

ANNUAL REPORT

# 2001: *streamlining*



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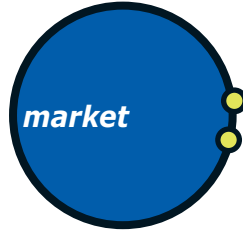
# *geared for agility*

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*Eltek is a leading international supplier of telecom power solutions, committed to meeting the power requirements of the telecom industry worldwide. We hold strong positions in the Americas, Europe, and Asia, serving both large multinational and regional builders of telecom infrastructure. Eltek's aim is to be recognized as the center of excellence in this field.*

*Agility is a word that well describes Eltek's approach to business. Agility combines flexibility, speed, and responsiveness. We build agility into the design of our technology and products. We are agile when it comes to meeting the requirements of our customers in different countries and markets all over the world. Our organization is trimmed, organized, and trained to act with speed and a sense of professional urgency.*

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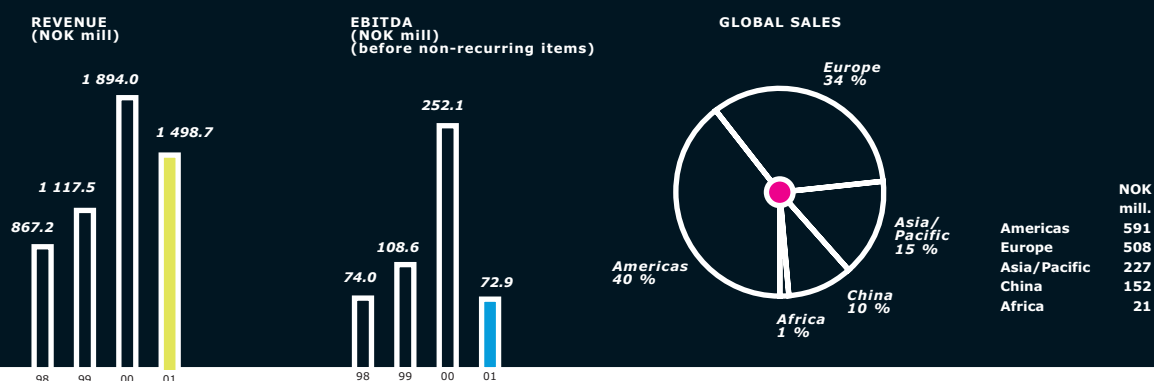
**Eltek develops and markets DC power systems based on leading proprietary and standardized technology, and state-of-the-art component products. A strong range of high power-density, flexible, and cost-efficient rectifiers/converters and control modules form the core of our power solutions. During 2001, this range of products was consolidated and certified for use all over the world, facilitating centralized and cost-efficient production processes and rapid deliveries.**

**Eltek delivers power systems to local, regional, and global builders of telecommunication infrastructure, including telecom operators, large telecom equipment suppliers, and their sub-contractors. The infrastructure can be either wireline or wireless, and can range from large nationwide networks to smaller local networks. Eltek has a complete offering, ranging from small, stand-alone products to complex, turn-key power solutions. During 2001, Eltek started deliveries to third-generation wireless networks (UMTS), and strengthened its position as a supplier of components to the private and military OEM market.**

**At Eltek, we are committed to meeting the requirements of our customers, wherever they do business. Our organization reflects this. We are present in all major markets, with companies and distributors in 45 countries, in Europe, the Americas, and Asia/Pacific. Our people are experienced telecom professionals, working in a co-ordinated way to create value for our customers locally, regionally, and globally. 2001 saw our global organization streamlined for optimum performance in the years to come.**

# *highlights 2001*

- **Weaker financial results were seen, following a steep downturn in the telecom power market. However, we performed significantly better than the market average**
- **Our major restructuring process was finalized, creating a streamlined global organization, optimized for future growth, and with stronger management resources**
- **We made a significant effort to strengthen our position in the OEM market. A separate division was established, and our first OEM contracts signed**
- **A joint venture with MGE, the leading international UPS supplier, created MGTEK, a strong player targeting the telecom and Internet data center markets**
- **We began UMTS deliveries in several European countries**
- **We established Eltek Russia**
- **We acquired Tripod in Sweden**
- **We acquired a majority stake in Beijing PCP**



# key figures

## Continuing operations

NOK million	2001	2000	1999	1998
<b>Results</b>				
Revenue	<b>1 498.7</b>	1 894.0	1 117.5	867.2
EBITDA, before non-recurring items	<b>72.9</b>	252.1	108.6	74.0
EBITDA margin, before non-recurring items	<b>4.9 %</b>	13.3 %	9.7 %	8.5 %
EBIT, before non-recurring items	<b>22.2</b>	189.1	55.0	45.8
EBIT margin, before non-recurring items	<b>1.5 %</b>	10.0 %	4.9 %	5.3 %
Profit before tax, before non-recurring items	<b>7.1</b>	205.6	56.2	49.6
Net profit, before non-recurring items	<b>2.3</b>	135.4	37.8	33.6
Goodwill write-down	<b>-480.0</b>			
Other non-recurring items <sup>1)</sup>	<b>-139.7</b>			
Net profit for the year	<b>-536.5</b>	135.4	37.8	33.6
<b>Capital</b>				
Total capital	<b>1 042.9</b>	1 557.8	1 271.3	1 002.6
Equity	<b>470.8</b>	993.1	909.3	824.0
Equity ratio	<b>45.1 %</b>	63.8 %	71.5 %	82.2 %
<b>Shares</b>				
No. of shares	<b>24 463</b>	24 266	23 788	23 570
Basic EPS (NOK), before non-recurring items <sup>2)</sup>	<b>-0.09</b>	5.36	1.48	1.42
Basic EPS (NOK) <sup>2)</sup>	<b>-22.11</b>	5.36	1.48	1.42
Cash EPS (NOK), before non-recurring items <sup>3)</sup>	<b>1.00</b>	7.14	3.06	2.41
Cash EPS (NOK) <sup>3)</sup>	<b>-1.36</b>	7.14	3.06	2.41
Dividend per share (NOK) <sup>4)</sup>	<b>0.00</b>	19.15+1.00	10.00	1.00
<b>Employees</b>				
No. of employees per 31.12	<b>690</b>	794	680	602

<sup>1)</sup> Provisions for bad debt, obsolete inventories and restructuring made in the second quarter

<sup>2)</sup> Net profit - minority interests, per share

<sup>3)</sup> EPS + amortization of goodwill per share

<sup>4)</sup> Paid for the current number of shares at the time of payment



# *lean*

**2001 was an extremely challenging year for Eltek. As a specialized provider of telecom power systems, we were hit hard by the steep downturn in the telecom industry. Still, I believe Eltek went out of the year a stronger and more agile company than we were when we went in.**

The year 2001 started off very well. In fact, the first quarter was one of our best ever. We experienced tremendous momentum as a bigger and truly global company following the Eltek/PCP merger. Business then stopped – abruptly. Our customers – the builders of wireline and wireless telecom infrastructure – completely lost their ability or willingness to invest in telecom technology. This was accompanied by a "dot.com" market that came to a near halt during the second quarter. At the same time, our costs continued to rise following growth-based decisions we had made towards the end of 2000 in the wake of the merger.

Looking back, I have no problem admitting that I misjudged the situation at the beginning of the year. I remained too positive for too long regarding the outlook - for the market, in general, and for Eltek, in particular. I believed our competitive advantages would see us through a difficult period and that our problems would be of a reasonably modest character.

This gave us all the more reason to act, then, when my management team and I realized the full extent of the market drop. The immediate task at hand was to reduce

# *and hungry*

our cost base to a level commensurate with a significantly lower level of revenue. Naturally, this could not be done without reducing the number of employees. In the last three quarters, we reduced the number of employees around the world by approximately 250, or 27 percent of the total workforce. However, these reductions were not made in a hasty or rash way; we focused on reducing capacity in our production and logistics operations, determined to retain our strength in R&D and sales.

In the third quarter, we regained control of our costs and were beginning to see the effects of the various measures we had taken. Manpower costs were significantly down, and we succeeded in reducing our inventory significantly, with an improved balance sheet as a result.

The market continued to be very slow in the fourth quarter. For us, however, the quarter was one of modest optimism, and we used this time to focus more aggressively on the opportunities present in the market. We reorganized to become more effective in our global operations, and strengthened our management resources. We established a central product management and marketing division, to increase

our efficiency in meeting market demands. We also established an OEM division, focusing on the high-volume potential of this market sector.

We cannot be satisfied with a year in which we lost money. However, I feel we can take some pride in the way we have managed to restructure our business and align it with the current business climate without compromising our ability to serve our customers.

We are a leaner and fitter company now than we were when we entered 2001. And, if anything, our appetite for success and growth has been stimulated by the challenges we have met and overcome. We look forward with optimism and are determined to go out and fight aggressively for new business. Our ambition remains the same: to be recognized as a leader in our field - the global center of excellence in telecom power, and, thereby, create long-term value for our customers and shareholders.



Morten F. Angelil, Group CEO



# *products that*

**ELTEK BECAME A GLOBAL COMPANY IN 2000, FOLLOWING THE MERGER OF ELTEK AND PCP. IN 2001, THE PRODUCT LINE ALSO BECAME TRULY GLOBAL.**

**Within the technology and product area,** Eltek has focused in two directions, consolidating and streamlining the product line to meet requirements for state-of-the-art, competitive products in all markets, and optimizing internal design in order to offer very compact products. An intense effort over the year has resulted in a product line that is more technology-rich and at the same time cost-efficient. Additionally, Eltek's products are now adopted for use in all regions and countries of the world, carrying all of the appropriate safety and operational approvals. Specifically, it has been important to adapt the cost-efficient global product range to the very stringent NEBS (Network Equipment Building Standard) required by the majority of telephone companies in the United States.

**Eltek's business remains to build,** install, and maintain DC power systems used to supply power to telecom infrastructure equipment – such as telephone

switches, wireless network base stations, and Internet hubs. These systems cover the entire range of output power and application area, from smaller systems below 100 amperes of output power used to power equipment such as digital loop carriers, 3G base stations, fiber repeaters, and small microwave networks, to large systems above 1 000 amperes, typically used for large central office switches, Internet hubs, web hosting sites, and optical switches.

**In a difficult year,** Eltek has intensified its efforts and strengthened its resources in the R&D field. Today, we have more than four times the capacity we had just a few years ago and probably maintain the strongest R&D environment in the specialized field of telecom power. Eltek has two R&D centers, one in the United States and one in Norway, as well as additional R&D resources in the U.K. During the year, R&D resources have been optimized and put under common management in the

# work everywhere



Technology Division, which bases its priorities and activities on input from the Product Management & Marketing Division. The R&D staff also co-operates closely with leading academic institutions on both sides of the Atlantic, and bases its efforts on principles of modular design, significantly reducing development time and time-to-market intervals.

**Throughout the year, the full force** of the company's R&D muscle has been applied to upgrading existing products and developing new ones. Following the merger between Eltek and PCP, a central task has been to consolidate the product lines of the two companies into one, combining the best from both, thus reducing the number of products by approximately 50 % over the year. The result is a cost efficient product line that combines high outputs with compact cabinets at attractive prices. The AC input range has also been expanded to accommodate both 220V and 110V input.

This means that Eltek now has a very competitive product line for all markets, as well as several new products in the pipeline as part of an ongoing product development process.

**In the time ahead,** our focus will remain on developing new products that are even more compact and efficient. These will include rectifiers that are operated from a three phase input, without a neutral, along with new and user-friendly monitoring and controller products. The latter will all be based on standard Internet protocols, allowing for remote operation via desktop PCs or mobile Internet terminals, through a familiar point-and-click user interface.

**To a large extent, Eltek's position** is founded on the ability to develop leading and competitive products and technology. In the years to come, this focus on staying in the forefront of telecom power technology will remain strong.



# *positioned to*

**IN A TURBULENT 2001, ELTEK HAS PERFORMED BETTER THAN THE MARKET AVERAGE AND ACTIVELY POSITIONED ITSELF FOR FUTURE GROWTH.**

**The telecom power market** in Europe was weak in 2001, in both the wireless and wireline sectors. As a result of the "dot.com meltdown," the willingness of infrastructure builders to invest in regional or pan-European wireline or optic fiber networks, and large web hosting sites, came to a near standstill during the first half, and remained very low throughout the year. Eltek has retained its technical expertise and a strong sales force within the wireline area, and is ready to exploit opportunities once this market regains its vitality.

