanding options of 1 102 200 shares were available as at 31 December 1999, redeemable in March and November 2000 and 2001. The General Assembly has authorised the board to issue up to 1 million shares in connection with acquisitions and mergers. It is the board's intention to request the General Assembly's authority to issue additional options, as well as

Share price development relative to Oslo SE total index from 8 July 1998 to 24 February 2000.



Annual liquidity, distributed per month



making a smaller issue for all employees (NOK 5 000 per employee) with a 20 % discount. Furthermore the board will request the authority to increase the share capital in connection with acquisitions, mergers or through a public issue of shares.

#### Risk amount per share

As at 01.01.1998	0.29
As at 01.01.1999	0.36
As at 01.01.2000	3.15 (estimated)

#### Largest shareholders as at 24 February 2000

SHAREHOLDERS	NO. OF SHARES	% OF TOTAL
Eltek Holding/The Angelil Family	6 704 303	47.7
Chase Manhattan Bank	697 900	5.0
Telenor Venture	618 500	4.4
Torstein Tvenge/Fram Realinvest/Titas Eiendom	600 000	4.3
Fidelity Funds – Brown Brothers Harriman	587 400	4.2
SND Invest	500 000	3.6
Tine Pensjonskasse	488 900	3.5
Aksjefondet Gambak	350 000	2.5
Industrifinans Fondsforvaltning	327 500	2.3
Storebrand Livsforsikring/Skadeforsikring	313 400	2.2
Strata	228 100	1.6
Omega Investment Fund	160 000	1.1
Vesta Liv/Forsikring	153 600	1.1
Anabeth Drammen	129 900	0.9
Vår Livsforsikring	125 000	0.9
Odd Magne Olsen	109 320	0.8
K-G Invest	104 775	0.7
K-Fondene	95 000	0.7
Vesta Grønt Norden	89 000	0.6
Arne Slevikmoen	88 780	0.6

Individual shareholdings controlled by the same shareholder are grouped together.

**Strong growth** 1999 was an important and eventful year for Eltek. Rapid development in the mobile telephony and Internet sectors was the factor that contributed most to a strong growth for Eltek, as a leading supplier of telecom power solutions. The main event of 1999 was our decision to focus on one business area, and the subsequent process for sale of Eltek Fire & Safety. The marine and offshore division was sold with effect from 29th of November, giving a gain on sale after tax of NOK 127.8 million. The growth target was achieved through an increase in sales income of 27 % to NOK 1 042.4 (822.6) million, including the sold off companies up to the date of sale. The operating profit was NOK 263.5 (57.2) million, profit before tax NOK 262.2 (62.0) million and profit after tax ended at NOK 186.9 (48.2) million. Exclusive of gain on sale operating profit was NOK 82.7 million, profit before tax NOK 81.4 million and net profit for the year was NOK 58.3 million. Total orders for the Group in 1999 amounted to NOK 1 079 million, and at the year-end order reserves were NOK 179 million. The Board regards the results for the year as very satisfactory.

**Good development for Eltek Energy** In 1999, Eltek Energy accounted for most of Eltek's growth in both revenue and profit. Revenue increased by 49 % to NOK 660.7 (443.8) million, and operating profit ended at NOK 52.9 (22.8) million, up 132 % from the year before. This gives an operating margin of 8.0 % (5.1 %). In addition to a useful pull from a growing market, this good performance is mostly the result of goal-oriented and persistent sales and marketing efforts aimed at important customers, as well as a competitive and attractive product range. Also worth noting is the increasing share of revenue from larger, customised system deliveries, where related services like configuration, installation and maintenance make up a sizeable proportion of the income. One example is the frame agreement with the international operator Level 3 for deliveries to large IP telephony gateways being built around Europe. Outsourcing of the production of high-volume rectifier units also contributed by providing substantial cost savings, with effect from the third quarter.

**A positive year for Eltek Fire & Safety** 1999 was a good year for Eltek Fire & Safety. Both revenue and operating profit were influenced by the sale of the marine and offshore division with effect from 29th of November. Before the sale took place, low activity within the offshore industry was having a negative impact on this part of Eltek Fire & Safety's business. However this was to a large extent offset by growth in the land-based part of the business. Total revenue for Eltek Fire & Safety amounted to NOK 402.1 (398.0) million with an operating profit of NOK 32.3 (34.4) million. The land-based (remaining) business recorded revenue of NOK 226.5 (190.5) million and an operating profit of NOK 21.3 (13.8) million. Sales increased both in Norway and the export markets.



Tore Egil Holte



Alain F. Angelil



Leif Rune Rinnan



Johnny Stenberg

**Financial considerations** The company's equity increased by NOK 6.3 million with the execution of share options by key personnel totalling 217 800 shares at NOK 29 per share. Following the sale of the offshore and marine division with a gain on sales after tax of NOK 128.7 million, the General Assembly decided to pay an extraordinary share dividend of NOK 10 per share, amounting to NOK 140.4 million. As at 31 December 1999, the total equity including minority interests amounted to NOK 280.5 (223.4) million, corresponding to an equity share of 42.6%. The group's liquid funds amounted to NOK 112.8 million, in addition to unused overdraft facilities of NOK 47.9 million. The accounts of group and parent company are presented assuming continued operations.

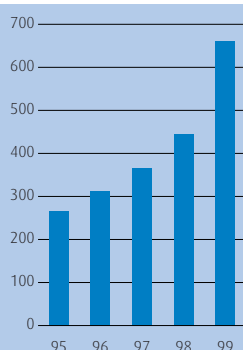
**Concentration on one business area** In spite of Eltek's extensive geographic reach, the company is still relatively small internationally. Like so many companies, Eltek's business areas have been characterised by consolidation, mergers and new amalgamations, driven by the need to acquire the financial strength and size necessary to compete effectively on a global scale. Against this background, it has long been evident that Eltek would be best served by focusing on one business area, namely telecom power. The growth potential of this area is amply underlined by this year's figures. The marine and offshore division in Eltek Fire & Safety, consisting of the companies Heien-Larssen with subsidiaries in Singapore and the United Arab Emirates, and Norfass with subsidiaries in Norway and the UK, was sold in November to the British company Williams Plc. Williams Plc is one of the world's leading fire protection and security systems corporations with an annual turnover of more than NOK 30 000 million. Williams' global market reach constitutes a significant growth opportunity for the companies sold. Negotiations are progressing with a view to concluding the sale of the land-based part of Eltek Fire & Safety, which includes the parent company in Norway with subsidiaries and distributors in several countries.

**Great potential within telecommunications and the Internet** Telecommunications is the fastest growing segment in the power supply industry. The deregulation of the telecom sector across the world has led to increased traffic, many new operators and the expansion of networks for both mobile and fixed communications. The global market for telecom power is expected to grow by over 20% annually in the coming years. Customers – the large, global telecom equipment suppliers and global or regional operators – have a high level of expertise, and strict requirements regarding the performance and quality of both standardised power components and larger, turnkey solutions. This gives companies with telecom expertise an advantage. These underlying factors are the background to Eltek's focus on telecom power. In the Board's view, Eltek is in an excellent position to exploit the projected growth in this market, based on Eltek's technical expertise, market presence and its focus on both standardised components and customised solutions.

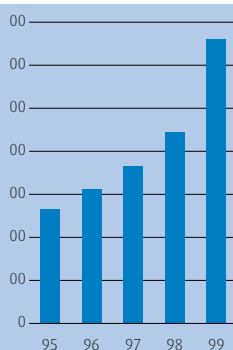
**From manufacturer to system integrator** There have been two main developments within the telecom power market, in relation to mobile and fixed networks respectively. Eltek is well positioned to take advantage of both trends. In mobile telephony networks, the number of base stations is growing while the size of the stations is diminishing. The power supply is included as a standard component with exacting requirements for performance and quality. Volumes are high and margins under pressure. Short development cycles, cost-effective manufacturing and efficient distribution are the keys to profitability. Eltek has responded to these challenges by outsourcing the production of this category of products, steadily improving distribution and focusing on product development. With regard to fixed network communications, deregulation and the advent of Internet communications and IP telephony has led to a growing number of service providers. They require suppliers who can deliver turnkey energy systems for the large switches that are being built to handle the fast growing global traffic, and who have a worldwide sales and service network. Eltek enjoys a good position in this segment too, primarily through its subsidiary Eltek (UK) Ltd. The Board expects a growing share of total income and profits to be generated within this area in the years to come.

