

ELTEK ASA

REPORT PER THIRD QUARTER 1998

KEY FIGURES

ELTEK	Per 3. quarter		3. quarter		All figures in mill NOK
	1998	1997	1998	1997	Total 1997
	30.09.98	31.12.97			
Revenue	603,6	503,5	197,7	185,9	719,9
Operating profit	41,2	31,2	7,0	12,0	48,7
Profit before tax	47,4	27,6	6,8	10,2	43,8
Net profit	33,3	20,4	4,5	8,1	32,2
Profit per share (NOK)	2,41		0,33		
Operating margin	7,2 %	6,2 %	4,8 %	6,4 %	6,8 %
Profit margin (pre tax)	8,3 %	5,5 %	4,7 %	5,5 %	6,1 %
Equity margin (incl. minorities)	46,8 %	25,5 %			
Net interest-bearing debt.	0,0	53,0			
Order reserve	192	168 (per 30.09.97)			
Number of employees	620	577			

BUSINESS AREAS

	Per 3. quarter		3. quarter		Total 1997
	1998	1997	1998	1997	
ELTEK ENERGY					
Revenue	330,4	273,5	114,2	99,2	383,7
Operating profit	16,9	17,8	2,3	7,5	26,4
Operating margin	5,1 %	6,5 %	2,0 %	7,6 %	6,9 %
ELTEK FIRE & SAFETY					
Revenue	287,4	243,1	88,2	88,8	357,1
Operating profit	24,2	13,4	4,8	4,5	22,3
Operating margin	8,4 %	5,5 %	5,4 %	5,0 %	6,3 %

COMMENTS

Figures for 1997 in brackets.

Eltek's activities comprise of development, production and sale of power supply systems (Eltek Energy) and fire protection systems (Eltek Fire & Safety).

Merger, acquisitions and sale of companies

All companies merged and acquired in 1998 are included in the proforma accounts for 1997 in the same way as for 1998.

Summary

The Eltek Group achieved a revenue of NOK 603.6 mill. per third quarter, which is NOK 100 mill. (20%) higher than for the corresponding period in 1997. Revenue in the third quarter was NOK 197.7 (185.9) mill.

Operating profit was NOK 41.2 mill. for the first three quarters, which is NOK 10 mill. higher than in 1997. Revenue for the third quarter was NOK 7 mill., which is NOK 5 mill. less than last year. The result is weakened due to technical problems with a newly developed rectifier module, which is being developed and produced by Eltek Energy's subsidiary in England. A fault in the design was discovered after the product had been distributed to several Eltek companies and other customers, and Eltek decided therefore to recall all modules for modification. Total expenses incurred as a result of this is estimated at NOK 5 mill. and is included in the result for the third quarter.

The result before tax per third quarter was NOK 47.4 (27.6) mill. including sales profits for the second quarter of NOK 8.3 mill. The result before tax for the third quarter was NOK 6.8 (10.2) mill.

While sales to Asia in the first half-year were reduced by 10% compared to 1997, the market has recovered in the third quarter and, per third quarter, is now 2% higher than last year. There is a growth of 20% in Norway, 23% in Europe, while the rest of the world shows a growth of 130% from a low level in 1997.

Incoming orders per third quarter were NOK 621 (539) mill. and the order reserve of NOK 192 mill. is NOK 24 mill. higher than the same period last year.

Eltek Energy

Revenue for the year's first three quarters was NOK 330.4 mill., an increase from last year of NOK 56.9 mill., which is the equivalent of 21%. Revenue in the third quarter was NOK 114.2 (99.2) mill. Total revenue is distributed as follows: 14% for Norway, 53% for Europe, 30% for Asia and 3% for the rest of the world.

Operating profit per third quarter was NOK 16.9 (17.8) mill., which is equivalent to an operating margin of 5.1 (6.5) %. Operating profit in the third quarter was NOK 2.3 mill., equivalent to an operating margin of 2 (7.6) %. As mentioned above, the reason for the weak operating profit was technical problems with a newly developed rectifier module.

Eltek Energy's sales are still mainly directed towards telecommunication, a market which continues to grow. China is still an important market. The frame agreement with Singapore Telecom began to show results in the third quarter. In Europe, Dolphin Telecom is Eltek Energy's new customer in connection with the development of the Inter-European TETRA network. Eltek Energy has achieved a considerable position in the market in Portugal, after several years of selling through a distributor. Resultwise, of the subsidiaries which have been established during the last 2-3 years, Germany and India are now on the plus side, while Singapore and Poland are starting to achieve volumes which will contribute to a positive result in the fourth quarter. This year's new subsidiary in France has already produced a satisfactory volume and several interesting prospects are presently being considered. The international cooperation with Telenor International is strengthened through a Global Relationship Agreement.

