

ELTEK GROUP

Profit and Loss Account

	1 st Half Year			2 nd Quarter		
	2001 excl. non-rec. items		2000	2001 excl. non-rec. items		2000
	2001	2000		2001	2000	
Revenue	885 993	885 993	812 433	374 585	374 585	462 998
Cost of goods sold	625 812	556 727	477 071	316 833	247 748	269 082
Other operating costs	326 465	255 847	224 859	196 350	125 733	122 034
Depreciation	10 723	10 723	8 384	5 875	5 875	3 924
Amortisation and impairment of goodwill	503 430	23 430	20 555	492 211	12 211	10 604
Total operating costs	1 466 430	846 727	730 868	1 011 270	391 567	405 643
Operating profit	-580 437	39 266	81 565	-636 684	-16 982	57 354
Share of result in associated companies	-205	-205	1 303	359	359	626
Financial income and costs	-11 090	-11 090	852	-8 356	-8 356	-97
Net financial items	-11 295	-11 295	2 156	-7 998	-7 998	529
Profit before tax, continuing operations	-591 732	27 971	83 721	-644 682	-24 979	57 883
Taxes, continuing operations	71 412	-9 509	-20 895	89 945	9 024	-12 455
Net profit, continuing operations	-520 320	18 462	62 825	-554 737	-15 955	45 429
Discontinued operations	-	-	221 091	-	-	215 138
Taxes, discontinued operations	-	-	-26 610	-	-	-24 783
Net profit	-520 320	18 462	257 306	-554 737	-15 955	235 785
Minority interests, continuing operations	2 276	3 289	3 632	1 604	2 618	1 928

Balance Sheet

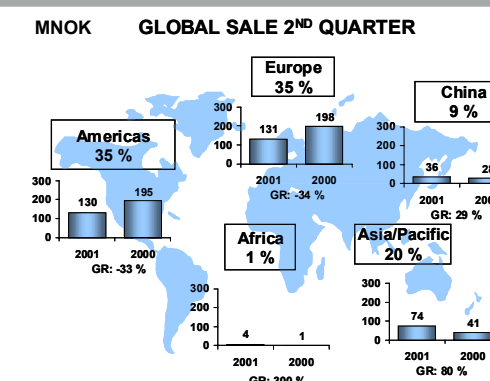
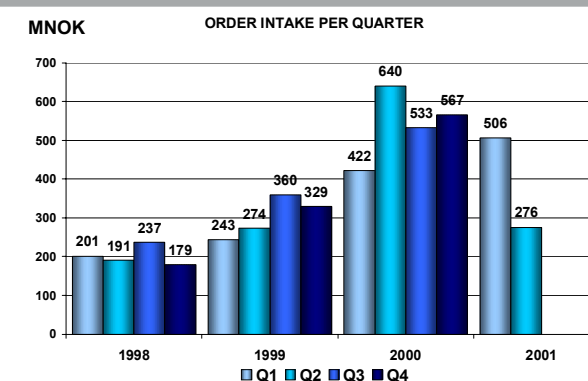
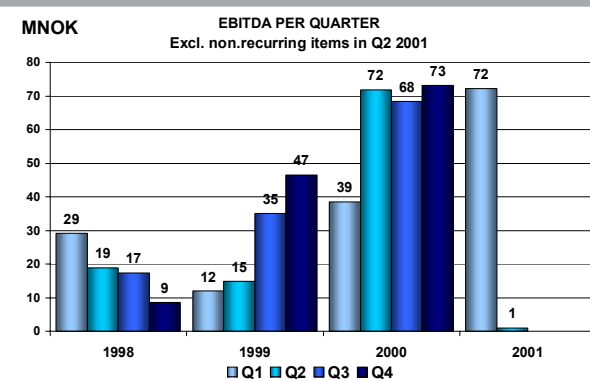
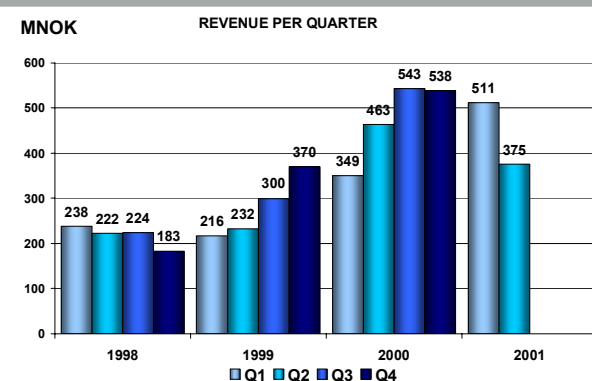
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Goodwill	83 118	525 501	541 561
Other fixed assets	192 428	101 975	97 972
Share of associated companies	16 159	21 319	27 180
Total fixed assets	291 706	648 796	666 713
Inventories	401 887	257 762	258 744
Trade receivables	421 422	384 378	476 673
Other short term receivables	34 046	31 681	27 345
Cash and cash equivalents	83 014	396 246	128 333
Total current assets	940 369	1 070 068	891 094
Total assets	1 232 074	1 718 864	1 557 807
Share capital	24 463	24 080	24 266
Other equity	470 060	1 168 783	944 589
Minority interests	23 660	18 538	24 266
Total equity	518 183	1 211 400	993 121
Provisions	32 319	18 352	35 568
Long term liabilities	208 057	63 532	105 316
Bank overdraft	46 121	25 566	13 271
Trade creditors	223 834	161 904	203 849
Other short term liabilities	203 559	238 108	206 682
Total short term liabilities	473 515	425 579	423 802
Total equity and liabilities	1 232 074	1 718 864	1 557 807
Equity ratio	42.1 %	70.5 %	63.8 %