**Global distribution** In recent years, Eltek has placed much emphasis on establishing and controlling a global distribution network. Eltek Energy is represented in 36 countries, 10 of which contain subsidiaries or associated companies. The majority of these companies have been established in co-operation with local partners, ensuring access to local expertise, products and sales channels. During the last couple of years, the company has concentrated on making acquisitions to achieve faster growth and market access, a strategy continued in 1999. In March, the French company Société de Fabrications Electriques et Electroniques (S.F.E.E.) became part of the Group through the acquisition of 51 % of the shares,

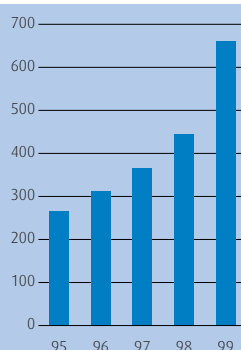
Revenue  
Eltek Energy  
(NOK million)



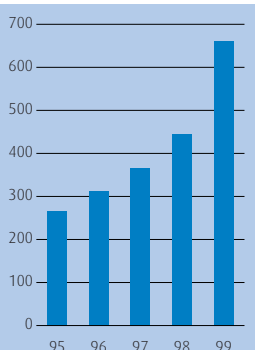
Operating profit  
Eltek Energy  
(NOK million)



Revenue  
Eltek Fire & Safety  
(NOK million)

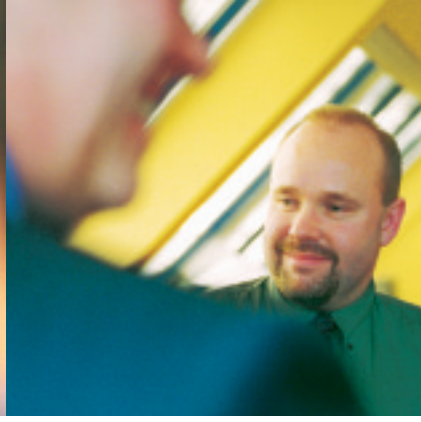


Operating profit  
Eltek Fire & Safety  
(NOK million)





Thomas Hoel



Paal Lauritzen



Arve Johansen



Morten F. Angelil

giving Eltek a presence in Southern Europe as well as access to North Africa. In Asia, the establishment of Eltek Energy Malaysia has further strengthened the company's position. Eltek's financial strength will provide opportunities for the company to carry out its strategy of acquisitions and/or partnerships to further increase global reach and market strength.

**Product development and expertise** An important prerequisite for long-term success in telecom power is a portfolio of leading-edge products. Demands for performance, quality and price are getting tougher, as are requirements for user-friendliness and reliability. It takes leading expertise to develop the products of tomorrow. In addition to its power supply industry, Norway is also one of the leading academic centres for research within the field of power electronics. Eltek places much importance on co-operation with external universities and research institutions, to further develop its expertise.

**Problem-free transition to 2000** All Eltek companies accomplished a problem-free transition to the new millennium. A considerable amount of work and resources were allocated throughout 1998 and 1999 to prepare for the transition.

**Organisation and working environment** Eltek is a global organisation where people work together across national and cultural borders. Management and employees continually strive to create a unified corporate culture and an environment that promotes co-operation, with space and respect for local and cultural differences. In the Board's opinion, co-operation and the working climate are good across the Group. Overall goals and strategies are largely known and accepted. There were no working conflicts between the company and employees' organisations in 1999. With the outsourcing of production, the number of employees in Norway has been reduced by 40. Employees have met the necessity of this reorganisation with understanding, and the reductions were carried out by a combination of voluntary resignations and lay-offs. The Board would like to take this opportunity to thank employees and their organisations for their co-operative and constructive approach in what has been a difficult process for those affected. The same thanks are extended to the employees of the divested companies for their efforts and enthusiasm, and the Board wishes them the best of luck as they proceed with new owners.

At year-end, the Group had 623 (637) employees. Of these, 306 (417) were employed in Norway and 317 (220) abroad. The parent company had 6 (8) employees.

Eltek's business does not have a negative impact on the external environment. Eltek Fire & Safety was environmentally certified according to ISO 14001 in 1999, and Eltek Energy will follow suit in 2000.

**Strategy and future prospects** In the Board's view, Eltek's future prospects are positive. Growth forecasts for telecom power are sound for many years ahead, and sale of Eltek Fire & Safety adds financial strength to the pursuit of an ambitious growth strategy. The company has leading expertise, and a distribution network that few competitors can match. Competition is strong, but still dominated by many smaller companies who operate regionally. Eltek is therefore well positioned to strengthen its relative position and prominence as a leader in this field. However, growth must come with quality and any candidates for acquisitions or mergers will be closely scrutinised in terms of Eltek's business strategy.

**Distribution of profit** Net profit for the year amounted to NOK 24.6 million. With a view to the extraordinary dividend of NOK 10 per share, totalling NOK 140.4 million, the Board proposes that ordinary dividend not be paid and that the profit be converted to other equity.

Drammen, 31 December 1999/24 February 2000  
Board of Directors Eltek ASA

  
Tore Egil Holte  
Chairman

  
Leif Rune Rinnan

  
Arve Johnsen

  
Alain F. Angelil

  
Morten F. Angelil

  
Thomas Hoel

  
Johnny Stenberg

  
Paal Lauritzen

## Profit and loss account

(Amounts in NOK 1 000)	Note	1999	1998	1997
<b>REVENUE</b>				
Sales income		1 042 433	822 574	613 537
Gain on sale	24	180 815	-	-
<b>Total revenue</b>		<b>1 223 248</b>	<b>822 574</b>	<b>613 537</b>
<b>OPERATING COSTS</b>				
Cost of goods sold		557 154	428 138	320 963
Personnel costs	19	246 378	202 473	154 227
Depreciations/amortisations	5,6	17 180	11 092	6 433
Other operating costs	18	139 054	123 669	89 322
<b>Total operating costs</b>		<b>959 766</b>	<b>765 372</b>	<b>570 945</b>
<b>Operating profit</b>		<b>263 482</b>	<b>57 202</b>	<b>42 592</b>
<b>FINANCIAL INCOME AND COSTS</b>				
Share of result in ass. companies	8	161	9 577	-60
Financial income		15 857	8 845	5 049
Financial costs		-17 298	-13 603	-8 834
<b>Net financial items</b>		<b>-1 280</b>	<b>4 819</b>	<b>-3 845</b>
<b>Profit before tax</b>		<b>262 202</b>	<b>62 021</b>	<b>38 747</b>
Taxes	14	75 261	13 797	9 595
<b>Ordinary net profit</b>		<b>186 940</b>	<b>48 224</b>	<b>29 152</b>
Extraordinary items		-	-	-2 622
<b>Net profit for the year</b>		<b>186 940</b>	<b>48 224</b>	<b>26 530</b>
Minority interests	15	3 562	2 531	1 986
Profit per share (NOK)	21	13.24	3.60	2.70
Profit per share, excl. gain on sale (NOK)	21	3.95	3.60	2.70
Diluted profit per share, excl. gain on sale (NOK)	21	3.90	3.60	-

## Balance sheet

(Amounts in NOK 1 000)	Note	1999	1998	1997
<b>ASSETS</b>				
<b>Fixed assets</b>				
<b>Intangible assets</b>				
Deferred tax asset	14	10 094	-	-
Goodwill	5	56 488	42 951	10 714
<b>Total intangible assets</b>		<b>66 582</b>	<b>42 951</b>	<b>10 714</b>
<b>Tangible assets</b>				
Land, buildings	6	27 767	25 445	20 816
Machinery and equipment	6	31 579	27 442	15 238
<b>Total tangible assets</b>		<b>59 346</b>	<b>52 887</b>	<b>36 054</b>
<b>Other fixed assets</b>				
Share of ass. companies	8	16 303	2 657	5 889
Shares and holdings in other companies	8	678	217	487
Other short term receivables		1 033	813	862
<b>Total other fixed assets</b>		<b>18 014</b>	<b>3 687</b>	<b>7 238</b>
<b>Total fixed assets</b>		<b>143 942</b>	<b>99 525</b>	<b>54 006</b>
<b>Current assets</b>				
Inventory	9	155 869	132 286	100 258
Customer receivables		216 408	182 465	130 156
Other receivables		13 078	12 852	22 139
Cash and bank deposits		129 692	48 358	12 503
<b>Total current assets</b>		<b>515 047</b>	<b>375 961</b>	<b>265 056</b>
<b>Total assets</b>		<b>658 989</b>	<b>475 486</b>	<b>319 062</b>