**In the field of mobile telephony,** the lack of UMTS terminals, and the debt burden of many large telecom operators following expensive UMTS auctions, postponed, to a large degree, deployment of third-generation (3G) networks. Unlike in the U.S., Europe remains a very fragmented telecom market, consisting primarily of individual geographic markets, making it a costly region in which to operate.

**In response** to these difficult conditions, Eltek has taken a number of measures and strengthened vital activities. From a pan-European perspective, the aim is to concentrate resource-demanding core functions, such as system configuration and assembly, in a few central locations, while others will function purely as sales, distribution, and service centers. This reorganization allows for a reduction in total manpower without losing market impact.

**In the generally weak European market,** Eltek has also maintained or expanded the size and scope of its business in some countries. Russia represents a promising market and Eltek grew its business and established operations there in 2001. In several countries, deliveries to 3G networks started during the second half of the year. The 3G rollout in Europe represents a major opportunity in the time ahead. Eltek has the products, the expertise, and the organization ready to deliver once the 3G market gains momentum.

# win market share



**In Asia, there is a strong** and fundamental need for further network deployment to accommodate the continued steep growth of mobile telephony usage. Eltek's business grew in the region in 2001, both in South-east Asia and China. In China, where the growth potential is particularly high, Eltek strengthened its position through the acquisition of a majority stake in a joint venture operation in Beijing, and through the building of a new assembly plant in southern China.

**In the U.S.,** Eltek's focus has been to increase its sales and marketing power and to adopt a more aggressive approach in the market place. With a renewed and more competitive product line, Eltek is ready to exploit opportunities in both the wireless and wireline sectors of the world's largest telecom market. One of Eltek's specific aims is to develop stronger relationships with regional and local exchange carriers.

**Eltek has increased** its focus on the OEM market (power supplies that are integrated with other manufacturers' equipment), and has established an OEM division to exploit the high-volume potential of this market segment. This is a market sector where state-of-the-art technology, a low cost base, and a proven capacity to deliver are the key competitive factors. Manned by senior telecom professionals and key account managers, Eltek's ambition is to compete for this business worldwide. The company's first OEM contract was awarded in 2001 for the development and delivery, over a five year period, of power supplies and battery chargers for tactical, mobile military radios.

**Although the market** for large telecom and Internet data centers has been poor in 2001, Eltek has positioned itself to win new business in this area through its joint venture agreement with MGE UPS Systems.

Combining MGE's AC UPS power supply systems with Eltek's AC/DC product line, the new company, MGTEK Energy Systems, will be able to offer complete and integrated turn-key solutions accompanied by a strong global network of technological expertise, sales, and service. MGE UPS Systems is a world leader in UPS systems, with 37 subsidiaries, and 150 sales and customer service offices, and production facilities in Europe, the United States, and Asia.

**Throughout a difficult year** in the telecom power industry, Eltek has strengthened its relative position. With a restructured organization and even stronger focus on the opportunities in the market place, we are well positioned to further increase our share of the business.



# *the right people*

**DURING 2001, ELTEK'S ORGANIZATION HAS BEEN DOWNSIZED AND REORGANIZED TO RESTORE SOUND PROFITABILITY LEVELS AND POSITION THE COMPANY FOR FUTURE GROWTH.**

**Towards the end of 2000**, Eltek's organization grew significantly as a result of the merger between Eltek and PCP. Prior to this merger, Eltek had its stronghold in Europe and Asia, while PCP's business was principally in the United States. The result of the merger was a new, larger, and truly worldwide organization, capable of serving large international telecom players on a global scale.

**As part of the post-merger process**, there was already a strategy in place at year-end 2000 to unify the two organizations. The goal was to create one efficient global company, sharing the same vision and working in a co-ordinated way across all markets. The implementation of this strategy became all the more challenging as it coincided with the need to initiate an extensive cost reduction program as a result of the extreme curtailment of the telecom power market.

**The strategy** called for a streamlined and focused operation, which has been built

around five divisions in a new organizational model: Telecom, OEM, Product Management & Marketing, Technology, and Supply.

**The Telecom Division** constitutes the core business area of Eltek, and includes the international sales and distribution organization and the majority of the company's nearly 700 employees. It serves global, regional, and national telecom customers in Europe, Asia, and the U.S. through a network of system assembly, sales, and service offices in more than 20 countries. In addition, Eltek has a number of distributors in smaller markets, securing truly global distribution of Eltek products.

**The four remaining corporate divisions** support the regional sales offices in their sales and delivery of systems. The majority of these corporate resources are located at the largest offices in Norway, the United States, and the United Kingdom. This structure secures the ability to operate effectively as one organization around

# for the job



the world, with a unified product range, a co-ordinated marketing approach, and little to no duplication of functions.

**The establishment** of the Product Management & Marketing Division is particularly significant in this respect. This division now handles all product management across the organization. This is an important prerequisite for us, assuring that we are able to offer the right products to the market at the right time, as well as providing us with the internal efficiency the organization needs when it comes to handling product distribution.

**The Technology Division** is responsible for all technology and product development. This division also secures efficient manufacturing of components through the establishment, and close monitoring of outsourcing agreements with specialized, high-quality, and high-volume manufacturers of electronic equipment.

**The role of** the Supply Division is to plan and provide for smooth logistics and uncompromised quality throughout our entire value chain, in all markets, all the way through to end delivery and subsequent customer services.

**The OEM Division** has been established to increase Eltek's share of the high-volume OEM market.

**Throughout the year**, capacity reductions have been made, predominantly within system assembly and logistics, which are the areas where employee census is a direct reflection of available business.

**As a result of the plummeting Internet** sector, the large U.S.-based international builders of Internet infrastructure either withdrew from Europe or significantly reduced their activity in 2001. This hit our U.K. operation, which was particularly strong in this field. Consequently, the

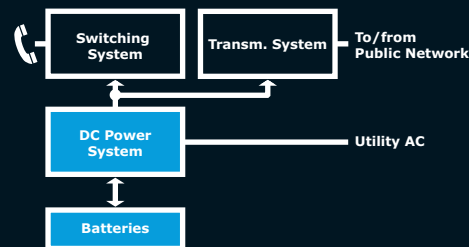
greatest manpower reductions in Europe have been made in the U.K. In the U.S., too, capacity has been reduced in response to weak market conditions. However, in Asia, our production capacity has been somewhat increased, in parallel with increased sales during the year.

**While our overall capacity** has been reduced in production and logistics, there has been an increased focus on R&D and sales. Throughout the year, these resources have been kept intact and, additionally, strengthened. In the United States, for example, the sales force has been significantly expanded.

**In 2001, Eltek has strengthened** its position as a global supplier of power solutions to the international telecom market. Our ability to develop the right products is stronger than ever. The same is true for our ability to sell to and service our customers all over the globe.

Despite the significant decline in 2001, underlying trends, such as continued growth in global mobile telephony and Internet usage and shifts in communication technologies, point to a long-term positive development for the telecom power market.

*DC power systems convert mains AC to lower voltage DC and supply power and battery backup for the switching and transmission systems in telecom networks.*



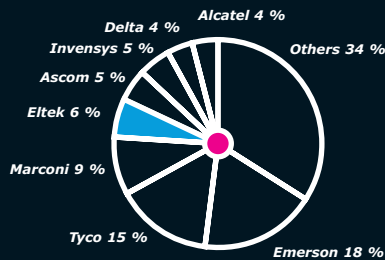
## The DC power systems market

DC power systems provide the underlying power conversion technology and battery reserves needed to operate both wireline and wireless telecom networks.

- DC power systems are used to provide power and back-up for voice and data equipment of telecom companies
- DC power systems are present throughout the network and are required in every type of end equipment application – circuit and packet switching systems, optical transport, broadband access, and wireless networks
- The long term trend in DC power systems is towards many decentralised small and micro power plants and away from the large central office power systems

# power market

Telecom DC Power Systems – Market Shares



Source: Management Estimates

## A competitive market

There are a large number of telecom DC power system manufacturers worldwide. However, very few have global capabilities. This limited group includes companies like Emerson Energy Systems, Invensys, Tyco Power Systems and Eltek. The remainder comprises a mix of large and small regional vendors.

Recent restructuring and alignments among suppliers are likely to continue for some time. Established DC power systems suppliers are getting bigger by acquiring competitors. Manufacturers of OEM power supplies and UPS are looking to enter the DC power systems arena.

## Key trends and opportunities

- Continued expansion of existing wireless and wireline networks
- New 3G wireless systems begin deployment throughout Europe in 2002
- Increased level of outsourcing of DC power knowledge as telecom companies continue to downsize
- Global DC power equipment market is estimated at USD 2,880 billion in 2001 and is expected to experience long term positive growth

# shares and sharehold

**Shareholder policy.** It is Eltek's objective to give the shareholders a high return on their investments through a good value development of the stock, as well as by paying dividends. The aim is to secure growth in the stock value through growth in both revenue and profits.

**Investor relations.** Eltek continued its tradition of arranging an annual in-depth presentation to financial analysts and investors. The 2001 presentation was held in Chicago in January. In March, management presented the company at the Capital Markets Day in Norway. In addition, a number of presentations were given in Norway and abroad. The presentations of quarterly results were subject to increasing interest during the year and peaked with a

record high number of participants at the presentation of the results for the fourth quarter.

Eltek will continue its efforts to provide the financial market with the best information possible in order to further increase the knowledge of the company and its business environment in all relevant international stock markets.

**Stock value development.** The value of the Eltek stock was significantly reduced in 2001. This was a result of a general fall in the stock markets, and particularly in telecommunication equipment stocks. A major reason for the fall in the Eltek stock was the profit warning announced early in June. The stock value was at its

lowest level on September 21, when it closed at NOK 22.80. Since then, the stock increased by 107 % and reached a value of NOK 47.20 by year-end. The market capitalization at December 31, 2001 was NOK 1 154.7 million.

**Option programs and authorities to the Board.** It is the Board's opinion that the current stock option programs for members of the board, the management and all employees have been successful and contributed significantly to create a positive and inspiring working environment for the employees. It is the Board's intention to request authority from the Shareholders Meeting to issue additional options to cover new programs for the years ahead.

KEY FIGURES (NOK)	2001	2000	1999	1998
Closing price per 31.12	47.20	213.00	70.00	20.00
High	253.00	450.00	83.00	40.00
Low	20.10	65.00	22.00	19.00
EPS, before non-recurring items <sup>1)</sup>	-0.09	5.36	3.95	3.60
Cash EPS, before non-recurring items <sup>2)</sup>	1.00	7.14	4.09	3.66
Dividend per share	0.00	19.15+1.00 <sup>3)</sup>	10.00	1.00
No. of outstanding shares as at 31.12	24 463 387	24 266 237	14 042 403	13 824 603
No. of outstanding options as at 31.12	1 666 933	1 083 333	1 102 200	660 000
No. of shareholders as at 31.12	3 181	2 070	624	761
Percentage of shares held outside Norway as at 31.12	55.0 %	47.0 %	4.6 %	2.9 %
Market capitalization as at 31.12 (NOK million)	1 154.7	5 168.7	983.0	276.5

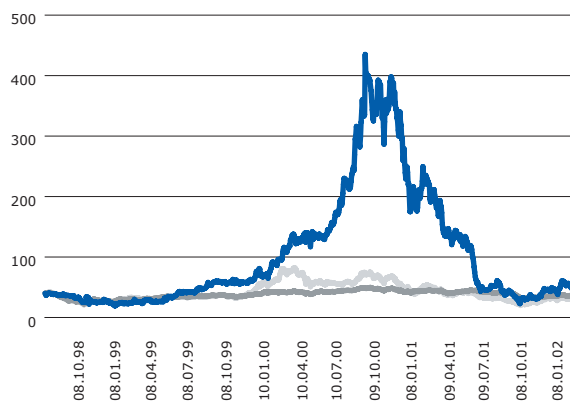
<sup>1)</sup> Net profit, continuing operations - Minority interests, per share, before non-recurring items

