

ELTEK GROUP

Profit and Loss Account

	Per 3rd quarter			3rd quarter	
	2001	2001 ex. non-rec. items	2000	2001	2000
Revenue	1 193 213	1 193 213	1 355 713	307 220	543 280
Cost of goods sold	833 182	764 112	825 257	207 370	348 186
Other operating costs	431 151	360 518	351 469	104 687	126 610
Depreciation	17 139	17 139	13 132	6 417	4 748
Amortisation and impairment of goodwill	505 181	25 181	31 016	1 751	10 461
Total operating costs	1 786 653	1 166 951	1 220 874	320 224	490 006
Operating profit	-593 440	26 262	134 839	-13 003	53 274
Share of result in associated companies	-29	-29	2 862	176	1 558
Financial income and costs	-11 766	-11 766	7 689	-676	6 837
Net financial items	-11 795	-11 795	10 551	-500	8 395
Profit before tax, continuing operations	-605 235	14 468	145 390	-13 503	61 669
Taxes, continuing operations	72 040	-8 881	-51 605	628	-30 710
Net profit, continuing operations	-533 195	5 586	93 785	-12 875	30 960
Discontinued operations	-	-	221 376	-	286
Taxes, discontinued operations	-	-	-26 610	-	-
Net profit	-533 195	5 586	288 551	-12 875	31 245
Minority interests, continuing operations	2 839	3 852	6 306	563	2 675

Balance Sheet

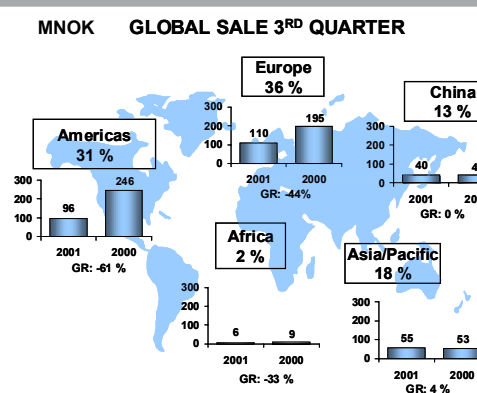
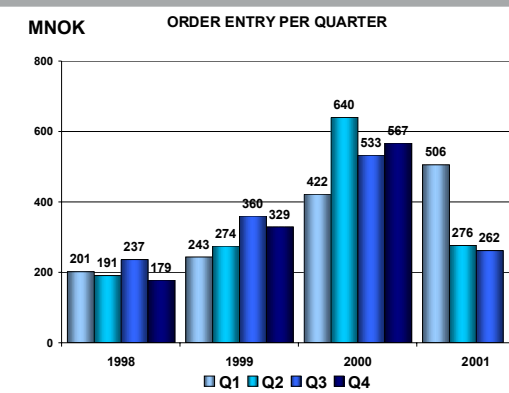
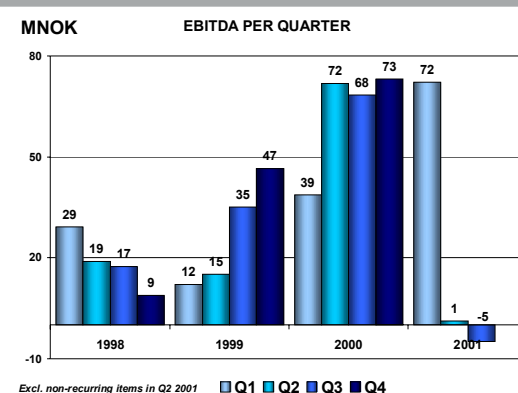
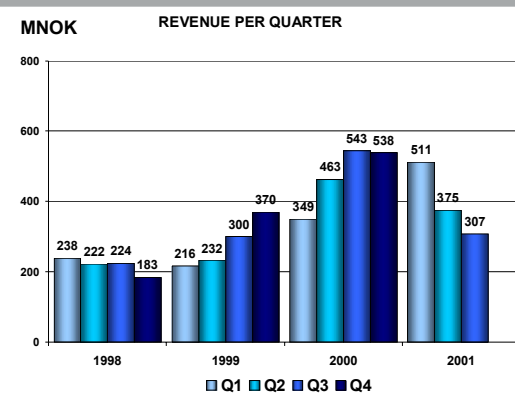
	30.09.01	30.09.00	31.12.00
Goodwill	77 963	568 251	541 561
Other fixed assets	188 455	100 865	97 972
Share of associated companies	15 948	23 702	27 180
Total fixed assets	282 365	692 818	666 713
Inventories	343 976	222 672	258 744
Trade receivables	352 829	502 118	476 673
Other short term receivables	34 399	51 779	27 345
Cash and cash equivalents	85 787	415 767	128 333
Total current assets	816 991	1 192 336	891 094
Total assets	1 099 356	1 885 154	1 557 807
Share capital	24 463	24 080	24 266
Other equity	426 041	1 263 058	944 589
Minority interests	23 436	21 908	24 266
Total equity	473 941	1 309 046	993 121
Provisions	33 060	17 465	35 568
Long term liabilities	204 572	61 784	105 316
Bank overdraft	65 829	8 415	13 271
Trade creditors	143 836	180 391	203 849
Other short term liabilities	178 118	308 053	206 682
Total short term liabilities	387 783	496 859	423 802
Total equity and liabilities	1 099 356	1 885 154	1 557 807
Equity ratio	43.1 %	69.4 %	63.8 %

focusing
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Report third quarter 2001



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Summary

In the third quarter revenue declined by 18 % from the second quarter to 307.2 MNOK. Compared to the third quarter last year the decline was 43 %. Gross margin in the third quarter was 32.5 %, slightly reduced from the second quarter. The restructuring programme has developed positively and brought operational costs down by 21 MNOK from the second quarter to 105 MNOK in the third quarter. EBITDA for the quarter was - 4.8 (68.4) MNOK and pretax profit -13.5 (61.7) MNOK.