## Balance sheet

(Amounts in NOK 1 000)	Note	1999	1998	1997
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		14 042	13 825	10 428
Other equity		250 716	200 999	90 926
Minority interests		15 687	8 565	8 447
Total equity	15	280 445	223 389	109 801
<b>Liabilities</b>				
<b>Long term liabilities</b>				
Other long term liabilities		70 553	25 624	26 134
Pension liabilities	16	5 893	9 312	7 394
Total long term liabilities		76 446	34 936	33 528
<b>Short term liabilities</b>				
Bank overdraft	12	16 941	8 141	11 127
Trade creditors		118 158	97 017	81 832
Corporate tax payable	14	78 031	15 943	9 221
Other taxes payable		16 695	33 983	16 856
Advance payment received		3 058	17 024	6 843
Dividend payable		-	13 825	15 965
Other short term liabilities	13	69 215	31 228	33 889
Total short term liabilities		302 098	217 161	175 733
Total liabilities		378 544	252 097	209 261
<b>Total equity and liabilities</b>		<b>658 989</b>	<b>475 486</b>	<b>319 062</b>

Drammen, 31 December 1999/24 February 2000  
Board of Directors Eltek ASA

  
Tore Egil Holte  
styreformann

  
Leif Rune Rinnan


  
Arve Johnsen

  
Alain F. Angelil

  
Morten F. Angelil

  
Thomas Hoel

  
Johnny Stenberg

  
Paal L uritzen

## Cash flow analysis

(Amounts in NOK 1 000)	1999	1998	1997
<b>Cash flow from operations:</b>			
Net profit for the year	186 940	48 224	26 530
+ Depreciations/amortisations	17 180	11 092	6 433
- Gain/+loss on sales of fixed assets	-128 471	-8 333	-
+/- Change, deferred tax	-9 749	-3 135	-
+/- Profit, associated companies	-161	-1 312	60
+/- Change in stock, trade debtors and trade creditors	-36 386	-69 152	-31 530
+/- Change in other accruals	15 932	40 184	1 027
= (A) Net cash flow from operations	45 285	17 568	2 520
<b>Cash flow from long term assets:</b>			
- Investments in fixed assets	-16 806	-19 226	-17 076
- Investments in consolidated companies	-42 509	-39 910	-4 764
- Investments in shares	-461	-217	-
+ Sale of fixed assets (sales price)	5 406	202	570
+ Sale of shares (sales price)	228 846	15 000	-
+/- Changes in other investments	-40 804	49	735
= (B) Net cash flow from long term assets	133 672	-44 102	-20 535
<b>Cash flow from financing:</b>			
+ New long term debt	52 781	4 909	5 782
- Repayment of debt	-7 852	-5 310	-
+/- Change in pension liabilities	-3 419	1 809	2 843
+ Injection of equity capital	6 316	79 932	16 898
- Dividend paid	-154 249	-15 965	-398
= (C) Net cash flow from financing	-106 423	65 375	25 125
<b>A+B+C Net change in liquid funds during the year</b>	72 534	38 841	7 110
+ Liquid funds as at 01.01	40 217	1 376	-5 734
= Liquid funds as at 31.12	112 751	40 217	1 376
Unused overdraft facility 31.12	47 861	55 859	24 613

# Notes to THE ACCOUNTS

(Amounts in NOK 1 000)

## NOTE 1 – ACCOUNTING PRINCIPLES

### Consolidating accounting principles

The consolidated accounts include Eltek ASA and companies in which Eltek ASA has a controlling interest. Control is assumed to be the case when the parent company directly or indirectly exercises control in both financial and operational decisions in the company.

Acquisitions are recorded according to the purchase method and mergers according to the pooling of interests method. Companies bought or sold during the year are included in the consolidated accounts from the time of acquisition or up until the time of sale, respectively. Added values in the case of acquisitions have been allocated to other assets or recorded as goodwill. All intra-group transactions and liabilities, including un-realised internal profit/loss, have been eliminated in the accounts. The consolidated accounts are based on unified accounting principles for similar transactions and other events.

Minorities' shares of equity and profit for the year are explicitly shown. Minority shares of negative equity at the time of acquisition or loss exceeding the minority's share of equity is charged to the Group equity, in as far as the minority interest has not taken on responsibility to cover its share of any losses.

Gain on sale of subsidiaries is classified as operating income.

Conversion of foreign companies' accounts is done by converting the profit and loss accounts according to the average exchange rate for the period, while balance sheet items are converted at the rate on the conversion day. Conversion differences are entered directly under the Group's consolidated equity capital.

Associated companies in which Eltek has a considerable influence, are included according to the equity method. Share of profit is specified as a separate item. In the balance sheet, associated companies are listed at cost price reduced by goodwill amortisations on Eltek's share, with accumulated shares of profit added.

### Revenue recognition and matching

Income is recorded at the time of delivery for sale of goods and at the time of provision for sale of services. For projects with a long production time, current settlement is used so that earned income is recorded according to the degree of completion.

Costs are matched to the income to which they relate. Costs that cannot be related directly to income, are expensed as they occur. Provisions have been made for guarantee liabilities based on historically ascertained guarantee costs and a concrete evaluation of current projects.

### Classifications in the balance sheet

Assets related to the circulation of goods or that are due within a year, are classified as current assets. Liabilities

that are due within a year are classified as short term liabilities. Other assets are classified as other fixed assets and other liabilities as long term liabilities.

### Items denominated in currencies

Monetary items, such as cash deposits, receivables, short-term liabilities and loans in foreign currencies are converted in accordance with the exchange rate on the conversion date.

### Customer receivables

Customer receivables are recorded at nominal value, less provisions for bad debt.

### Inventory

Raw materials are valued at the lower of purchasing cost and real value. Work in progress and finished goods are valued at the lower of purchasing cost and real value. The FIFO principle is used in connection with the disposal of stocks.

### Work in progress

Work in progress on manufacturing contracts includes a share of the estimated profit calculated on the basis of the degree of completion for each individual contract. Payment from customers is deducted from the value of work in progress on the same contract, or recorded as advance payment from customers, to the extent to which it exceeds this value. Any loss on future work on long-term manufacturing contracts is charged against income and classified as costs incurred in the balance sheet.

### Maintenance

Maintenance costs are recorded as they occur. Upgrades and replacement of fixed assets are capitalised.

### Fixed assets

Fixed assets are recorded at historical cost adjusted for any revaluation or write-down and accumulated depreciation. Fixed assets are depreciated on a linear basis over the estimated useful life.

Costs related to rented buildings are depreciated over the rental period.

Gain or loss on sale of fixed assets is included in operating profit.

### Research and development costs

Costs in connection with research and development are expensed as they occur.

### Pension liabilities

Pension liabilities which are defined as contribution schemes are valued at the present value of future pension payments earned on the balance sheet day and calculated on the basis of assumptions regarding discount rate, estimated

future pay increase and pension regulations. Pension funds are valued at market value. Net pension liabilities on under-financed contracts are entered in the balance as long term non interest-bearing debt, while net pension funds on over-financed contracts are entered as long term non interest-bearing receivables, provided it is likely that the over-financing can be utilised. Net pension cost, which is gross pension cost minus the estimated return on pension funds, adjusted for the distributed effect of changes in estimates and pension plans, is included in the item personnel costs. For pension schemes, which for accounting purposes have been defined as benefit plans, the benefit is recorded as the pension cost for the period.

#### Leasing

A distinction is made between financial and operational leasing based on an evaluation of the individual leasing agreement. Financial leasing means contracts where the lessee assumes the major part of the advantages and risks of owning the asset. Financially leased fixed assets are capitalised in the balance sheet and depreciated as ordinary fixed assets, while the payment liabilities under the leasing contract are treated as debt. Instalments on

term payments are treated as debt instalments, while the interest charges are treated as financial expenses. In the case of operational leasing, term payments are expensed in the period to which the costs relate.