<sup>2)</sup> EPS + amortization of goodwill per share

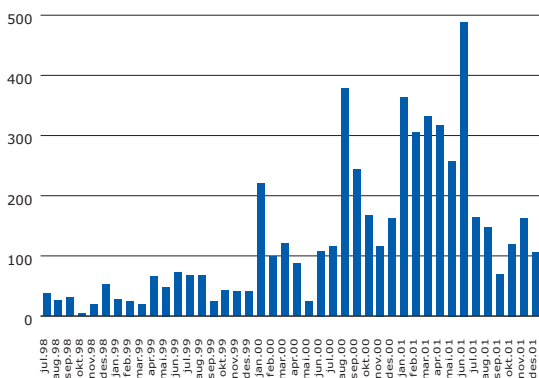
<sup>3)</sup> 19.15 paid prior to merger with PCP, 1 paid in May 2001

**Share price development** relative to OSE total index and IT index from 8 July 1998 to 30 January 2002

■ Eltek ■ IT index ■ OSEBX



**% of shares traded per month – annualized**



# ers

#### Risk amount per share

As at 01.01.1998	0.29	
As at 01.01.1999	0.36	
As at 01.01.2000	2.67	
As at 01.01.2001	-9.42	
As at 01.01.2002	0.01	(estimated)

#### Largest shareholders as at 31.01.2002 <sup>1)</sup>

SHAREHOLDERS <sup>2)</sup>	NO. OF SHARES	% OF TOTAL
Salomon Smith Barney Inc	8 670 805	35.4 %
Eitek Holding AS	4 197 400	17.2 %
Credit Agricole Indosuez	1 470 873	6.0 %
Aksjefondet Gambak	1 140 000	4.7 %
Nordea/Merita Bank Plc	960 200	3.9 %
Euroclear Bank S.A./N.V.	694 026	2.8 %
Orkla Enskilda Securities ASA	650 400	2.7 %
Skandinaviska Enskilda Banken	580 600	2.4 %
Tine Pensjonskasse	444 000	1.8 %
Kåre Allum	177 000	0.7 %
Storebrand Livsforsikring AS	165 700	0.7 %
Gustav Walter Invest AS	136 400	0.6 %
Delphi Vekst	115 000	0.5 %

<sup>1)</sup> Shareholders registered in VPS as at 06.02.2002

<sup>2)</sup> Individual shareholdings held by the same owner are not grouped together

# *report of the board*

**2001 was an extraordinarily challenging year for Eltek in a telecom power market that weakened dramatically. The company's response has been a far-reaching restructuring and streamlining process to restore sound profitability levels and position the company for future growth.**

As a specialist provider of power solutions for the telecom industry, Eltek was hit hard by the drop in the telecom market. Eltek's business is predominantly based on supplying power systems for telecom infrastructure in new-building projects, with a relatively small portion of revenue generated from servicing its installed base of systems. When investments in infrastructure stopped or were postponed, Eltek's order entry suffered accordingly. Nevertheless, the company managed to maintain a strong presence in the power market.

The market slowdown during the first half of the year resulted in a significantly lower revenue potential for the remainder of the year. Eltek's focus during most of 2001 has therefore been to plan and implement an ambitious cost-cutting program designed to align costs with a lower level of revenue, and to strengthen those functions that are crucial to competitiveness in the short and long term, i.e. sales, marketing, and R&D.

**Results.** Revenue fell by 21 % to NOK 1 498.7 (1 894.0) million. Excluding non-recurring items, operating profit before depreciation and amortization (EBITDA) was NOK 72.9 (252.1) million, operating profit (EBIT) was NOK 22.2 (189.1) million,

net profit before taxes was NOK 7.1 (205.6.) million, and net profit after tax was NOK 2.3 (135.4) million. Non-recurring items, all booked in the second quarter, amounted to NOK 619.7 million, of which NOK 480 million was a writedown of goodwill, mainly within PCP, with whom Eltek merged in 2000. The remaining NOK 139.7 million included restructuring costs, NOK 30.7 million, and provisions for bad debt, NOK 39.9 million, and obsolete inventories, NOK 69.1 million. Some of Eltek's customers have faced payment problems or have gone into liquidation during 2001. The reduced business volume beginning in the second quarter resulted in a build-up of the company's inventories.

Net profit including non-recurring items was NOK -536.5 million. Earnings per share before non-recurring items were NOK -0.09 (5.36), while the corresponding figure including non-recurring items was NOK -22.11. Orders received in 2001 amounted to NOK 1 142 (2 162) million, a reduction of 47 % compared to 2000. The order backlog was NOK 141 (498) million at year end. Despite the extreme market conditions that prevailed in 2001, Eltek increased its market share during the year.

# of directors



**Erik Thorsen, Chairman**  
**William H. Crown**  
**Alain F. Angell**

**Capital.** Share capital was increased by NOK 0.2 million through execution of stock options by employees. The non-recurring items charged in the second quarter reduced equity by NOK 538.8 million, net after tax. As per December 31, 2001, equity amounted to NOK 470.8 million, corresponding to an equity ratio of 45.1 %. Liquid funds, including unused drawing facilities, were NOK 327 million. The parent company has distributable equity of NOK 327,5 million. The Board of Directors confirms that the accounts are presented assuming continued operations.

**Restructuring.** The restructuring program has focused on two main elements: cost reduction, and optimization of the organization. From the second quarter, the work force was reduced by 251 persons, or 27 %. Terminations took place predominantly in system assembly, project management, and other functions where capacity is directly linked to the processing of orders. The total costs in connection with terminations, NOK 30.7 million, are part of the non-recurring items charged to the accounts in the second quarter. The majority of the reductions have been carried out in the U.S. operation and in the U.K. and France. Another key to cost control has been the effort to reduce inventories, which increased

significantly in the first half of the year. This increase was a result of decisions made late in 2000 in expectation of a growing market, which did not materialize. In the second half, inventories were reduced by NOK 115 million. Accounts receivable were reduced by NOK 109 million. The working capital reductions led to improved cash flow in the second half, a development that is expected to continue throughout 2002. Additionally, a number of other cost reduction measures have been implemented, including the relocation and consolidation of sites, and the sale of buildings and equipment.

**Organizational changes.** Along with cost reductions, the organization has been restructured to improve Eltek's ability to meet market demands and exploit opportunities in the market. A key change is the strengthening of R&D, sales and marketing resources. The new organizational structure, with Product Management & Marketing as a corporate function, is an important step to improve Eltek's ability to serve the global market efficiently. Management resources have also been strengthened with the hiring of new management in charge of the Telecom Division, the OEM Division, and Product Management & Marketing.



**Edward S. Weil, jr.**  
**Arve Johansen**  
**Joe T. Ford**

**Europe.** Sales in Europe amounted to NOK 508 (705) million, or 34 (37) % of the Group's total sales. This reflects a reduction of 28 %. The most significant impact came from the very weak conditions found in the wire-line sector, caused by operators withdrawing from the market and considerably lower activity level with operators involved in building IP-based networks for Internet traffic. The first UMTS deliveries started in 2001. This sector clearly has growth potential throughout Europe, and Eltek is in a good position to participate in 2002 and beyond. Despite a decline in the total amount of European business in 2001, some markets were performing well. In Russia, Eltek established a new company to meet growing demand in this high-potential market. In Sweden, the company acquired Tripod, a company focused on installation services, with a broad customer base in the telecom industry, and extensive experience in the installation of power systems.

**The Americas.** Market conditions were also poor throughout the year in the U.S., and focus in the U.S. wireless sector is still very much tied to second generation mobile telephony. In the wire-line sector, traditional operators still have a fair activity

level going. Management resources in the U.S. were strengthened throughout the year and a new President of Eltek's American operations was hired in January 2002. Eltek is well positioned to grow its business in the U.S., with a considerably strengthened sales force and an improved, more competitive product line. In 2001, sales declined by 32 % to NOK 591 (864) million, representing 40 (46) % of total sales.

**Asia/Pacific and China.** Sales in Asia/Pacific and China amounted to NOK 379 (303) million, or 25 % of the Group's total sales. This is an increase of 25 % from 2000. Eltek has benefited from its broad presence in the largest markets in the region, such as China, Malaysia, and Australia. Investment activity in telecom infrastructure is still high, fueled by steeply growing mobile telephony penetration. In China, Eltek acquired a majority stake in its operations in Beijing, and opened a new assembly plant in Dongguang in southern China. Historically, both legislation and business culture has made it hard for international players to compete with Chinese companies. This is why Eltek continued its efforts to build a local profile for its operations in China. In combination with China's



**Gunnar Tandberg**  
**Inge Forseth**

new membership in the WTO, Eltek's position is strengthened with respect to new opportunities in the world's fastest growing market.

**Targeting OEM.** It has been Eltek's ambition for some time to obtain a stronger position as a supplier of embedded power products to the telecom equipment industry. In the second half of the year, Eltek set up a separate OEM division that will work systematically and long-term to build relationships with the large communications equipment suppliers, both in the private and military markets. Eltek received its first OEM contracts late in the year, and has had a promising start in this interesting market sector.

**MGTEK joint venture.** In October, Eltek announced the establishment of MGTEK Energy Systems, a 50/50 joint venture with MGE UPS Systems, a leading global supplier of uninterrupted power systems. The goal is to combine the products and solutions from the two companies and offer complete turnkey systems for larger Internet and telecom data center sites. Operationally, MGTEK will co-ordinate the resources from the two global sales organizations. In Sweden the Eltek and MGE

sales organizations have already been integrated into the Eltek organization, while in other markets, MGE's sales network can provide access to new customer groups for Eltek products.

**Organization and environment.** The Eltek organization has been under intense pressure in 2001. The industry's steep downturn and subsequent restructuring came in the middle of the company's post-merger activities. This has made the restructuring work more challenging, in particular for people who had to leave the company. Overall, the Board appreciates the contribution and commitment to the restructuring process from employees all over the world. As of December 31, 2001, there were, in total, 690 (794) employees in the Group, while the parent company had 6 (6) employees.

**Strategic direction.** The strategy for Eltek continues to build on our ambition to be one of the leading companies within telecom power, with Eltek playing an active part in the structural changes that take place in the industry. This calls for a continued effort to expand the distribution network, either through acquisitions or other forms of partnerships or co-operation, of


which the MGTEK joint venture is an example. In 2001, it was the company's global reach, and more specifically, its position in Asia, that made it possible to outperform many of its competitors. In line with this strategy, Eltek will also continue to strengthen its position in the OEM sector, and retain its strong focus on R&D in order to stay in the technological forefront.



**Prospects.** With the events of 2001 in mind, it is very difficult to make firm assessments of the future telecom power market. Most market research analysts believe that slow and gradual growth in the global market is likely. During 2001, Eltek has become a more unified, streamlined, and agile company, with more competitive products and strong positions in important markets. This should enable Eltek to maintain its competitiveness and to further

position the company to execute on future market opportunities.

**Distribution of profit.** Net profit for the year for Eltek ASA amounted to NOK 1.4 (215.1) million. The Board proposes that NOK 1.4 million be transferred to Other equity. Furthermore, the Board proposes a Group contribution of NOK 1.7 million, net after tax, to subsidiaries.

Drammen, 31 December 2001/7 February 2002  
Board of Directors Eltek ASA

  
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Erik Thorsen  
Chairman  
  
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Alain F. Angelil

  
Edward S. Weil, jr.