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Report second quarter 2001



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Financial results

Eltek achieved revenue of 374.6 (463) MNOK in the second quarter 2001, which is 19 % below the corresponding quarter last year. Non-recurring items relating to write-down of goodwill of 480 MNOK, restructuring and increased reserves for bad debt and excess in obsolete inventories of 139.7 MNOK have been charged to the accounts in the second quarter. Excluding non-recurring items operating profit before depreciation and amortisation (EBITDA) for the quarter was 1.1 (71.9) MNOK and net profit after tax -16.0 (45.4) MNOK. For the first half revenue increased by 9 % to 886.0 (812.4) MNOK. EBITDA was 73.4 (110.5) MNOK and net profit after tax 18.5 (62.8) MNOK. Including non-recurring items of 619.7 MNOK net profit for the second quarter was -554.7 MNOK and for the first half -520.3 MNOK. Net financial items the second quarter was -8.0 MNOK, whereof loss on currency was -6.2 MNOK. Gross margin for the second quarter, excluding non-recurring items, was 33.9 %, down from 39.6 % in the first quarter.

Key Figures

Continuing operations

Amounts in NOK mill	1 st Half Year		2 nd Quarter	
	2001	2000	2001	2000
Revenue	886.0	812.4	374.6	463.0
EBITDA	73.4	110.5	1.1	71.9
%	8.3 %	13.6 %	0.3 %	15.5 %
EBIT	39.3	81.6	-17.0	57.4
%	4.4 %	10.0 %	-4.5 %	12.4 %
Financial items	-11.3	2.2	-8.0	0.5
Profit before tax, before non-recurring items	28.0	83.7	-25.0	57.9
Taxes	-9.5	-20.9	9.0	-12.5
Net profit, before non-recurring items	18.5	62.8	-16.0	45.4
Goodwill write-down	-480.0		-480.0	
Other non-recurring items	-139.7		-139.7	
Tax on non-recurring items	80.9		80.9	
Net profit	-520.3	62.8	-554.7	45.4
Minority interests	2.3	3.6	1.6	1.9
Basic EPS (NOK) before non-recurring items	0.62		-0.76	
Basic EPS (NOK)	-21.40	2.47	-22.78	1.81
Cash EPS (NOK) before non-recurring items	1.58		-0.26	
Cash EPS (NOK)	-0.78	3.32	-2.63	2.25
Order intake ¹⁾	782.0	1 062.0	276.0	640.0