#### Taxes

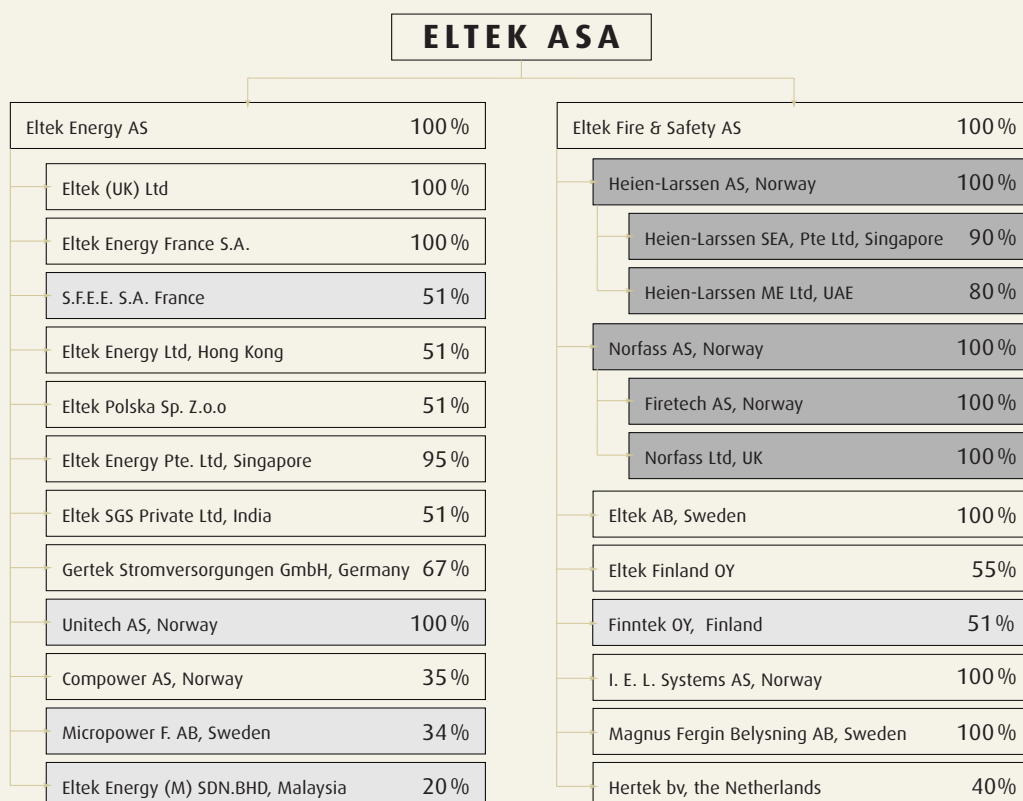
Taxes in the profit and loss account include both tax payable and changes in deferred tax. Deferred tax is calculated according to the debt method as an equalisation of positive and negative temporary variances between tax and book values plus losses that can be carried forward. Deferred tax and deferred tax gains consider full utilisation of temporary variances including tax-related forwarded losses, calculated based on existing tax levels on the balance sheet date.

Net deferred tax asset is recorded only when it is probable that the company may utilise these.

#### Cash flow

Liquid funds are defined as cash plus bank deposits less used bank overdrafts and fixed bank deposits. The cash flow statement is based on the indirect method.

## NOTE 2 – GROUP STRUCTURE



Light grey: Companies acquired/established in 1999 (share)

Dark grey: Companies sold in 1999

### NOTE 3 – BUSINESS AREAS

	Eltek Energy		Eltek Fire & Safety *	
	1999	1998	1999	1998
<b>Sales income</b>	<b>660 660</b>	<b>443 765</b>	<b>402 078</b>	<b>397 994</b>
Operating costs	599 829	416 020	362 269	357 991
Depreciation/amortisations	7 978	4 976	7 600	5 584
<b>Operating profit</b>	<b>52 853</b>	<b>22 769</b>	<b>32 210</b>	<b>34 419</b>
Assets	437 136	256 261	113 411	193 228
Non interest-bearing liabilities	168 806	110 239	42 743	81 661
Minority interests	14 455	8 154	1 233	411
Capital expenditure	8 825	7 973	3 771	1 882

\* Exclusive of gain on sale for 1999

#### Sales income by region

Norway	100 590	87 391	245 904	264 914
Rest of Europe	332 390	227 219	107 542	94 861
Asia	169 790	121 496	26 981	22 686
Rest of the world	57 890	7 659	21 651	15 533
<b>Total sales income</b>	<b>660 660</b>	<b>443 765</b>	<b>402 078</b>	<b>397 994</b>

### NOTE 4 – PROFORMA ACCOUNTS

	1999	1998
Proforma accounts show the Group as it would have been without companies sold, but inclusive of companies acquired/merged if these had been included in the years before acquisition/merger. During 1998 and 1999, 7 acquisitions/mergers have been made, while 4 companies have been sold.		
<b>Sales income</b>	<b>878 460</b>	<b>656 987</b>
Operating profit	71 847	39 740
<b>Net profit for the year</b>	<b>50 221</b>	<b>30 169</b>
Profit per share (NOK)	3.37	2.28
Fixed assets	143 942	128 938
Current assets	515 047	319 203
<b>Total assets</b>	<b>658 989</b>	<b>448 141</b>
Equity	280 445	198 371
Long term liabilities	76 446	71 193
Short term liabilities	302 098	178 577
<b>Total equity and liabilities</b>	<b>658 989</b>	<b>448 141</b>

### NOTE 5 – GOODWILL

Goodwill in subsidiaries	Eltek									Total
	Eltek UK	Unitech	SFEE	Eltek Energy Pte	M.Fergin Belysning	IEL	Finntek	Eltek AB	Norfass	
Acquiring cost as at 01.01	10 216	3 689	-	238	19 499	11 880	-	141	1 363	47 026
Addition	-	2 841	14 016	-	950	-	3 878	-	-	21 685
Disposals	-	-	-	-	-	-	-	-	-1 363	-1 363
Accumulated amortisations	-1 532	-768	-1 051	-48	-4 409	-2 747	-291	-14	-	-10 860
<b>Book value as at 31.12</b>	<b>8 684</b>	<b>5 762</b>	<b>12 965</b>	<b>190</b>	<b>16 040</b>	<b>9 133</b>	<b>3 587</b>	<b>127</b>	<b>-</b>	<b>56 488</b>
Amortisations for the year	-511	-369	-1 051	-24	-2 276	-1 385	-291	-14	-154	-6 075
Rate of amortisation	5%	10%	10%	10%	10%	10%	10%	10%	10%	-

Goodwill in associated companies	Compower	Micropower	Hertek	Total
Acquiring cost as at 01.01	192	-	840	1 032
Addition	-	4 537	-	4 537
Disposals	-	-	-	-
Accumulated amortisations	-49	-340	-252	-642
<b>Book value as at 31.12</b>	<b>143</b>	<b>4 196</b>	<b>588</b>	<b>4 927</b>
Amortisations for the year	-19	-340	-84	-443
Rate of amortisation	10%	10%	10%	-

## NOTE 6 – FIXED ASSETS

	ELTEK GROUP			PARENT COMPANY		
	Machinery etc.	Land, buildings	Total	Machinery etc.	Land, buildings	Total
Acquiring cost as at 01.01	54 361	38 340	92 701	10 485	1 167	11 652
Addition	14 776	2 030	16 806	4 210	-	4 210
Disposals	9 858	3 408	13 266	804	-	804
Accumulated depreciations	27 700	9 195	36 895	2 702	1 006	3 708
<b>Book value as at 31.12</b>	<b>31 579</b>	<b>27 767</b>	<b>59 346</b>	<b>11 189</b>	<b>161</b>	<b>11 350</b>
Depreciations for the year	9 632	1 472	11 105	1 871	22	1 893
Rate of depreciation	10-33 %	2-20 %		10-33 %	10 %	

The majority of the disposals above are contributable to sale of companies.

### Leasing contracts, entered into the balance sheet:

	ELTEK GROUP			PARENT COMPANY		
	Capitalised as at 31.12	Cost 1999	Contract expiry	Capitalised as at 31.12	Cost 1999	Contract expiry
Machinery etc.	7 291	1 885	2004	2 876	561	2004
Cars	557	197	2003	557	197	2003
Total	7 848	2 082		3 433	759	

### Leasing/rental agreements, not capitalised:

	ELTEK GROUP		PARENT COMPANY	
	Cost 1999	Contract expiry	Cost 1999	Contract expiry
Machinery etc.	3 675	2000/2005	291	2000
Cars	4 057	2000/2006	141	2002
Land, buildings	12 544	2007	-	-
Total	20 276		432	-

The company has no agreements for takeover of assets upon expiry of the leasing contracts. Eltek ASA is liable for leasing contracts relating to various machinery/equipment and cars which are used by the subsidiaries Eltek Energy AS and Eltek Fire & Safety AS. The annual rental cost is 1 721, with expiry in 2001.