Inventories have been reduced by 58 MNOK in the third quarter.

Group organisation has been restructured, and a new division has been established for sales to telecom equipment manufacturers.

A Joint Venture has been established with a global UPS supplier.

Key Figures

Continuing operations

Amounts in NOK mill	Per 3 rd quarter		3 rd quarter	
	2001	2000	2001	2000
Revenue	1 193.2	1 355.7	307.2	543.3
EBITDA	68.6	179.0	-4.8	68.4
%	5.7 %	13.2 %	-1.6 %	12.6 %
EBIT	26.3	134.8	-13.0	53.3
%	2.2 %	9.9 %	-4.2 %	9.8 %
Financial items	-11.8	10.6	-0.5	8.4
Profit before tax, before non-recurring items	14.5	145.4	-13.5	61.7
Taxes	-8.9	-51.6	0.6	-30.7
Net profit, before non-recurring items	5.6	93.8	-12.9	31.0
Goodwill write-down	-480.0			
Other non-recurring items	-139.7			
Tax on non-recurring items	80.9			
Net profit	-533.2	93.8	-12.9	31.0
Minority interests	2.8	6.3	0.6	2.7
Basic EPS (NOK) before non-recurring items	0.07		-0.55	
Basic EPS (NOK)	-21.95	3.64	-0.55	1.18
Cash EPS (NOK) before non-recurring items	1.10		-0.48	
Cash EPS (NOK)	-1.26	4.93	-0.48	1.61
Order entry ¹⁾	1 044.0	1 595.0	262.0	533.0

¹⁾ Excl. cancellations/deletions in 2001

Sales and markets

Weak market conditions continued to prevail in the third quarter with a downward trend in capital expenditures by telecom carriers. Revenue fell compared to the second quarter in all markets except China. Gross order entry in the third quarter was 262 MNOK, down 5 % from the second quarter. Europe, however, developed positively with an increase of 65 % over a slow second quarter. The three other regions had reduced order entry, although this downward trend has levelled out in the Americas.

There were no significant order cancellations in Q3, but postponed orders with no specific delivery time have been deleted from the order backlog. After deletions/cancellations of 59 MNOK order backlog at the end of the third quarter was 220 MNOK. The order book is now of a higher quality and no further cancellations are expected.

Eltek is working on a number of projects that are expected to result in new business in coming quarters. A Joint Venture with MGE UPS SYSTEMS, MGTEK Energy Systems, has been established to offer complete turnkey solutions

for DC and AC power systems to the telecom and Internet data centre markets. The combination of the two companies' products and resources gives the new venture a strong position with access to a broader market offering enhanced services. The products and services of MGE UPS SYSTEMS in the AC power systems market are complementary to Eltek's product range in DC power systems. MGTEK Energy System's operations will be based on existing resources within the two owners.

Capital

Inventory reductions started in the third quarter as previously announced by an amount of 58 MNOK. Accounts receivable were reduced by an additional 68 MNOK. After reduction of 80 MNOK in trade creditors net cash flow from working capital was 46 MNOK. Including drawing facilities available liquid funds per 30 September 2001 were 284 MNOK. Equity ratio as per 30 September 2001 was 43.1 %.

Restructuring/organisation

The restructuring programme initiated earlier this year is progressing well. It is ahead of plans in all areas with the exception of the French company where legal regulations and union activity has delayed implementation until the end of the fourth quarter.

Additional cost reduction activities have been launched in the third quarter, but the effect hereof will not be seen until next year. The UK operation will relocate its facilities from the present three sites to one. This will reduce rental and other operating costs. One of the present locations is freehold and will be sold. Further, a portion of the factory in France has been released and will be sold. Total proceeds are expected to be 10 MNOK.

In order to further strengthen focus on sales to the main telecom equipment manufacturers a new organisation structure has been implemented with a separate OEM division. This new division will also offer Eltek's product range within power supplies for military communication to equipment manufacturers and national defence organisations. Product management has been established as a separate group function in order to increase focus on globalisation and concentration of the Group's product portfolio.

Prospects

The positive effects of the restructuring programme in the third quarter secured an improved cash flow despite a sharp fall in revenue. Continued improvements of working capital are expected to contribute to further improvements in cash flow in the next quarters. Based on order backlog at the end of the third quarter revenue will continue to be weak in the fourth quarter.

During the second and third quarter the Company tied up considerable organisational resources to focus on cost reductions and reorganisation activities. The outcome of this process has been successful and has resulted in a reduced operational cost base and a more market oriented organisation, which is well prepared to execute on any new market opportunities in 2002.

Shareholders

As from third quarter report shareholders will be reported as appears in the VPS-register, as the company does not have information of transfer of shares between nominee accounts.

10 largest shareholders as at 30 September 2001

Salomon Smith Barney	35.7 %
Eltek Holding	15.7 %
Credit Agricole Indosuez	7.1 %
Nordea/Merita Bank	3.9 %
Euroclear Bank	2.8 %
Aksjefondet Gambak	2.5 %
Skandinaviska Enskilda Banken	2.4 %
DnB Investor	2.3 %
Vital Forsikring	2.2 %
Tine Pensjonskasse	1.8 %

Shareholders registered in VPS as at 04.10.2001

Drammen, 16 October 2001
The Board of Directors, Eltek ASA