  
Joe T. Ford

  
Gunnar Tandberg

  
Inge Forseth

  
Morten F. Angelil  
Group CEO

## profit and loss account – group

<i>Amounts in NOK 1 000</i>	<i>Note</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>
<b>Revenue</b>	4	<b>1 498 690</b>	<b>1 893 987</b>	<b>1 117 531</b>
Cost of goods sold		1 031 260	1 154 376	644 993
Personnel costs	20	297 399	284 745	197 749
Depreciation	6	23 940	19 958	16 228
Amortization and impairment of goodwill	5	506 736	42 992	37 362
General, administrative and marketing expenses	21	236 831	202 800	166 237
Total operating costs		2 096 167	1 704 870	1 062 569
<b>Operating profit</b>		<b>-597 476</b>	<b>189 118</b>	<b>54 962</b>
Share of result in associated companies	7	197	6 587	1 651
Financial income	22	24 300	26 011	6 742
Financial costs	22	39 583	16 090	7 113
Net financial items		-15 086	16 507	1 280
<b>Profit before tax, continuing operations</b>		<b>-612 562</b>	<b>205 625</b>	<b>56 242</b>
Taxes, continuing operations	15	-76 042	70 274	18 437
<b>Net profit, continuing operations</b>		<b>-536 520</b>	<b>135 350</b>	<b>37 805</b>
Discontinued operations	27		221 376	212 359
Equity participation plan	26		-54 955	
Taxes, discontinued operations	27		26 610	59 267
Taxes, equity participation plan	26		-21 432	
<b>Net profit for the year</b>		<b>-536 520</b>	<b>296 595</b>	<b>190 897</b>
Minority interests, continuing operations	13	3 523	6 638	2 901
Minority interests, discontinued operations	13		248	661
EPS (NOK)	1, 23	-22.11	12.05	7.94
Diluted EPS (NOK)	1, 23	-22.11	11.81	7.93
EPS, continuing operations (NOK)	1, 23	-22.11	5.36	1.48
Diluted EPS, continuing operations (NOK)	1, 23	-22.11	5.25	1.48
Cash EPS, continuing operations (NOK)	1, 23	-1.36	7.14	3.06
EBITDA		-66 800	252 067	108 552

**balance sheet – group**

<b>Amounts in NOK 1 000</b>	<b>Note</b>	<b>31.12.01</b>	<b>31.12.00</b>	<b>31.12.99</b>
<b>ASSETS</b>				
<b>Fixed assets</b>				
Deferred tax asset	15	95 627	11 688	21 607
Goodwill	5	61 678	541 561	514 668
<b>Total intangible fixed assets</b>		<b>157 305</b>	<b>553 249</b>	<b>536 275</b>
<b>Tangible fixed assets</b>				
	6	<b>115 444</b>	<b>84 963</b>	<b>69 842</b>
Shares in associated companies	7	15 702	27 180	19 393
Shares and holdings in other companies	7	804	804	678
Other long term receivables		6 688	517	42 816
<b>Total financial assets</b>		<b>23 194</b>	<b>28 501</b>	<b>62 886</b>
<b>Total fixed assets</b>		<b>295 942</b>	<b>666 713</b>	<b>669 003</b>
<b>Current assets</b>				
Inventories	9	286 793	258 744	195 455
Trade receivables	10	309 279	476 673	266 344
Other receivables		37 194	27 345	16 242
Cash and cash equivalents	12	113 740	128 333	124 247
<b>Total current assets</b>		<b>747 006</b>	<b>891 094</b>	<b>602 289</b>
<b>Total assets</b>		<b>1 042 948</b>	<b>1 557 807</b>	<b>1 271 292</b>

<i>Amounts in NOK 1 000</i>	<i>Note</i>	<b>31.12.01</b>	<b>31.12.00</b>	<b>31.12.99</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	13	24 463	24 266	23 788
Other equity		422 280	944 589	871 084
Minority interests	13	24 059	24 266	14 455
<b>Total equity</b>	<b>13</b>	<b>470 802</b>	<b>993 121</b>	<b>909 327</b>
<b>Liabilities</b>				
Pension liabilities	14	3 032	3 231	3 869
Other provisions	17	33 073	32 337	13 913
<b>Total provisions</b>		<b>36 104</b>	<b>35 568</b>	<b>17 783</b>
Long term liabilities to financial institutions	18	201 532	99 426	50 024
Other long term liabilities	6	7 127	5 890	12 339
<b>Total long term liabilities</b>		<b>208 659</b>	<b>105 316</b>	<b>62 364</b>
Bank overdraft	12	51 107	13 271	704
Trade creditors		119 408	203 849	125 161
Tax payable	15	15 126	49 283	75 456
Public duties payable		9 358	24 912	10 468
Dividend payable			24 266	
Other short term liabilities	18	132 383	108 221	70 030
<b>Total short term liabilities</b>		<b>327 383</b>	<b>423 802</b>	<b>281 818</b>
<b>Total liabilities</b>		<b>572 146</b>	<b>564 686</b>	<b>361 965</b>
<b>Total equity and liabilities</b>		<b>1 042 948</b>	<b>1 557 807</b>	<b>1 271 292</b>


Drammen, 31 December 2001/7 February 2002  
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Morten F. Angelil  
Group CEO

**cash flow analysis – group**

<b>Amounts in NOK 1 000</b>	<b>Note</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
<b>Cash flow from operations</b>				
Net profit for the year		-536 520	296 595	190 897
Depreciation, amortization and impairment		530 676	62 949	53 590
Net profit and loss effect from disposals		2 747	-194 766	-153 277
Change in deferred tax		-83 939	9 918	-11 265
Result in associated companies		-197	-6 587	-1 651
Change in inventories, trade receivables and trade creditors		89 763	-194 350	-120 701
Change in other accruals		-50 765	13 507	137 160
Foreign currency translation effects		3 320	15 475	5 968
<b>Net cash flow from operations</b>		<b>-44 915</b>	<b>2 741</b>	<b>100 721</b>
<b>Cash flow from investments</b>				
Investments in fixed assets		-53 738	-34 643	-22 490
Investments in consolidated companies	25	-38 674	-9 289	-20 829
Investments in shares			-126	-17 410
Sale of fixed assets (sales price)		984		411
Net cash effect from divestiture of subsidiaries	25		242 932	147 579
Change in other investments		-6 171		
<b>Net cash flow from investments</b>		<b>-97 599</b>	<b>198 874</b>	<b>87 261</b>
<b>Cash flow from financing</b>				
New long term debt		103 343	59 801	47 018
Repayment of debt			-10 399	-5 860
Change in pension liabilities		-199	-639	-1 077
Capital increase		11 405	17 333	6 316
Dividend paid		-24 463	-275 052	-154 249
Other equity transactions			-1 140	-5 879
<b>Net cash flow from financing</b>		<b>90 086</b>	<b>-210 096</b>	<b>-113 731</b>
<b>Net change in liquid funds</b>				
Liquid funds as at 01.01		115 062	123 543	49 292
Liquid funds as at 31.12		62 633	115 062	123 543

## notes to the accounts

### NOTE 1 – ACCOUNTING POLICIES

#### Accounting standards

The Company and the Group financial statements are prepared in accordance with the Norwegian Accounting Act and Norwegian Generally Accepted Accounting Practice (NGAAP).

#### Basis of preparation

The accompanying financial statements have been prepared under the historical cost convention.

#### Principles of consolidation

The consolidated financial statements of the Group include Eltek ASA and the companies that it controls. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50 % of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheets and income statements, respectively.

The business combination between Eltek and Power Conversion Products (PCP) in 2000 was accounted for as uniting of interests. The effect of this principle was that book values for Eltek and PCP were combined. The Group figures for 1999 are presented as if Eltek and PCP had been combined as at 1 January 1998.

Acquisitions are accounted for under the purchase method. Companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal. Discontinued operations are classified separately in the profit and loss statement and included as long term receivables in the balance sheet in periods up to the disposal.

Investments in associated companies (generally investments of between 20 %

to 50 % in a company's equity) where the Group exercises a significant influence are accounted for by using the equity method.

Intercompany balances and transactions, including intercompany profits and unrealised profits and losses are eliminated.

The consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events in similar circumstances.

#### Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

#### Receivables

Receivables are stated at face value, after provision for doubtful accounts.

#### Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, trade and other accounts receivable and payable, long term receivables, loans and investments. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies disclosures in this Note.

#### Hedging foreign currency risk

The Company uses option contracts and forward exchange contracts to mitigate exposure to foreign currency risk. These contracts are accounted for as foreign currency transactions. Gains and losses on derivative financial instruments used for hedging of foreign currency transactions are recognised as income or expense on the same basis as the corresponding hedged position.

#### Inventories

Inventories, including work-in-progress, are valued at the lower of cost and net realisable value, after provision for obsolete items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined primarily on the basis of weighted average cost. For processed inventories, cost includes the applicable allocation of fixed and variable overhead costs. Unrealisable inventory has been fully written off.

#### Property, plant and equipment

Property, plant and equipment, other than investment properties, are stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings	5 – 50 years
Plant and machinery	3 – 10 years
Fixtures and office equipment	3 – 10 years

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

#### Impairment of assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in profit and loss statement for items of property, plant and

equipment and intangibles carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or has decreased. The reversal is recorded in the profit and loss statement.

### Accounting for leases

#### *Finance lease*

The Company recognises finance leases as assets and liabilities in the balance sheets at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. A finance lease gives rise to depreciation expense for the asset as well as a finance expense for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned.

#### *Operating lease*

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

### Goodwill

The excess of the cost of an acquisition over the Company's interest in the fair value of the net identifiable assets acquired as at the date of the exchange transaction is recorded as goodwill and recognised as an asset in the balance sheet. Goodwill is carried at cost less accumulated amortization and accumulated impairment losses. Goodwill is amortized on a straight-line basis over its useful life.

The amortization period is determined at the time of the acquisition based upon the particular circumstances and ranges from 10 to 20 years, dependent upon the respective companies financial development and market position. The unamortized balances are reviewed at each balance sheet date to assess the probability of continuing future benefits.

### Research and development costs

Research and development costs are expensed as they are incurred.

### Revenue recognition

Revenues are recognised net of sales taxes and discounts when delivery has taken place. Revenue from rendering services

is recognised by reference to the stage of completion when can be measured reliably. The stage of completion is determined based on surveys of work performed.

### Foreign currencies

#### *Foreign currency transactions*

Foreign currency denominated monetary balance sheet items such as cash, receivables, payables and loans are translated at the exchange rate at the balance sheet date.

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the balance sheet, and the transactions in the income statement at the average exchange rates throughout the accounting period. The currency effects from these translations are recorded directly to equity.

On the disposal of a foreign entity the cumulative amount of exchange rate differences that relate to the foreign entity, are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

### Employee benefits

#### *Defined benefit plans*

The Group's companies in Norway provide defined benefit pension plans for all employees. Pension costs and pension liabilities are estimated on the basis of linear earnings and assumptions of discount rate, future wage adjustments, pension and other payments from the national insurance fund, future return on pension funds and actuarial assumptions for deaths, voluntary resignation etc. Pension funds are valued at fair value and deducted from net pension liabilities in the balance sheet. Changes in the pension obligations due to changes in pension plans are recognized over the estimated average remaining service period. When the accumulated effect of changes in estimates, changes in assumptions and deviations from actuarial assumptions exceed 10 percent of the higher of pension obligations and pension plan assets, the excess amount is recognized over the estimated average remaining service period ("corridor").

#### *Defined contribution plans*

In addition to the defined benefit plans described above, the Group's companies in UK and the US sponsor defined contribution plans based on local practices and regulations. The Group's contributions relating to defined contribution plans are charged to income in the year to which they relate.

### Share options

Board members, management and other employees have been granted options to subscribe for shares in the Company. Employee compensation expenses are measured on the date of the grant of the share options and represent the excess of the quoted market price of the shares over the share option price. Social security taxes are measured at the end of each reporting period based on the excess of the quoted market price of the shares over the exercise price. The expenses are recognised as personnel costs on a straight-line basis over the service period.

### Income taxes

The income tax charge is based on profit for the year and considers deferred taxation. Deferred taxes are calculated using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates in the balance sheet day. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are recognised regardless of when the timing difference is likely to reverse.

Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, unrecognised deferred tax assets and the carrying amount of deferred tax assets are re-assessed. The enterprise recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity, including adjustments to the opening balance of retained earnings

resulting from either a change in accounting policy that is applied retrospectively or the correction of a fundamental error.

#### Classifications in the balance sheet

Assets intended for long term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities.