## NOTE 7 – FINANCIAL INSTRUMENTS

### Currency

The Group's contracts are mainly closed in the main currencies USD, GBP and EUR, in addition to NOK. Net exposure against NOK is secured through forward exchange contracts. If significant contracts are closed in other currencies, net exposure is secured through forward exchange contracts.

Profit on open forward exchange contracts in relation to the exchange rate at the close of the accounts, is not included in the accounts.

### Outstanding forward exchange contracts as at 31.12.1999:

Currency	Buy/Sale	Amount in currency
EUR	sale	2 023
GBP	sale	1 500
CAD	sale	3 000

### Securities

The Group had the following placements outside of bank accounts, as at 31.12.1999:

Certificates in Norwegian banks	20 000
Money market funds	40 000

## NOTE 8 – SHARES

### GROUP

Shares in associated companies:	Share of value as at 01.01	Addition in 1999	Share of profit	Share of value as at 31.12
Compower AS (35% owned)	639	-	-88	551
Micropower AB (34% owned)	-	13 356	449	13 805
Hertek bv (40% owned)	2 147	-	-200	1 947
Total shares in associated companies	2 786	13 356	161	16 303

### GROUP

Other shares	Share in %	Total equity	No. of shares	Face value as at share	Book value
Vendosafe AS	5.7%	5 889	4 248	NOK 100	425
Elték Energy (M) SDN.BHD	20.0%	MYR 200	38 000	MYR 1	253
Total shares in other companies					678

### PARENT COMPANY

Shares in subsidiaries/ loans to/from (-) subsidiaries	Share in %	Total share capital	No. of shares	Nominal value per share	Book value	Rest value loan	Rest term
Elték Energy AS	100%	66 000	66 000	NOK 1 000	85 000	237 875	12 yrs
Elték Fire & Safety AS	100%	14 950	14 950	NOK 1 000	28 950	141 893	13 yrs
Norwegian Fire Protection AS*	100%	31 050	31 050	NOK 1 000	31 050	-220 000	1 yrs
Total shares in subsidiaries/loan	-	-	-	-	145 000	159 768	-

\* Norwegian Fire Protection AS provides loan to Eltek ASA.

## NOTE 9 – INVENTORY

### GROUP

	1999	1998	1997
Raw materials	51 491	40 139	47 312
Work in progress	23 615	34 520	23 220
Finished goods	80 763	57 627	29 726
Total stock	155 869	132 286	100 258

Sale of companies in 1999 led to reduction of goods compared to the balance sheet as at 31.12.1998: Raw materials: 10 975. Work in progress: 399, Finished goods, 0. Claims pledged as securities is shown in Note 13.

## NOTE 10 – RELATED PARTIES

No loans/guarantees are granted to group management, board members or shareholders. As at 31.12.1999, loans amounting to 937 and guarantees amounting to 112 have been granted employees.

The company has a rental agreement with Eltek Holding AS, who owns 29% of the shares in Eltek ASA, for the buildings used by companies in the Group in Drammen and Lier. The annual rent is 6 778. There were no outstanding payments/receivables towards Eltek Holding AS as at 31.12.1999.

## NOTE 11 – GROUP OUTSTANDINGS

### PARENT COMPANY

	1999	1998	1997
Long-term receivables	379 768	414 768	402 547
Group receivables	230	3 581	32 200
Total receivables	379 998	418 348	434 747
Group liabilities	232 252	1 871	6 601

Of the total long term receivables, 344 768 is due later than one year after the closing of the books. 204 768 is due later than 5 years after the closing of the books.

All of the parent company's assets have been pledged as security for debt in Eltek Energy AS, Eltek Fire & Safety AS and I.E.L. AS.

## NOTE 12 – BANK DEPOSITS

### GROUP

No bank deposits are locked-up, as a guarantee is given for tax payments. Unused overdraft facilities amount to 47 681. Total overdraft facilities are 64 802. Other facilities amount to 61 452, and may be used for acquiring companies. The terms for using facilities are acceptance from credit giver. There is a requirement for an equity share of >30%, adjusted for less 50% of goodwill entered into the balance sheet.

## NOTE 13 – DEBT

### GROUP

<b>Mortgages</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
<b>Debt secured by mortgage</b>	<b>145 148</b>	<b>65 386</b>	<b>61 972</b>
Book value of assets pledged as security			
Land and buildings	17 322	20 152	15 346
Cars, machinery and equipment	11 065	6 662	2 684
Stocks	111 291	103 912	90 375
Customer receivables	196 873	182 465	93 175
Other receivables	7 227	13 665	8 773
Other	-	-	3 481
Total	343 778	326 856	213 834

### PARENT COMPANY

	<b>1999</b>	<b>1998</b>	<b>1997</b>
<b>Debt secured by mortgages</b>	<b>3 318</b>	<b>519</b>	<b>6 000</b>

All single claims have been pledged as security. The same assets have been pledged as security for debt in the companies Eltek Energy AS, Eltek Fire & Safety AS and I.E.L. Systems AS.

### GROUP

<b>Amounts in currency as at 31.12.1999</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
GBP 500	6 485	9 030	16 089
EUR 2 400	19 392	-	-
SEK 14 450	13 583	-	-

Remaining terms of the EUR and SEK loans are 4 1/4 years. Average interest in 1999 was 4.5 %. There are two loans in GBP, 150 expires in 2000 at 0% interest and 350 expires in 2005 at 6% interest.

### Other short term debts, 69 215, break down as follows:

Salary provisions	14 819
Payment for purchase of shares	3 839
Fees provisions	4 202
Guarantee provisions	7 124
Income not earned	2 830
Accrued customer bonuses	7 452
Other incurred costs	28 949

## NOTE 14 – TAXES

### THE GROUP

	1999	1998	1997
<b>Reconciliation of taxes:</b>			
Tax payable Norway	73 091	4 567	2 506
Tax payable abroad	11 919	12 365	7 089
Change, deferred tax	-9 749	-3 135	-
<b>Taxes</b>	<b>75 261</b>	<b>13 797</b>	<b>9 595</b>
<b>Reconciliation of tax rate:</b>			
Tax rate on profit before tax	28,7%		
Tax rate on permanent variances	-0,2%		
Tax rate on over/under allocation in previous years	-0,2%		
<b>Tax rate</b>	<b>28,3%</b>		

The tax rate differs from the Norwegian standard 28% due to varying tax rates in foreign subsidiaries.

### Deferred tax on temporary variances related to:

Current assets/short term liabilities	-2 166	13 558	-5 343
Fixed assets/long term liabilities	-34 661	-7 535	-5 651
Other variances	777	-7 255	-1 433
<b>Net negative temporary variances</b>	<b>-36 050</b>	<b>-1 232</b>	<b>-12 427</b>
<b>Calculated deferred tax advantage</b>	<b>-10 094</b>	<b>-345</b>	<b>-3 480</b>

There are no carry forward losses as at 31.12.1999.

### PARENT COMPANY

	1999	1998	1997
<b>Reconciliation between profit before tax and ordinary income:</b>			
Profit before tax	24 253	29 854	437 011
Gain on intragroup transfer	-	-1 600	-425 000
Permanent variances	358	276	3 313
Change, temporary variances	1 258	-1 621	-4 872
Share issue costs against equity	-	-8 073	-
Risk	-	-1 867	-
<b>Ordinary income</b>	<b>25 869</b>	<b>16 969</b>	<b>10 452</b>
<b>Of which 28% tax</b>	<b>7 243</b>	<b>4 751</b>	<b>2 927</b>
Credit on foreign taxes	-	-	-1 536
<b>Tax payable</b>	<b>7 243</b>	<b>4 751</b>	<b>1 391</b>
Tax receivable offset in previous years	-	1 474	1 474
<b>Net payable/-receivable tax as at 31.12</b>	<b>7 243</b>	<b>3 277</b>	<b>-83</b>
<b>Reconciliation of taxes:</b>			
Tax payable	7 243	4 751	1 391
Reduction in tax payable, eliminated against equity	-	2 253	-
Excess allocation for previous years	596	-242	-
Change in deferred tax	-8 354	454	8
<b>Taxes</b>	<b>-515</b>	<b>7 217</b>	<b>1 399</b>