¹⁾ Excl. cancellations/deletions in Q2 2001

Sales and markets

Weak market conditions in US and Europe were primarily responsible for a revenue shortfall of 33 % in both these regions in the second quarter compared to last year. Market conditions in the Asia/Pacific area are still strong and revenue increased 80 % year over year. China showed a growth rate of 29 %.

Order intake in the second quarter was 276 MNOK. At the end of the quarter order backlog was 324 MNOK, a reduction of 169 MNOK compared to the first quarter, after cancellations of orders at a value of 69 MNOK. The order backlog at the beginning of the third quarter is expected to give a higher order-to-revenue ratio than in the second quarter.

The reduction in revenue and orders is a result of a global downturn in the telecom market. Despite of this, Eltek's market share has been maintained and in some markets increased.

Capital considerations

In the second quarter the Company increased liquid funds to 301 MNOK through long-term bank financing of 105 MNOK and increased short-term facilities of 102 MNOK. Cash flow was influenced by a dividend payment of 24 MNOK and payment of 32 MNOK for shares in group companies acquired from minority shareholders. Net working capital increased by 1 MNOK as a result of an increase in inventories of 96 MNOK, a reduction in accounts receivables of 114 MNOK and including new group companies of 43 MNOK.

On the basis of the current performance and uncertain market conditions of the companies to which the goodwill is related, a goodwill write down of 480 MNOK has been charged to the second quarter accounts. The major part of the write-down is related to goodwill inside PCP. Remaining goodwill is 83 MNOK. Equity ratio as per 30 June 2001 after write-down of goodwill is 42.1 %.

Restructuring

Eltek initiated a major restructuring programme in the second quarter to recognize the adverse effect of the downturn in the telecom market. 250 employees have been terminated and restructuring will continue through the second half where further terminations may be necessary. The total costs related to the terminations, 30.7 MNOK, have been accounted for in the second quarter.

List of largest shareholders as at 30.06.2001

CC Industries	30.6%
Eltek Holding	16.8%
Credit Agricole Indosuez	7.2%
Edward Weil Jr	4.0%
Vital Forsikring	2.3%
Tine Pensjonskasse	1.8%
DnB Investor (sev.accounts)	1.3%
Chris Seyer III	1.2%
Storebrand Livsforsikring	1.2%
Fram Realinv./Fram Mngmnt/Titas Eiendom	1.0%
Hafslund Invest	1.0%
Stephen Griffiths	0.9%
Dexia Banque International	0.9%
Leif Høegh (sev.accounts)	0.6%
Skandinaviska Enskilda Banken	0.5%

Shareholders registered in VPS as at 04.07.2001

Some of Eltek's customers have faced payment difficulties as a result of the downturn in business, and some have gone into liquidation. Eltek has therefore increased bad debt reserves by an amount of 39.9 MNOK. The low level of shipments combined with a high level of inventories has led to slow turnover. On this basis a provision of 69.1 MNOK has been made for excess and obsolete inventories.

Total non-recurring items related to the restructuring programme in the second quarter amount to 139.7 MNOK.

Prospects

The ongoing restructuring programme will contribute to substantial cost reductions and will reduce the revenue break-even level. The Board is confident that recovery in the telecom market will take place, although the timing of this recovery is less certain. However, the remaining part of the year will continue to be challenging.

R&D- and sales activities are being maintained on a high level. This has resulted in development contracts with leading telecom equipment manufacturers and new products are in the pipeline to be introduced in the coming quarters. This will secure Eltek's share of the current market and position the Company for the expected growth once the market upturn takes place.

Drammen, 7 August 2001

The Board of Directors, Eltek ASA