#### Earnings per share (EPS)

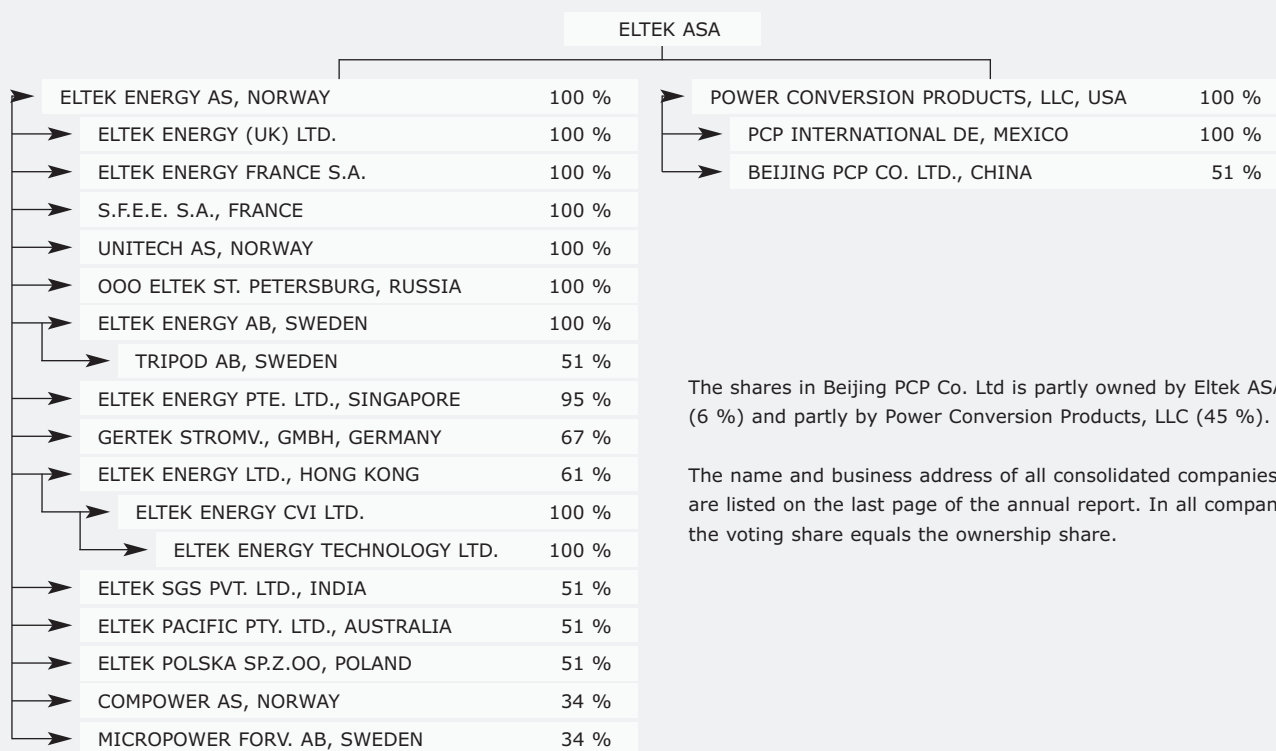
Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit attributable to ordinary shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares from exercise

of share options. Share options are deemed to have been converted into ordinary shares on the date when the options were granted.

Cash earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders plus amortization of goodwill by the weighted average number of ordinary shares outstanding during the period.

## NOTE 2 – GROUP STRUCTURE



## NOTE 3 – ACQUISITIONS

Eltek has made three acquisitions and established one new subsidiary in 2001. The key figures from these acquisitions are as follows

Company shares acquired in 2001	Share	Acquired/ established	Cost	Included in Group accounts as at
Beijing PCP Co. Ltd, China	1 %	Acquired	1 800	01.04.01
S.F.E.E. S.A., France	49 %	Acquired	21 928	01.04.01
Tripod AB, Sweden	51 %	Acquired	6 410	01.05.01
OOO Eltek St. Petersburg, Russia	100 %	Established	46	01.05.01

For the shares in Tripod AB 2 203 (2 663 SEK), including acquisition expenses, have been paid. Additionally there is a conditional compensation related to the Company's results in 2001 and 2002. This is estimated to 4 071 (4 620 SEK) and has been added to the cost price for the shares, and also provided for as provisions in the balance sheet as at 31.12.01. Furthermore, the minority share owners have the option (put option) to sell their shares to the Group by the end of 2002 at a price based on the result of the Swedish operations in 2001 and 2002. If the sellers do not exercise their put option Eltek has an option (call option) to acquire the minority shares from the sellers.

All acquired companies are accounted for in accordance with the purchase method. Goodwill of the acquisitions is shown in Note 5.

**NOTE 4 – REVENUE BY GEOGRAPHICAL REGION**

	<b>Group</b>		
	2001	2000	1999
Americas	590 589	864 248	490 018
Europe	508 302	705 119	434 217
China	151 928	110 643	90 834
Asia/Pacific	226 447	191 893	79 656
Africa	21 424	22 084	22 806
<b>Total revenue</b>	<b>1 498 690</b>	<b>1 893 987</b>	<b>1 117 531</b>

**NOTE 5 – GOODWILL**

	Eltek		Unitech	S.F.E.E.	Eltek		Eltek	Energy	Tripod	BPCP	Total
	Energy	(UK) Ltd			Energy	Pacific					
<b>Goodwill in subsidiaries</b>	PCP, LLC	(UK) Ltd	AS	S.A.	Pte Ltd	Pty Ltd	Energy	Ltd	AB	Co. Ltd	Total
Acquiring cost as at 01.01	601 550	10 216	6 530	14 016	238	18 154	2 334				653 039
Additions				17 445					6 236	1 675	25 356
Impairment	-434 533	-7 775	-4 666	-27 750	-145	-11 131					-486 000
Accumulated amortization	-127 313	-2 441	-1 864	-3 711	-94	-1 896	-350		-418	-126	-138 213
Foreign currency translation effects	7 496										7 496
<b>Book value as at 31.12</b>	<b>47 200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5 127</b>	<b>1 984</b>	<b>5 818</b>	<b>5 818</b>	<b>1 549</b>	<b>61 678</b>
Amortization for the year	-22 395	-398	-445	-1 257	-22	-1 442	-233		-418	-126	-26 736
Impairment for the year	-434 533	-7 775	-4 666	-27 750	-145	-11 131					-486 000
Rate of amortization	7 %	5 %	10 %	10 %	10 %	10 %	10 %		10 %	10 %	

Of the total impairment of goodwill in Eltek Pacific Ltd 6 000 is reduction of the estimated earn-out to sellers. This has been offset with a corresponding reduction in the liability provided for as provisions in the balance sheet as at 31.12.2000. Consequently, total impairment of goodwill charged to the profit and loss account in 2001 is 480 000.

	Compower Micropower		
	AS	Forv. AB	Total
<b>Goodwill in associated companies</b>			
Acquiring cost as at 01.01	192	4 537	4 729
Accumulated amortization	-88	-1 248	-1 335
<b>Book value as at 31.12</b>	<b>104</b>	<b>3 289</b>	<b>3 393</b>
Amortization for the year	-19	-454	-473
Rate of amortization	10 %	10 %	

**NOTE 6 – TANGIBLE FIXED ASSETS**

	<b>Group</b>			Total
	Land and buildings	Plant and machinery	Fixtures and office equipment	
Acquiring cost as at 01.01	46 430	22 152	75 409	143 991
Additions	19 898	1 735	36 358	57 991
Disposals		2 254	1 477	3 731
Accumulated depreciation	13 747	13 309	55 929	82 985
Foreign currency translation effects	19	57	102	178
<b>Book value as at 31.12</b>	<b>52 600</b>	<b>8 381</b>	<b>54 463</b>	<b>115 444</b>
Depreciation for the year	2 823	3 029	18 088	23 940
Rate of depreciation	2–20 %	10–33 %	10–33 %	

	Parent Company		
	Land and buildings	Fixtures and office equipment	Total
Acquiring cost as at 01.01	1 346	11 576	12 922
Additions	449	1 432	1 881
Disposals		831	831
Accumulated depreciation	1 107	5 959	7 066
<b>Book value as at 31.12</b>	<b>688</b>	<b>6 218</b>	<b>6 906</b>
Depreciation for the year	65	1 813	1 878
Rate of depreciation	10 %	10-33 %	

	Group			Parent Company		
	Capitalized as at 31.12	Cost 2001	Contract expiry	Capitalized as at 31.12	Cost 2001	Contract expiry
<b>Finance lease</b>						
Plant and machinery	8 285	2 497	2002/2004	6 322	827	2003
Fixture and office equipment	681	265	2002/2004			
<b>Total</b>	<b>8 966</b>	<b>2 762</b>		<b>6 322</b>	<b>827</b>	

The long term liability related to finance lease is booked as Other long term liabilities in the balance sheet.

	Group		Parent Company	
	Cost 2001	Contract expiry	Cost 2001	Contract expiry
<b>Operating lease</b>				
Plant and machinery	1 962	2002/2005	210	2002/2003
Fixture and office equipment	3 535	2002/2003	150	2002/2004
Land and buildings	13 805	2002/2013		
<b>Total</b>	<b>19 302</b>		<b>360</b>	

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 subsidiary Eltek Energy AS. The annual rental cost is 2 344, with expiry in 2002 - 2004.

## NOTE 7 – SHARES

	Business office	Share in %	Acquiring cost	Group			Share of value as at 31.12	Amortization of goodwill this year	Book value as at 31.12
				Share of value as at 01.01	Share of profit this year	Foreign currency translation			
<b>Shares in associated companies</b>									
Micropower Forv. AB	Sweden	34 %	13 356	14 768	1 074	-829	15 013	454	3 289
Beijing PCP Co Ltd	China	Ref. below		11 826	-980	539			
Compower AS	Norway	34 %	312	586	104		690	19	104
<b>Total shares in associated companies</b>			<b>13 668</b>	<b>27 180</b>	<b>197</b>	<b>-290</b>	<b>15 702</b>	<b>473</b>	<b>3 393</b>

After acquisition of a 1 % controlling share in Beijing PCP Co. Ltd as at 01.04.2001, resulting in total ownership interest of 51 %, this investment has been consolidated into the group accounts. The Group's share of the result in Beijing PCP in first quarter 2001, is included in Share of result in associated companies.

	Business office	Share in %	Book value as at 31.12
Vensafe AS	Norway	3.6 %	551
Eltek Energy (M) SDN.BHD	Malaysia	19.0 %	253
<b>Total shares in other companies</b>			<b>804</b>

	Parent Company		
	Business office	Share in %	Book value as at 31.12
<b>Shares in subsidiaries</b>			
Eltek Energy AS	Norway	100 %	326 714
Power Conversion Products, LLC	USA	100 %	679 109
Beijing PCP Co. Ltd	China	6 %	2 949
<b>Total shares in subsidiaries</b>			<b>1 008 772</b>

## NOTE 8 – RECEIVABLES AND LOANS TO GROUP COMPANIES

	Parent Company		
	2001	2000	1999
Long term receivables	19 906	217 875	379 768
Short term receivables			230
<b>Total Group receivables</b>	<b>19 906</b>	<b>217 875</b>	<b>379 998</b>
<b>Group liabilities</b>	<b>26 913</b>	<b>944</b>	<b>232 252</b>

Of the total long term receivables, 19 906 is due later than one year after balance sheet date, and 0 is due later than five years after balance sheet date.

## NOTE 9 – INVENTORIES

	Group		
	2001	2000	1999
Raw materials	89 397	128 950	95 530
Work in progress	26 569	37 165	33 319
Finished goods	170 827	92 629	66 606
<b>Total inventories</b>	<b>286 793</b>	<b>258 744</b>	<b>195 455</b>

Due to the steep down-turn in the telecom sector, a provision for obsolete and slow-moving inventories is included with 70 085 as of 31.12.01. The corresponding provisions as at 31.12.00 and 31.12.99 were 11 242 and 9 544, respectively.

## NOTE 10 – TRADE RECEIVABLES

	Group		
	2001	2000	1999
Trade receivables	347 723	485 022	273 459
Provision for bad debt	-38 444	-8 349	-7 115
<b>Total trade receivables</b>	<b>309 279</b>	<b>476 673</b>	<b>266 344</b>

## NOTE 11 – FINANCIAL INSTRUMENTS

Option contracts and forward exchange contracts as at 31.12.2001

Currency	Buy/Sale	Type of contract	Group		
			Year of expiry	Amount in currency	Rate
GBP	Sale	Forward	2002 - 2003	5 800	13.59 - 14.11
	Sale	Put option <sup>1)</sup>	2002 - 2003	2 000	13.57 - 13.68
EUR	Sale	Put option <sup>1), 2)</sup>	2002	1 000	8.34
USD	Sale	Forward	2002	2 000	9.38 - 9.51
	Sale	Put option <sup>1)</sup>	2002 - 2003	5 000	9.42 - 9.83

<sup>1)</sup> The bank has a call option to buy the double amount at the same rate.