	1999	1998	1997
<b>Reconciliation of tax rate:</b>			
Tax rate on profit before tax	-2.1%	-	-
Tax rate on permanent variances	-0.4%	-	-
Tax rate on over/under payments in previous years	-2.5%	-	-
Tax rate on deferred tax *	33.0%	-	-
<b>Tax rate</b>	<b>28.0%</b>	-	-
* Sale of companies took place in 1999 from the subsidiary Norwegian Fire Protection. A deferred tax of 8 000 is related to the closing down of this subsidiary in 2000.			
<b>Deferred tax on temporary variances related to:</b>			
Current assets/short-term debt	-2 685	-	-
Fixed assets/long-term debt	3 074	1 653	32
Shares	-28 571	-	-
<b>Net positive/-negative temporary variances</b>	<b>-28 182</b>	<b>1 653</b>	<b>32</b>
<b>Estimated deferred tax/-tax advantage</b>	<b>-7 891</b>	<b>463</b>	<b>9</b>

## NOTE 15 – EQUITY

	1999	1998	1997
<b>GROUP</b>			
<b>Minority interests</b>			
Minority interests as at 01.01	8 565	8 447	6 440
Minority's share of profit	3 562	2 531	1 985
Sales/acquisitions' of minority shares/capital changes	6 431	-2 567	-
Dividend	-2 586	-	-852
Conversion differences	-284	154	875
<b>Minority interests as at 31.12</b>	<b>15 687</b>	<b>8 565</b>	<b>8 448</b>
<b>GROUP</b>			
<b>Equity</b>			
Equity as at 31.12	214 824	101 353	73 822
Issue of shares	6 316	79 932	16 536
Net profit for the year	183 378	45 693	24 545
Dividend	-140 424	-13 825	-15 000
Conversion differences	663	637	1 450
Effect of merger	-	1 034	-
<b>Equity as at 31.12</b>	<b>264 758</b>	<b>214 824</b>	<b>101 353</b>
Total equity as at 31.12	280 445	223 389	109 801
<b>PARENT COMPANY</b>			
Equity as at 01.01	583 228	504 393	67 245
Issue of shares	6 316	79 932	16 536
Net profit for the year	24 567	22 638	435 612
Dividend	-140 424	-13 825	-15 000
Cash payment merger	-	-9 910	-
<b>Equity as at 31.12</b>	<b>473 688</b>	<b>583 228</b>	<b>504 393</b>

**NOTE 15 – EQUITY (cont. from previous page)****Revision of equity as at 01.01 due to new accounting legislation, and this year's change:**

	Share capital	Reserve fund	Disposition fund	Premium fund	Other equity	Total
Equity as at 31.12.1998 according to previous legislation	13 825	54 010	515 394	-	-	583 228
Transfer of reserve fund to other equity	-	-6 204	-	-	6 204	-
Transfer of reserve fund to premium fund	-	-47 806	-	47 806	-	-
Transfer of disp. fund	-	-	-515 394	-	515 394	-
<b>Equity as at 31.12.1998 according to new accounting plan</b>	<b>13 825</b>	<b>0</b>	<b>0</b>	<b>47 806</b>	<b>521 597</b>	<b>583 228</b>
Equity as at 01.01.1999 according to new accounting plan	13 825	-	-	47 806	521 597	583 228
Extra-ordinary dividend	-	-	-	-	-140 424	-140 424
Issue of shares	218	-	-	6 098	-	6 316
Net profit for the year	-	-	-	-	24 567	24 567
<b>Equity as at 31.12.1999</b>	<b>14 042</b>	<b>0</b>	<b>0</b>	<b>53 904</b>	<b>405 741</b>	<b>473 688</b>

The parent company's equity as at 31.12.1999 is NOK 14 042 403, spread across 14 042 403 shares at nominal value NOK 1. There is only one class of shares and all shares have an equal vote.

The board has been authorised to issue new shares in accordance with share option agreements with key personnel:

442 200 shares at NOK 29 with execution dates in March and November 2000.

510 000 shares at NOK 58 with execution dates in March and November 2001.

90 000 shares at NOK 70 with execution date in March 2001.

251 417 options with execution dates in November 2001 depend on the General Assembly's prolongement of the authority to issue shares given 27.04.1999. If this is not done, these options can be executed in March 2001.

Further, the board is authorised to issue 1 000 000 shares as payment in the case of mergers or acquisitions of companies. As part of the payment for the 24% share of Unitech AS in 1999, the sellers were offered options to buy 60 000 shares at an execution price of NOK 57, with execution in 2001.

**Members of the board, the Group CEO and leading employees own the following shares and options in the company as at 31.12.1999:**

Name	Function	No. of shares	No. of options
Tore Egil Holte	Chairman of the board	4 290	8 710 <sup>1)</sup>
Leif Rune Rinnan	Member of the board	618 500 <sup>*</sup>	0
Arve Johansen	Member of the board	43 290	8 710 <sup>1)</sup>
Thomas Hoel	Member of the board	0	0
Paal Lauritzen	Member of the board	400	0
Alain F. Angelil	Member of the board/CEO	6 704 303 <sup>**</sup>	33 500 <sup>2)</sup>
Morten F. Angelil	Member of the board/Group director	28 500 <sup>***</sup>	78 500 <sup>3)</sup>
Odd Magne Olsen	Group director	109 320	33 500 <sup>2)</sup>
Jørgen Larsen	Group director	83 249	78 500 <sup>3)</sup>

\* Shares owned by Telenor Venture

\*\* 4 097 700 shares owned by Eltek Holding AS, controlled by Alain F. Angelil. 1 035 000 shares owned by Wenche Angelil.

\*\*\* 7 000 shares owned by Bimo Invest AS, controlled by Morten F. Angelil.

<sup>1)</sup> Hereof 4 420 in March 2000 and 4 290 in November 2000, redemption price NOK 29,-.

<sup>2)</sup> Hereof 17 000 in March 2000 and 16 500 in November 2000, redemption price NOK 29,-.

<sup>3)</sup> Hereof 17 000 in March 2000 and 16 500 in November 2000, redemption price NOK 29,-, plus 45 000 in March 2001, redemption price NOK 70,-.

**NOTE 15 – EQUITY (cont. from previous page)**

Shareholders with a minimum of 1% share of ownership, as at 31.12.1999:

Shareholders	No. of shares	% of total
Eltek Holding A/S	4 097 700	29.2%
Alain F. Angelil	1 571 603	11.2%
Wenche Angelil	1 035 000	7.4%
Norfass Holding A/S	829 750	5.9%
Telenor Venture AS	618 500	4.4%
SND Invest AS	500 000	3.6%
Tine Pensjonskasse	488 900	3.5%
Industrifinans Fondsforvaltning	409 400	2.9%
Aksjefondet Gambak	390 000	2.8%
Credit Agricole Indosuez Lux. SA	354 536	2.5%
Fram Realinvest AS	306 000	2.2%
Storebrand Livsf. AS	297 900	2.1%
Anabeth Drammen AS	237 100	1.7%
Titas Eiendom AS	231 200	1.7%
Omega Investment Fund	170 000	1.2%
Strata AS	168 800	1.2%
Torstein Tvenge	152 700	1.1%

**NOTE 16 – PENSION LIABILITIES**

Estimated pension cost	1999	GROUP		PARENT COMPANY		
		1998	1997	1999	1998	1997
Earned pension for the year	3 842	4 969	4 417	233	207	1 664
Interest charge on pension liability incurred	1 108	1 614	1 275	85	115	499
Estimated return on pension funds	-1 435	-1 454	-1 293	-194	-197	-590
Amortisation	-733	-11	-233	-16	-30	-96
Withholding of employee salary	-1 155	-1 481	-1 158	-28	-62	-540
<b>Net pension cost</b>	<b>1 628</b>	<b>3 637</b>	<b>3 008</b>	<b>80</b>	<b>32</b>	<b>937</b>
<b>Pension liability as at 31.12</b>						
Estimated value of pension funds	21 532	22 468	18 517	3 085	2 454	3 239
Estimated value of pension liability	25 114	31 885	25 911	2 337	2 270	3 098
Net unamortised estimated variance	-2 311	105	-	-178	-151	-
<b>Net pension liability as at 31.12</b>	<b>5 893</b>	<b>9 312</b>	<b>7 394</b>	<b>-569</b>	<b>-33</b>	<b>-141</b>

This calculation has been based on the following assumptions:

Discount rate	6.0%	Inflation/Basic amount reg.	2.5%
Expected return	7.0%	Pension regulation	2.5%
Pay regulation	3.3%	Voluntary retirement	5.0%

Eltek ASA's collective pension scheme in an insurance company covers 6 employees, whereas the Group's scheme covers 270 employees.

Eltek (UK) Ltd pays a contribution to two self-managed pension schemes, one for individual members of the Board and key employees and another for other employees. The pension funds have not been entered in the company's balance sheet.