<sup>2)</sup> For Euro the bank has in addition a call option for 4 000 in October 2002 at a rate of 8.41.

The foreign exchange contracts listed above are entered into to hedge future cash flows.

**NOTE 12 - CASH AND CASH EQUIVALENTS**

	<b>Group</b>			<b>Parent Company</b>		
	2001	2000	1999	2001	2000	1999
Cash	113 740	85 611	64 247	248 198	139 060	119 077
Certificates in Norwegian banks			20 000			20 000
Money market funds		42 722	40 000		42 722	40 000
<b>Total cash and cash equivalents</b>	<b>113 740</b>	<b>128 333</b>	<b>124 247</b>	<b>248 198</b>	<b>181 782</b>	<b>179 077</b>
Total overdraft facilities	263 948	93 649	105 980			
<b>Unused overdraft facilities</b>	<b>212 841</b>	<b>80 378</b>	<b>105 276</b>			

No bank deposits are locked-up, as a bank guarantee is given for payroll tax liabilities.

**NOTE 13 - EQUITY**

	<b>Group</b>		
	2001	2000	1999
<b>Minority interests, discontinued operations</b>			
Minority's share of profit, discontinued operations		248	661
Minority interests, discontinued operations as at 31.12			1 232

The minority interests related to discontinued operations are included in the line Other long term receivables in the balance sheet.

**Minority interests, continuing operations**

Minority interests as at 01.01	24 266	14 455	8 154
Minority's share of profit, continuing operations	3 523	6 638	2 901
Sales/acquisitions of minority shares/capital changes	-3 541	2 301	6 091
Dividend			-2 524
Foreign currency translation	-189	873	-167
<b>Minority interests, continuing operations as at 31.12</b>	<b>24 059</b>	<b>24 266</b>	<b>14 455</b>

**Equity**

Equity as at 01.01	968 854	894 872	815 880
Issue of shares	11 405	17 333	6 316
Net profit for the year	-540 044	289 709	187 335
Dividend	-197	-299 318	-140 424
Foreign currency translation	6 726	65 882	35 255
Transaction cost		-33 758	
Capital changes in PCP		34 134	-9 490
<b>Equity as at 31.12</b>	<b>446 743</b>	<b>968 854</b>	<b>894 872</b>

**Total equity as at 31.12**

**470 802      993 121      909 327**

	<b>Parent Company</b>		
	2001	2000	1999
Equity as at 01.01	1 064 747	473 687	583 228
Issue of shares	11 405	675 317	6 316
Net profit for the year	1 419	215 061	24 567
Dividend	-197	-299 318	-140 424
<b>Equity as at 31.12</b>	<b>1 077 374</b>	<b>1 064 747</b>	<b>473 688</b>

The Parent Company's share capital as at 31.12.2001 is NOK 24 463 387, spread across 24 463 387 shares at nominal value NOK 1. There is only one class of shares and all shares have an equal vote.

The Board has been authorized to issue new shares in accordance with share option agreements with key personnel

261 433 shares at NOK 58 with execution dates in April 2002.

90 000 shares at NOK 70 with execution dates in April 2002.

25 000 shares at NOK 135 with execution dates in April 2002.

30 000 shares at NOK 153 with execution dates in April and November 2002.

5 500 shares at NOK 180 with execution dates in March and April 2002.

235 000 shares at NOK 175 with execution dates in March, April and November 2002 and March 2003.

60 000 shares at NOK 205 with execution dates in March and November 2002 and March and November 2003.

930 000 shares at NOK 30 with execution dates in March 2003 and March 2004.

For all option programs listed above, execution of options can be postponed until the latest day of each program.

Further, the board is authorized to issue 4 971 270 shares as payment in the case of mergers or acquisitions of companies or financing through a general share issue. The power of attorney has maturity until the Shareholders' meeting in 2002. As part of the payment for the 25 % share of Unitech AS in 1999, the sellers were offered options to buy 60 000 shares at NOK 57, whereof 30 000 shares with execution in April 2002 remain.

Members of the Board, the Group CEO and leading employees own the following shares and options in the Company as at 31.12.2001 (information on no. of shares below includes shares lent out and excludes shares borrowed)

Name	Function	No. of shares	No. of options
Erik Thorsen	Chairman of the board	0	30 000 <sup>1)</sup>
Alain F. Angelil	Member of the Board	6 804 003*	65 000 <sup>2)</sup>
William H. Crown	Member of the Board	7 480 828**	15 000 <sup>3)</sup>
Joe T. Ford	Member of the Board	1 000	15 000 <sup>3)</sup>
Arve Johansen	Member of the Board	23 855	15 000 <sup>4)</sup>
Edward S. Weil, jr.	Member of the Board	1 071 823***	15 000 <sup>3)</sup>
Inge Forseth	Member of the Board	1 200	5 500 <sup>5)</sup>
Gunnar Tandberg	Member of the Board	1 000	7 500 <sup>6)</sup>
Morten F. Angelil	Chief Executive Officer	0	215 000 <sup>7)</sup>
Jørgen Larsen	Chief Financial Officer	105 249****	85 000 <sup>8)</sup>
Odd Magne Olsen	Executive Vice President	15 320*****	60 000 <sup>9)</sup>
Lars Jervan	Vice President OEM	5 000	60 000 <sup>10)</sup>
Anthony Cosentino	Vice President Marketing	108 755	55 000 <sup>11)</sup>
Reidar Hagen	Vice President Technology	7 000	37 561 <sup>12)</sup>
Geir Henriksen	Vice President Supply	9 420	33 333 <sup>13)</sup>

\* 4 197 400 shares owned by Eltek Holding AS, controlled by Alain F. Angelil, 1 035 000 shares owned by Wenche Angelil.

\*\* Shares owned by CC Industries.

\*\*\* 389 347 shares owned by Edward S. Weil, Jr. Descendant's Trust.

\*\*\*\* 17 000 shares owned by Eikrun AS, controlled by Jørgen Larsen.

\*\*\*\*\* 300 shares owned by Bodil Tandberg Olsen.

<sup>1)</sup> Hereof 7 500 in April 2002, redemption price NOK 153 and 7 500 in April 2002, redemption price NOK 175, plus 7 500 in November 2002, redemption price NOK 153 and 7 500 in November 2002, redemption price NOK 175.

<sup>2)</sup> Hereof 25 000 in April 2002, redemption price NOK 135, plus 7 500 in April 2002 and 7 500 in November 2002, redemption price NOK 175, plus 12 500 in March 2003 and 12 500 in March 2004, redemption price NOK 30.

<sup>3)</sup> Hereof 7 500 in April 2002 and 7 500 in November 2002, redemption price NOK 175.

<sup>4)</sup> Hereof 7 500 in April 2002 and 7 500 in November 2002, redemption price NOK 153.

<sup>5)</sup> Hereof 1 500 in April 2002, redemption price NOK 58, plus 2 000 in March 2003 and 2 000 in March 2004, redemption price NOK 30.

<sup>6)</sup> Hereof 4 500 in April 2002, redemption price NOK 58, plus 1 500 in March 2003 and 1 500 in March 2004, redemption price NOK 30.

<sup>7)</sup> Hereof 45 000 in April 2002, redemption price NOK 70, plus 35 000 in April 2002 and 35 000 in November 2002, redemption price NOK 175, plus 50 000 in March 2003 and 50 000 in March 2004, redemption price NOK 30.

<sup>8)</sup> Hereof 45 000 in April 2002, redemption price NOK 70, plus 20 000 in March 2003 and 20 000 in March 2004, redemption price NOK 30.

<sup>9)</sup> Hereof 30 000 in March 2003 and 30 000 in March 2004, redemption price NOK 30.

<sup>10)</sup> Hereof 20 000 in April 2002, redemption price NOK 58, plus 20 000 in March 2003 and 20 000 in March 2004, redemption price NOK 30.

<sup>11)</sup> Hereof 10 000 in March 2002 and 10 000 in March 2003, redemption price NOK 175, plus 17 500 in March 2003 and 17 500 in March

2004, redemption price NOK 30.

<sup>12)</sup> Hereof 7 561 in April 2002, redemption price NOK 57 (offered as part of payment for Unitech AS), plus 20 000 in March 2003 and 10 000 in March 2004, redemption price NOK 30.

<sup>13)</sup> Hereof 13 333 in April 2002, redemption price NOK 58, plus 10 000 in March 2003 and 10 000 in March 2004, redemption price NOK 30.

Shareholders with a minimum of 1 % share of ownership as at 31.12.2001 (as registered in VPS)

<b>Shareholders</b>	No. of shares	% of total
Salomon Smith Barney	8 700 805	35.6 %
Eltek Holding	3 927 400	16.1 %
Credit Agricole Indosuez	1 745 073	7.1 %
Aksjefondet Gambak	1 050 000	4.3 %
Nordea/Merita Bank	960 200	3.9 %
Euroclear Bank	697 676	2.9 %
Skandinaviska Enskilda Banken	641 254	2.6 %
Tine Pensjonskasse	444 000	1.8 %
Dexia Banque Internationale	400 000	1.6 %
Morten F. Angelil	270 000	1.1 %

#### **NOTE 14 – PENSION LIABILITIES**

	<b>Group</b>			<b>Parent Company</b>		
	2001	2000	1999	2001	2000	1999
<b>Estimated pension cost</b>						
Earned pension for the year	2 692	3 104	2 450	230	223	233
Interest charge on pension liability incurred	1 154	1 024	686	149	135	85
Estimated return on pension funds	-1 123	-1 133	-956	-219	-220	-194
Amortization	-847	-940	-728			-16
Withholding of employee salary			-607			-28
<b>Net pension cost</b>	<b>1 876</b>	<b>2 055</b>	<b>845</b>	<b>160</b>	<b>138</b>	<b>80</b>

#### **Pension liability as at 31.12**

Estimated value of pension funds	17 748	16 772	14 162	3 316	3 350	3 085
Estimated value of pension liability	22 537	18 733	16 179	2 812	2 522	2 337
Net unamortized estimated variance	1 757	-1 270	-1 852	-182	-348	-178
<b>Net pension liability as at 31.12</b>	<b>3 032</b>	<b>3 231</b>	<b>3 869</b>	<b>-321</b>	<b>-481</b>	<b>-569</b>

This calculation is 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 7 employees, whereas the Group's scheme covers 139 employees, all in Norwegian companies.

Eltek Energy (UK) Ltd operates three defined contribution pension schemes for the benefit of certain directors and employees. The assets of these schemes are administered by trustees in funds independent from those of the Company, and the pension funds have not been entered in the Company's balance sheet.

PCP employees are eligible to participate in a defined contribution plan. The Company's total matching contribution for this plan was 1 393, 1 468 and 1 001 in 2001, 2000 and 1999, respectively.

**NOTE 15 – TAXES**

	2001	Group 2000	1999
<b>Reconciliation of taxes</b>			
<b>Continuing operations</b>			
Calculated tax payable Norwegian companies from profit and loss statement	757	17 178	8 074
Calculated tax payable foreign companies from profit and loss statement	6 261	43 177	21 628
Change in deferred taxes Norwegian companies	-21 009	5 721	-7 599
Change in deferred taxes foreign companies	-62 051	4 198	-3 666
<b>Taxes on continuing operations in profit and loss statement</b>	<b>-76 042</b>	<b>70 274</b>	<b>18 437</b>
Reduced tax payable Norwegian companies of costs booked to equity		-8 210	
Reduced tax payable foreign companies of costs booked to equity plus taxes on equity participation plan		-29 956	-16 922
Tax payable Norwegian companies	757	8 968	8 074
Tax payable foreign companies	6 261	13 221	4 706
<b>Tax payable on continuing operations</b>	<b>7 018</b>	<b>22 189</b>	<b>12 780</b>
<b>Discontinued operations</b>			
Tax payable		21 260	68 759
Change in deferred taxes		5 350	-9 492
<b>Taxes on discontinued operations</b>		<b>26 610</b>	<b>59 267</b>
<b>Total taxes payable</b>	<b>7 018</b>	<b>43 449</b>	<b>81 539</b>
<b>Reconciliation of tax rate of continuing operations</b>			
Tax payable in percentage of profit before tax	-1.2 %	29.4 %	52.8 %
Change in deferred tax in percentage of profit before tax	13.6 %	4.8 %	-20.0 %
<b>Tax rate on profit before tax</b>	<b>12.4 %</b>	<b>34.2 %</b>	<b>32.8 %</b>
The effective tax rate differs from the Norwegian tax rate of 28 % because of varying tax rates in foreign subsidiaries, and in addition only a part of the estimated deferred tax asset has been recorded in 2001.			
<b>Deferred tax on temporary differences related to</b>			
Current assets/short term liabilities	-94 301	-2 026	-4 012
Fixed assets/long term liabilities	-124 806	-16 611	-15 458
Other temporary differences incl. tax losses carried forward	-63 976	-14 629	-47 200
<b>Net negative temporary differences</b>	<b>-283 083</b>	<b>-33 266</b>	<b>-66 670</b>
<b>Deferred tax asset</b>	<b>95 627</b>	<b>11 688</b>	<b>21 607</b>

Total tax losses carried forward by the end of 2001 amount to 63 976. Of these tax losses 31 328 are related to Norwegian companies and 32 648 are related to foreign companies. The tax losses carried forward expire in year 2011.