**NOTE 17 – GUARANTEE LIABILITY****GROUP**

Bank guarantee for fulfilment of goods deliveries, 9 775.

**PARENT COMPANY**

Surety liability for co-operating companies 6 000.

Surety liability for other companies 76.

**NOTE 18 – OTHER OPERATING COSTS****Other operating costs, 139 054, add up as follows:**

Rent	12 544
Fees and rented services	42 655
Telephone, postage	6 173
Advertising etc	5 871
Car and travel costs	25 821
Leasing	5 560
Other	40 430

**NOTE 19 – REMUNERATION ETC.****Personnel costs break down as follows:**

	1999	1998	1997
Salary	197 310	165 222	128 545
Social security	36 780	27 516	18 481
Pension costs	8 380	6 062	3 751
Other costs	3 908	3 673	3 450
Total	246 378	202 473	154 227

**Total remuneration for members of the Board and leading employees, 1999:**

Name	Function	Remuneration
Tore Egil Holte	Chairman of the Board	137
Telenor Venture v/L. R. Rinnan	Member of the Board	116
Arve Johansen	Member of the Board	224
Thomas Hoel	Member of the Board, employees' representative	433
Paal Lauritzen	Member of the Board, employees' representative	204
Alain F. Angelil	Member of the Board, Group CEO	2 128
Morten F. Angelil	Member of the Board, Group Director	1 868
Odd Magne Olsen	Group Director	4 911
Jørgen Larsen	Group Director	2 798

Auditor's fees are 210, split between audit 100 and other assistance 110. The Group CEO has an agreement which entitles to retirement with 90 % of two years' salary at the time of retirement, or a consultancy agreement limited to a maximum of five years. In addition, the company must pay a premium up to the ordinary retirement age for the collective pension schemes which are in force at any given time for the company's employees.

Remuneration was higher than normal in 1999 due to execution of share options and bonus for some managers for sales of companies. For 1999, the Group CEO and Group Directors had bonus schemes based on profit before tax in relation to budget, so that bonus was paid as a share of profit exceeding budgeted profit.

No loans or guarantees have been granted to any of the people mentioned above.

The average number of employees in the Group was 723 in 1999.

## NOTE 20 – GROUP

In 1999, companies were acquired and sold as documented in Note 2. The name and business address of all consolidated companies are listed on page 45 in the annual report. In all companies, the voting share equals the ownership share.

All acquired companies are accounted for according to the acquisition method.

### Company shares acquired in 1999:

	Share	Payment	Consolidated
S.F.E.E. S.A.	51 %	21 079	01.04.1999
Finntek OY	51 %	4 235	01.04.1999
Micropower Förvaltning AB	34 %	13 356	01.04.1999
Unitech AS	24 %	3 839	01.03.1997

Compensation equals acquisition cost and is paid in cash. Goodwill of the acquisitions is shown in Note 5. In S.F.E.E. S.A., provisions of 5 625 have been made for restructuring.

## NOTE 21 – PROFIT PER SHARE

The calculation is based on the following basis:

	Profit per share	Diluted profit per share
Numerator	183 378	183 378
Numerator, excl. gain on sale	54 704	54 704
Denominator (no. of shares)	13 851 455	14 025 917

The calculation of profit per share is based on the total number of shares as at 01.01 plus shares issued during the year, time-weighted from issue date. The calculation of diluted profit per share is made on the same basis as for profit per share plus shares that may be issued as a consequence of existing option schemes, time-weighted from the date of issue of the options and calculated according to the treasury stock method, i.e. payment for shares issued to option recipient is assumed to be used to re-purchase ordinary shares at average stock price in the period.

## NOTE 22 – THE ENVIRONMENT

There are no environmental risks connected to the company's business, and the company has not committed itself to or been imposed particular environmental measures.

## NOTE 23 – CASH FLOW

Cash, bank deposits and liquid financial instruments like bank certificates and shares in money market funds are classified as liquid funds. Unused overdraft facilities have not been included as liquid funds. There are no bindings on any of the liquid funds.

## NOTE 24 – SALE OF COMPANIES

Gain on the sale of the offshore and marine divisions of Eltek Fire & Safety is classified as revenue. All profit and loss items in the sold companies up until the sale date are included in the Group's revenue and operating costs. Calculated tax payable on the gain on sale has been included under taxes, see Note 14.

**PROFIT AND LOSS ACCOUNT**

(Amounts in NOK 1 000)

	Note	1999	1998	1997
<b>REVENUE</b>				
Sales income		16 457	9 198	120 513
Gain on sale		-	-	425 000
<b>Total revenue</b>		<b>16 457</b>	<b>9 198</b>	<b>545 513</b>

**OPERATING COSTS**

Cost of sales		2 360	601	60 770
Personnel costs	19	10 877	5 460	41 037
Depreciations	6	1 893	374	877
Other operating costs		4 013	2 734	20 085
<b>Total operating costs</b>		<b>19 143</b>	<b>9 170</b>	<b>122 769</b>
<b>Operating profit</b>		<b>-2 686</b>	<b>28</b>	<b>422 744</b>

**FINANCIAL INCOME AND COSTS**

Gain on sale of shares		-	9 918	-
Dividend from subsidiaries		-	-	5 486
Financial income		27 942	20 630	15 206
Financial costs		-1 203	-722	-3 803
<b>Net financial items</b>		<b>26 739</b>	<b>29 826</b>	<b>16 889</b>

<b>Ordinary profit before tax</b>		<b>24 052</b>	<b>29 855</b>	<b>439 633</b>
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Taxes	14	-515	7 217	1 399
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<b>Ordinary net profit</b>		<b>24 567</b>	<b>22 638</b>	<b>438 234</b>
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Extraordinary items		-	-	-2 622
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<b>Net profit for the year</b>		<b>24 567</b>	<b>22 638</b>	<b>435 612</b>
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**CASH FLOW**

(Amounts in NOK 1 000)

		1999	1998	1997
Net cash flow from operations		37 151	52 781	37 397
Net cash flow from long term assets		-4 437	-48 470	-25 782
Net cash flow from financing		74 866	49 541	5 612
Net change liquid funds		107 580	53 852	17 228
Liquid funds as at 01.01		71 496	17 644	416
<b>Liquid funds as at 31.12</b>		<b>179 077</b>	<b>71 496</b>	<b>17 644</b>

**BALANCE SHEET**

(Amounts in NOK 1 000)

**ASSETS**
**Fixed assets**
**Intangible assets**

Deferred tax asset	14	7 891	-	-
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**Tangible fixed assets**

Land, buildings	6	161	183	115
Machinery etc.	6	11 188	9 473	1 579
<b>Total fixed assets</b>		<b>11 349</b>	<b>9 656</b>	<b>1 694</b>

**Other fixed assets**

Shares in subsidiaries	8	145 000	110 000	78 763
Shares and holdings in other companies	8	425	-	2 805
Intragroup receivables	11	379 768	414 768	402 547
Other receivables	16	602	77	175
<b>Total other fixed assets</b>		<b>525 794</b>	<b>524 845</b>	<b>484 290</b>
<b>Total assets</b>		<b>545 035</b>	<b>534 501</b>	<b>485 984</b>

**Current assets**

Trade debtors		29	22	2 876
Intragroup receivables	11	230	3 581	32 200
Other receivables		1 120	408	3 373
Cash and bank deposits		179 077	71 496	17 644
<b>Total current assets</b>		<b>180 456</b>	<b>75 507</b>	<b>56 093</b>

<b>Total fixed assets</b>		<b>725 491</b>	<b>610 008</b>	<b>542 077</b>
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**EQUITY AND LIABILITIES**
**Equity**

Share capital		14 042	13 825	10 428
Premium fund		53 904	47 806	47 806
Other equity		405 741	521 597	446 116
<b>Total equity</b>	15	<b>473 688</b>	<b>583 228</b>	<b>504 393</b>

**LIABILITIES**
**Other long term liabilities**

Other long term liabilities		3 318	519	6 000
Deferred tax	14	-	463	9
<b>Total other long term liabilities</b>		<b>3 318</b>	<b>982</b>	<b>6 009</b>

**Short term liabilities**

Trade creditors		368	4 609	2 048
Tax payable	14	7 243	3 277	-83
Other taxes		1 786	1 077	4 396
Unpaid dividend		-	13 825	15 000
Short term debt to subsidiaries	11	232 252	1 871	6 601
Other short term debt	13	6 837	1 139	3 713
<b>Total short term liabilities</b>		<b>248 485</b>	<b>25 798</b>	<b>31 675</b>
<b>Total liabilities</b>		<b>251 803</b>	<b>26 780</b>	<b>37 684</b>

<b>Total equity and liabilities</b>		<b>725 491</b>	<b>610 008</b>	<b>542 077</b>
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## TRANSLATION FROM NORWEGIAN

AUDITOR'S REPORT FOR 1999

To the Annual Shareholders' Meeting of  
Eltek ASA

**Arthur Andersen & Co**  
Statsautoriserte revisorer

Drammensveien 165  
Postboks 228 Skøyen  
0213 Oslo

Telefon 22 92 80 00  
Telefaks 22 92 89 00  
Org. nr. NO - 910 167 707

We have audited the annual financial statements of Eltek ASA as of 31 December 1999, showing a profit of NOK 24.567.000 for the parent company and a profit of NOK 186.940.000 for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the consolidated accounts. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as of 31 December 1999, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its obligation in respect of registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit is consistent with the financial statements and comply with law and regulations.