	Parent Company		
	2001	2000	1999
<b>Reconciliation between profit before tax and taxable income</b>			
Profit before tax	2 181	246 321	24 253
Permanent differences	217	821	358
Change in temporary differences	-18	12 150	1 258
Share issues costs against equity		-29 322	
Risk		-163 913	
<b>Taxable income excl. group contribution</b>	<b>2 381</b>	<b>66 056</b>	<b>25 869</b>
Group contribution	2 381		
<b>Taxable income</b>	<b>0</b>	<b>66 056</b>	<b>25 869</b>
<b>Reconciliation of taxes</b>			
Tax payable	667	18 496	7 243
Reduction in tax payable of cost booked to equity		8 210	
Excess allocation for previous years	90		596
Change in deferred tax	5	4 554	-8 354
<b>Taxes</b>	<b>762</b>	<b>31 260</b>	<b>-515</b>
<b>Reconciliation of tax rate</b>			
Tax rate on profit before tax	35.0 %	12.7 %	-2.1 %
Tax rate on permanent differences	-2.8 %	18.5 %	-0.7 %
Tax rate on over/under payments in previous years	-4.0 %		-2.5 %
Tax rate on deferred tax	-0.2 %	-3.2 %	33.3 %
<b>Tax rate</b>	<b>28.0 %</b>	<b>28.0 %</b>	<b>28.0 %</b>
<b>Deferred tax on temporary differences related to</b>			
Current assets/short term liabilities			-2 685
Fixed assets/long term liabilities	-11 896	-11 919	3 074
Other temporary differences			-28 571
<b>Net negative temporary differences</b>	<b>-11 896</b>	<b>-11 919</b>	<b>-28 182</b>
<b>Deferred tax asset</b>	<b>3 332</b>	<b>3 337</b>	<b>7 891</b>

## NOTE 16 – GUARANTEE LIABILITY

### Group

Bank guarantee for fulfilment of goods deliveries amounts to 24 138.

### Parent Company

Surety liability for Group companies amounts to 57 533.

Surety liability for other companies amounts to 88.

The Company/Group has given certain representations and warranties related to the divestiture of Eltek Fire & Safety.

## NOTE 17 – OTHER PROVISIONS

	Group			Parent Company		
	2001	2000	1999	2001	2000	1999
Estimated earn-out regarding acquisition of subsidiaries	5 933	7 960				
Guarantee liabilities	6 225	6 660	4 783			
Retirement benefits			2 685			2 685
Social security tax on stock options	11 237	12 181	1 526	11 237	12 181	1 526
Other	9 678	5 536	4 920			
<b>Total</b>	<b>33 073</b>	<b>32 337</b>	<b>13 914</b>	<b>11 237</b>	<b>12 181</b>	<b>4 211</b>

**NOTE 18 – DEBT**

	<b>Group</b>		
	2001	2000	1999
<b>Debt secured by mortgages</b>	<b>259 766</b>	<b>114 598</b>	<b>128 433</b>
Book value of assets placed as security			
Fixed assets	27 075	26 141	28 387
Inventories	125 174	112 105	102 982
Customer receivables	189 163	183 562	173 752
Other receivables	7 160	9 298	7 197
<b>Total</b>	<b>348 572</b>	<b>331 106</b>	<b>312 318</b>

	<b>Parent Company</b>		
	2001	2000	1999
<b>Debt secured by mortgages</b>	<b>163 302</b>	<b>53 450</b>	<b>3 318</b>

All receivables have been pledged as security. The same assets have been pledged as security for debt in Eltek Energy AS.

<b>Long term liabilities to financial institutions split by currency (translated into NOK)</b>	<b>Group</b>		
	2001	2000	1999
NOK	105 316	1 266	10 564
USD	51 923	50 945	
EUR	19 152	19 867	19 392
SEK	12 427	13 514	13 583
AUD	8 527	9 448	
GBP	3 403	4 293	6 485
INR	784		
FRF		93	
<b>Total</b>	<b>201 532</b>	<b>99 426</b>	<b>50 024</b>

Terms of these loans are 3 and 5 years.

Average interest rate is in the interval 5.3 % to 6.3 % for the various foreign currencies and 8.7 % for NOK.

The loan agreements contain a covenant that consolidated group equity reduced by all goodwill at the end of each quarter shall be minimum 30 % of total assets reduced by all goodwill.

<b>Other short term liabilities break down as follows</b>	<b>Group</b>			<b>Parent Company</b>		
	2001	2000	1999	2001	2000	1999
Salary provisions	18 822	24 669	21 016	2 599	3 516	1 345
Payment for purchase of shares			3 839			
Fees provisions	1 382	2 113	6 423	300	420	953
Deferred revenue	1 210	9 258	5 015			
Accrued customer bonuses	26 495	28 812	5 912			
Other incurred costs	84 473	43 369	27 825	4 537	4 684	329
<b>Total other short term liabilities</b>	<b>132 383</b>	<b>108 221</b>	<b>70 030</b>	<b>7 436</b>	<b>8 620</b>	<b>2 626</b>

**NOTE 19 – RELATED PARTIES**

No loans/guarantees are granted to Group management, board members or shareholders.

As at 31.12.2001, loans amounting to 1 212 have been granted to employees.

The Company has a rental agreement with Eltek Holding AS, which owns 16.1 % of the shares in Eltek ASA, for the buildings used by companies in the Group in Drammen. The annual rent is 4 988. There were no outstanding payments/receivables towards Eltek Holding AS as at 31.12.2001. Furthermore, the Company has a rental agreement with Erick Street, LLC, a company controlled by CC Industries, Inc., which owns 30.6 % of the shares in Eltek ASA. The annual rent is 4 805. There were no outstanding payments/receivables towards Erick Street, LLC as at 31.12.2001.

**NOTE 20 – PERSONNEL COSTS, REMUNERATIONS ETC.**

<b>Personnel costs break down as follows</b>	<b>Group</b>			<b>Parent Company</b>		
	2001	2000	1999	2001	2000	1999
Salaries	230 219	219 001	161 086	4 785	11 236	8 790
Social security fees	46 433	41 712	23 792	2 205	15 974	1 914
Pension costs	4 722	4 747	4 834	160	87	173
Other costs	16 025	19 285	8 037	153	381	
<b>Total</b>	<b>297 399</b>	<b>284 745</b>	<b>197 749</b>	<b>7 303</b>	<b>27 677</b>	<b>10 877</b>

**Total remuneration to Board members and Group CEO, 2001**

Name	Function	Total remuneration	Execution of share option	Bonus	Salary/fee
Erik Thorsen	Chairman	102			102
William H. Crown	Member of the Board	25			25
Cluny Estate/Alain F. Angelil	Member of the Board	1 327			1 327
Edward S. Weil, jr.	Member of the Board	25			25
Arve Johansen	Member of the Board	125			125
Joe T. Ford	Member of the Board	25			25
Gunnar Tandberg	Member of the Board, employees' representative as at 06.06.01	890	353	8	529
Inge Forseth	Member of the Board, employees' representative as at 06.06.01	519	39	8	472
Thomas Hoel	Member of the Board, employees' representative until 06.06.01	184			184
Paal Lauritzen	Member of the Board, employees' representative until 06.06.01	240			240
Morten F. Angelil	Member of the board until 30.10.00, Group CEO	2 681		440	2 241
Tore Egil Holte	Chairman of the board until 30.10.00	125			125
Johnny Stenberg	Member of the board until 26.04.00	40			40
Telenor Venture v/Rune Rinnan	Member of the board until 30.10.00	100			100

Estimated audit fee for the Group in year 2001 amounts to 1 653. Fees for other services provided by the auditor amount to 882. In the Parent Company the corresponding figures are 305 and 150, respectively.

As a retirement benefit former CEO A.F. Angelil receives an annual payment of 500 for the next 3 years. He will also be part of the regular pension scheme in Eltek. Furthermore, he has in 2001 received holiday pay of 592 and remuneration of 125 for board attendance. A consultancy fee of 110 has also been paid to Cluny Estate, a company controlled by A.F. Angelil, for his participation in the restructuring of S.F.E.E.

Group CEO, M.F. Angelil, has a yearly salary of 1 800, and a yearly bonus of 500 if budgeted profit before tax is achieved. The Group CEO's contract of employment can be terminated by either party giving 6 months notice from the end of the year. On termination of this contract he is entitled to a salary for further 12 months, and all share options earlier granted.

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

The average number of employees in the Group was 778 in 2001. Eltek ASA had 6 employees.

**NOTE 21 – GENERAL, ADMINISTRATIVE AND MARKETING EXPENSES**

	Group			Parent Company		
	2001	2000	1999	2001	2000	1999
Rent, electricity etc.	22 837	18 063	14 942	772	602	764
Fees and rented services	26 347	34 100	30 531	3 921	2 997	2 255
Telephone, postage	10 460	10 321	6 380	287	284	280
Advertising etc.	14 010	14 584	9 393	2 018	1 215	362
Car and travel costs	41 835	36 344	22 656	2 740	1 390	1 432
Leasing	1 242	2 708	2 806	210	364	
Sales commissions	7 471	14 130	1 517			
Bad debt	39 886	1 535	2 690			
Other operating costs	72 743	71 014	75 322	1 402	505	-1 080
<b>Total general, administrative and marketing expenses</b>	<b>236 831</b>	<b>202 800</b>	<b>166 237</b>	<b>11 349</b>	<b>7 357</b>	<b>4 013</b>

**NOTE 22 – FINANCIAL ITEMS**

	Group			Parent Company		
	2001	2000	1999	2001	2000	1999
Interest income	22 482	22 779	308	36 387	35 556	27 942
Other financial income	1 818	3 232	6 434		2 504	
<b>Total financial income</b>	<b>24 300</b>	<b>26 011</b>	<b>6 742</b>	<b>36 387</b>	<b>38 060</b>	<b>27 942</b>
Interest cost	38 401	14 302	2 552	13 601	1 853	360
Other financial costs	1 181	1 788	4 561	76	46	843
<b>Total financial costs</b>	<b>39 583</b>	<b>16 090</b>	<b>7 113</b>	<b>13 677</b>	<b>1 899</b>	<b>1 203</b>

**NOTE 23 – EARNINGS PER SHARE**

The calculation is based on the following

	Earnings per share	Diluted earnings per share	Cash earnings per share
Numerator	-540 043	-540 043	-33 307
Denominator (no. of shares)	24 421 796	24 705 789	24 421 796

Due to a negative result, and in accordance with a principle of maximum dilution, calculated diluted earnings per share equals calculated earnings per share.

**NOTE 24 – 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 to environmental measures.

**NOTE 25 – 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.

	Group	
	2000	1999
<b>Net cash received from discontinued operations</b>		
Sales amount	290 273	226 365
Net change in cash in discontinued operations	-1 631	3 028
Transaction costs	24 450	13 055
<b>Gross cash effect</b>	<b>264 192</b>	<b>216 338</b>
Taxes	21 260	68 759
<b>Net cash effect from discontinued operations</b>	<b>242 932</b>	<b>147 579</b>

	Group		
	2001	2000	1999
<b>Net cash paid for acquired subsidiaries, reconciled to fair value of assets acquired and liabilities assumed</b>			
Current assets	47 990	15 902	25 471
Non-current assets	7 962	2 043	3 265
Current liabilities	-44 476	-11 078	-16 828
Non-current liabilities	-362	-1 609	-3 847
<b>Net equity</b>	<b>11 114</b>	<b>5 258</b>	<b>8 061</b>
Goodwill	25 356	20 488	16 857
<b>Total purchase price</b>	<b>36 470</b>	<b>25 746</b>	<b>24 918</b>
Less consideration through issue of shares		-3 818	
Less deferred compensation	-4 071	-7 960	
Bank overdraft (+)/cash (-) in acquired subsidiaries	6 275	-4 679	-4 089
<b>Net cash paid for acquired subsidiaries</b>	<b>38 674</b>	<b>9 289</b>	<b>20 829</b>

**NOTE 26 – UNITING OF INTERESTS**

The business combination (merger) between Eltek and Power Conversion Products (PCP) was effective 1 November 2000. The merger was accounted for as uniting of interests and the historical financial statements for PCP were adjusted to reflect the figures for PCP in accordance with Norwegian Generally Accepted Accounting Practise (NGAAP) and the accounting policies applied by Eltek.

Certain members of the management in PCP participated in an equity participation plan. There was a benefit under this plan as a result of the change in control, which occurred as a consequence of the merger between Eltek and PCP. This benefit represented additional compensation expense and is reflected in the financial statements as a profit split offset by an increase in equity. The effect of this adjustment amounts to 54 955 (USD 6.2 million) and is tax deductible in the U.S. Calculated tax reduction is 21 432 (39 %).

**NOTE 27 – DISCONTINUED OPERATIONS**

As part of the Group's reorganization strategy the two subsidiaries Norfass AS and Heien-Larssen AS were disposed of in 1999, while Eltek Fire & Safety AS with remaining subsidiaries were disposed of in 2000.

Discontinued operations, including both profit for the year and gain on sale, are classified separately in the profit and loss statement for the years 2000 and 1999. The net book value of the sold divisions, 42 816 in 1999, is included in Other long term receivables in the consolidated balance sheet.

## accounts – parent company

### PROFIT AND LOSS ACCOUNT

<i>Amounts in NOK 1 000</i>	<i>Note</i>	<b>2001</b>	<b>2000</b>	<b>1999</b>
<b>Revenue</b>		<b>183</b>	<b>18 167</b>	<b>16 457</b>
Cost of goods sold		182	1 617	2 360
Personnel costs	20	7 303	27 677	10 877
Depreciation	6	1 878	2 284	1 893
General, administrative and marketing expenses	21	11 349	7 357	4 013
Total operating costs		20 712	38 936	19 143
<b>Operating profit</b>		<b>-20 529</b>	<b>-20 769</b>	<b>-2 686</b>
Gain on sale of shares			230 929	
Financial income	22	36 387	38 060	27 942
Financial costs	22	13 677	1 899	1 203
Net financial income		22 710	267 090	26 738
<b>Profit before tax</b>		<b>2 181</b>	<b>246 321</b>	<b>24 052</b>
Taxes	15	762	31 260	-515
<b>Net profit for the year</b>		<b>1 419</b>	<b>215 061</b>	<b>24 567</b>
<b>Allocations</b>				
Group distribution (net after taxes)		1 714		
Dividend			24 463	

### CASH FLOW

<i>Amounts in NOK 1 000</i>	<b>2001</b>	<b>2000</b>	<b>1999</b>
Net cash flow from operations	-21 649	-61 541	37 151
Net cash flow from investments	-4 842	292 133	-4 437
Net cash flow from financing	92 920	-227 886	74 866
<b>Net change in liquid funds</b>	<b>66 428</b>	<b>2 706</b>	<b>107 581</b>
Liquid funds as at 01.01	181 782	179 077	71 496
Liquid funds as at 31.12	248 210	181 782	179 077

### BALANCE SHEET

<i>Amounts in NOK 1 000</i>	<i>Note</i>	<b>31.12.01</b>	<b>31.12.00</b>	<b>31.12.99</b>
<b>ASSETS</b>				
<b>Fixed assets</b>				
Intangible fixed assets	15	3 332	3 337	7 891
Tangible fixed assets	6	6 906	7 735	11 349
Shares in subsidiaries	7	1 008 772	784 096	145 000
Shares in other companies	7	551	551	425
Receivables from Group comp.	8	19 906	217 875	379 768
Other long term receivables	14	321	481	602
Total financial assets		1 029 549	1 003 002	525 794
<b>Total fixed assets</b>		<b>1 039 788</b>	<b>1 014 074</b>	<b>545 035</b>
<b>Current assets</b>				
Receivables from Group comp.	8			230
Other receivables		123	384	1 149
Cash and cash equivalents	12	248 198	181 782	179 077
<b>Total current assets</b>		<b>248 321</b>	<b>182 166</b>	<b>180 456</b>
<b>Total assets</b>		<b>1 288 109</b>	<b>1 196 240</b>	<b>725 491</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
<i>Paid-in capital</i>				
Share capital	13	24 463	24 266	14 042
Premium fund		722 101	710 893	53 904
<i>Retained earnings</i>				
Other equity		330 810	329 588	405 741
<b>Total equity</b>	13	<b>1 077 374</b>	<b>1 064 747</b>	<b>473 688</b>
<b>Liabilities</b>				
Other provisions	17	11 237	12 181	4 211
Total provisions		11 237	12 181	4 211
Long term liabilities				
to financial institutions		156 923	50 945	
Other long term liabilities	6	6 380	2 505	3 318
Total long term liabilities	18	163 302	53 450	3 318
Trade creditors		343	3 573	368
Tax payable	15		18 508	7 243
Public taxes payable		1 504	9 950	1 786
Dividend payable			24 266	
Liabilities to Group companies	8	26 913	944	232 252
Other short term liabilities	18	7 436	8 620	2 626
Total short term liabilities		36 195	65 861	244 275
<b>Total liabilities</b>		<b>210 734</b>	<b>131 492</b>	<b>251 803</b>
<b>Total equity and liabilities</b>		<b>1 288 109</b>	<b>1 196 240</b>	<b>725 491</b>

# auditor's report



TRANSLATION FROM NORWEGIAN  
AUDITOR'S REPORT FOR 2001

Arthur Andersen & Co  
Statsautoriserte revisorer

Drammensveien 105  
Postboks 228 - Skøyen  
0213 Oslo

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

Medlemmer av  
Den Norske Revisorforening

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

To the Annual Shareholders' Meeting of Eltek ASA

We have audited the annual financial statements of Eltek ASA as of 31 December 2001, showing a profit of NOK 1,419,000 for the parent company and a loss of NOK 536,520,000 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 distribution of the profit. The financial statements comprise the balance sheet, the statements of profit and loss 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 2001, 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 distribution of the profit are consistent with the financial statements and comply with law and regulations.

ARTHUR ANDERSEN & CO.

Jan Egil Haga (sign)  
State Authorised Public Accountant (Norway)

Oslo, 7 February 2002

*Morten F. Angelil*

*Jørgen Larsen*



# *group management*



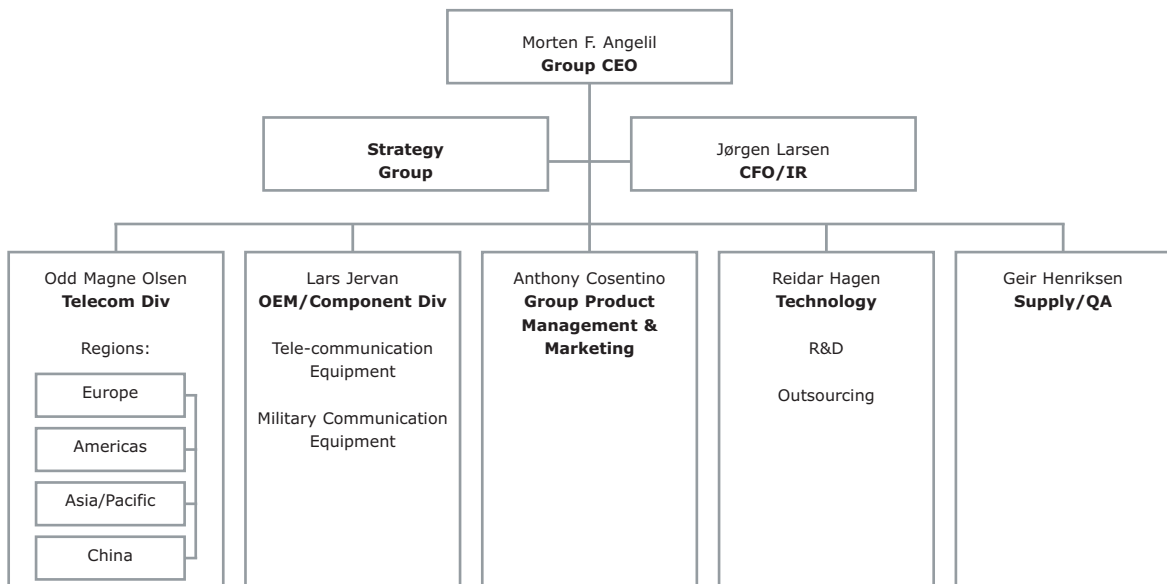
*Odd Magne Olsen*

*Lars Jervan*

*Anthony Cosentino*

*Reidar Hagen*

*Geir Henriksen*



**ELTEK ASA**  
**PO BOX 2340 STRØMSØ**  
**3003 DRAMMEN, NORWAY**  
**GRÅTERUDVEIEN 8**  
**3036 DRAMMEN, NORWAY**  
**TEL: +4732203200**  
**FAX: +4732203210**  
**www.eltek.no**  
**www.eltekenenergy.com**

#### **EUROPE**

Eltek Energy (UK) Ltd  
Eltek House, Maxted Road  
Hemel Hempstead  
Hertfordshire HP2 7DX, England  
Tel: +441442219355  
Fax: +441442245894

Eltek Energy AS  
PO Box 2340 Strømsø,  
3003 Drammen  
Gråterudveien 8,  
3036 Drammen, Norway  
Tel: +4732203200  
Fax: +4732203210

Eltek Energy France S.A./S.F.E.E.S.A.  
Z.I. de Bastillac-Nord  
65000 Tarbes, France  
Tel: +33562340930  
Fax: +33562345869

Eltek Polska Sp. Z o.o.  
ul.Bieszczadzka 3,  
71-042 Szczecin, Poland  
Tel: +48914869960  
Fax: +48914834986

Gertek Stromversorgungen GmbH  
P.O. Box 1135, D-90588 Schwarzenbruck  
Beethovenstrasse 1,  
D-90592 Schwarzenbruck, Germany  
Tel: +49912892280  
Fax: +499128922870

Eltek Energy AB  
Sjöängsvägen 9  
192 72 Sollentuna, Sweden  
Tel: +4686266420  
Fax: +4686266430

OOO Eltek St. Petersburg  
2nd House Souyetshaya House 7  
Office 108  
193136 St. Petersburg, Russia  
Tel: +78122799226  
Fax: +78122799207

#### **ASIA/PACIFIC**

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

Eltek SGS Pvt Ltd  
362, Sector-37, Pace City – II  
Gurgaon – 122 001  
(Haryana) India  
Tel: +911246370852  
Fax: +911246210017

Eltek Pacific Pty Ltd  
Unit 1, 22 Narabang Way, Belrose  
NSW 2085, Australia  
Tel: +61294500550  
Fax: +61294501661

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

#### **CHINA**

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

Beijing PCP  
14 Jiuxianqiao Road, Chaoyang District  
Beijing 100016, PRC  
Tel: +861064361155-2560  
Fax: +861064349832

#### **AMERICAS**

Power Conversion Products, llc  
115 Erick Street  
Crystal Lake, IL 60014-4533, USA  
Tel: +1 8154599100  
Fax: +1 8154599118

PCP International de Mexico  
IBSEN no. 43, oficina 202,  
Col Polanco C.P.  
11560 Mexico, DF  
Tel: +52552811458  
Fax: +52552806077



ELTEK ASA  
PO Box 2340 Strømsø  
3003 Drammen, Norway  
Gråterudveien 8  
3036 Drammen, Norway  
Tel.: +47 32 20 32 00  
Fax.: +47 32 20 32 10  
[www.eltek.no](http://www.eltek.no)  
[www.eltekenery.com](http://www.eltekenery.com)