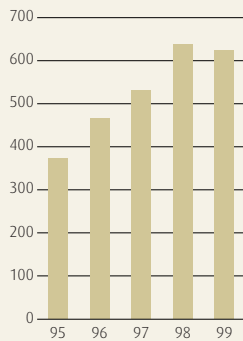
ARTHUR ANDERSEN & CO.

Henning Strøm (sig)  
State Authorised Public Accountant (Norway)

Oslo,  
24 February 2000

## The organisation

No. of employees,  
Eltek Group



Morten F. Angelil, Group Director Eltek Energy



Odd Magne Olsen,  
Group Director Eltek Fire & Safety

**A global knowledge-based organisation** Eltek's ambition is to maintain and further develop its global expertise. One of the ways to achieve this ambition is to develop systems of knowledge-sharing and job rotation. The global organisation of Eltek fosters this by providing many opportunities for those employees who seek international experience. In addition, Eltek's share option programme aims to encourage employees by giving them the opportunity to share in the value created.





Jørgen Larsen, Group Director Finance

Alain F. Angelil, Group CEO

**ELTEK ASA**  
P.O.Box 1500, N-3007 Drammen  
Gråterudveien 8, N-3036 Drammen  
Norway  
Tel: +4732203200  
Fax: +4732203210

**ELTEK ENERGY**

Eltek Energy AS  
P.O.Box 1500, N-3007 Drammen  
Gråterudveien 8, N-3036 Drammen  
Norway  
Tel: +4732203200  
Fax: +4732203210

Eltek (UK) Ltd.  
2 Maxted Road, Hemel Hempstead  
Herts HP2 7DX, UK  
Tel: +441442219355  
Fax: +441442245894

Eltek Energy France S.A./S.F.E.E. S.A.  
(Soci t  de Fabrications Electriques et  
Electroniques S.A)  
Z.I. de Bastillac-Nord  
65000 Tarbes, France  
Tel: +33562340930  
Fax: +33562345869

Eltek Polska Sp.Z.o.o  
Ul Szczawi70-010 Szczecin, Poland  
Tel: +48914825797  
Fax: +48914825786

Eltek Energy Ltd.  
Rm. 812, Eight Commercial Tower  
8 Sun Yip Street, Chai Wan, Hong Kong  
Tel: +85228982689  
Fax: +85228983189

Eltek SGS Pvt. Ltd.  
899, Phase-I, Udyog Vihar  
Gurgaon - 122 016, Haryana, India  
Tel: +911246346997  
Fax: +911246346996

Eltek Energy Pte. Ltd  
192 Pandan Loop # 06-02/04  
Pantech Industrial Complex  
Singapore 128381, Singapore  
Tel: +657732326  
Fax: +657753602

Gertek Stromversorgungen GmbH  
P.O.Box 1135, Friedrich Luber strasse 31  
D-90592 Schwarzenbruck, Germany  
Tel: +499128916486  
Fax: +499128916487

Unitech AS  
P.O.Box 3510, N-3007 Drammen  
Gråterudveien 8, N-3036 Drammen  
Norway  
Tel: +4732203460  
Fax: +4732203461

Compower AS  
P.O.Box 2416 Solheimsviken,  
N-5824 Bergen  
Damsgaardsveien 59B, N-5058 Bergen  
Norway  
Tel: +4755209050  
Fax: +4755209059

Eltek Energy (M) SDN BHD  
12 Jalan TPJ 9  
Taman Perindustrian JAYA  
47200 Subang, Petaling Jaya  
Selangor d.e Malaysia  
Tel: +6037450878/79  
Fax: +6037475973

Micropower F rvaltning AB  
Idav gen 1  
S-35246 V xj , Sweden  
Tel: +46470727400  
Fax: +4647047077

Eltek Middle East  
Eltek Power Systems  
P.O. Box 33090, Dubai, UAE  
Tel: +97143481637  
Fax: +97143485802

**ELTEK FIRE & SAFETY**

Eltek Fire & Safety AS  
P.O.Box 3514, N-3007 Drammen  
Lierstranda Industriomr de, N-3412 Lier  
Norway  
Tel: +4732244800  
Fax: +4732244801

Eltek AB  
Bergk llav gen 32  
S-192 79 Sollentuna, Sweden  
Tel: +46859476480  
Fax: +46859476499

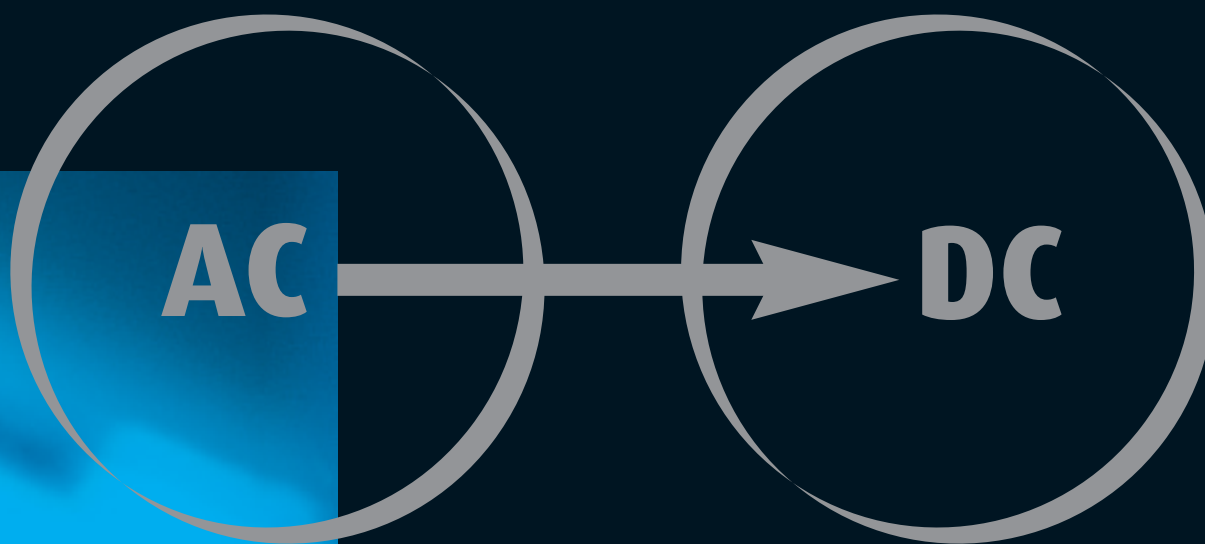
Magnus Fergin Belysning AB  
P.O.Box 1125  
S-58111 Link ping, Sweden  
Tel: +4613355520  
Fax: +4613130721

Eltek Finland OY  
Kuokkamaantie 4B  
FIN-33800 Tampere, Finland  
Tel: +35832121050  
Fax: +35832121049

Finntek OY  
L hteentatu 2  
FIN-33500 Tampere, Finland  
Tel: +35832555477  
Fax: +35832555470

Intelligent Emergency  
Lighting Systems AS  
P.O.Box 1584, N-3007 Drammen  
Gr terudveien 39, N-3036 Drammen  
Norway  
Tel: +4732244820  
Fax: +4732244801

Hertek bv  
P.O.Box 10209  
NL-6000 GE Weert, The Netherlands  
Tel: +31495584111  
Fax: +31495584133



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ELTEK ASA  
P. O. Box 1500, N-3007 Drammen. NORWAY  
Gråterudveien 8, N-3036 Drammen. NORWAY  
Tel: +47 32 20 32 00  
Fax.: +47 32 20 32 10

[www.eltek.no](http://www.eltek.no)