Incoming orders were, per third quarter, NOK 348 (288) mill. and the order reserve is increased in the third quarter by NOK 31 mill to NOK 98 mill.

Eltek Fire & Safety

Revenue shows a growth from last year of 18% to NOK 287.4 (243.1) mill. In the third quarter revenue was NOK 88.2 (88.8) mill. Revenue is distributed as follows: 72% for Norway, 18% for Europe, 5% for Asia and 5% for the rest of the world.

The operating profit per third quarter was NOK 24.2 (13.4) mill. and in the third quarter NOK 4.8 (4.5) mill.

In the third quarter Norway's largest fire alarm network was successfully delivered to Oslo Airport, Gardermoen. In Sweden, Magnus Fergin Belysning AB has started to sell fire alarm systems and have got their first order. Sales activities have been started in Tsjeckia and Slovakia, through our newly-established distributor in Tsjeckia.

The planned "World Wide Service" concept for the marine market will be completed in the third quarter. This is important in order to acquire a share of the considerable market within service of fire fighting installations.

Incoming orders have been encouraging, with the exception of the offshore market where there has been very little activity. Incoming orders per third quarter was NOK 273 mill., while the order reserve was reduced in the third quarter by NOK 10 mill. to NOK 94 mill. at 30.09.98.

Financial status

Equity capital was NOK 211.9 mill. at 30.09.98. The equity ratio is 46.8% including minority interests of NOK 7.8 mill. Net interest bearing liability is now 0. Liquidity including unused overdraft facilities amounted to NOK 74 mill. In addition, Eltek has a NOK 10 mill. frame agreement for leasing as well as a frame agreement of NOK 50 mill. for investments in other companies.

Prospects

Sales in Asia in the third quarter were considerably higher than last year and the 10% decline in sales in the first half-year is more than compensated. On the basis of signed frame agreements and order reserves, a positive development is also expected in the fourth quarter. In Europe, Eastern and Southern Europe show strongest growth. In Norway there is still a considerable amount sold to the building industry. Once again, there are several projects on tender following a down-period in the offshore industry.

Eltek will still focus strongly on further development of the sales and distribution network and has over a period of time, concentrated on projects which will strengthen our position in Europe. New IT systems are being implemented to improve logistics and rationalise administrative routines.

The Board of Directors will maintain the targets which have been set for the fourth quarter, based on market development and incoming orders.

Drammen, 27.10.98

The Board of Directors of Eltek ASA

ELTEK GROUP

Profit and Loss Account

Amounts in mill NOK

	Per 3. Quarter		3. Quarter		Total
	1998	1997	1998	1997	1997
Revenue	603 617	503 521	197 676	185 936	719 851
Cost of goods sold	340 174	275 471	118 412	106 014	394 014
Other operating costs	214 512	190 282	69 198	65 220	267 094
Ordinary depreciations	7 781	6 544	3 041	2 739	9 995
Total operating costs	562 467	472 297	190 650	173 973	671 103
Operating profit	41 150	31 224	7 026	11 963	48 748
Share of result in ass. comp.	9 161	101	256	47	815
Financial income and cost	-2 913	-3 759	-474	-1 815	-5 786
Net financial items	6 248	-3 658	-218	-1 768	-4 971
Profit before tax	47 398	27 566	6 808	10 195	43 777
Taxes	12 267	6 718	1 375	1 854	10 636
Minority interests	1 860	450	884	244	909
Net profit	33 271	20 398	4 549	8 097	32 232

Balance Sheet

	30.09.98	30.09.97	31.12.97
Cash in hand, bank deposits	45 363	26 870	14 424
Trade debtors	192 548	164 542	182 833
Other short term receivables	23 388	18 693	27 725
Stock	115 807	94 262	106 966
Total current assets	377 106	304 367	331 948
Share of ass. companies	2 471	7 107	7 338
Goodwill	42 107	45 838	45 386
Other fixed assets	47 490	36 989	41 398
Total fixed assets	92 068	89 934	94 122
Total assets	469 174	394 301	426 070
Bank overdraft	21 169	27 593	22 896
Trade creditors	91 378	105 616	104 348
Other short term liabilities	102 134	88 532	114 215
Total current liabilities	214 681	221 741	241 459
Pension liabilities	8 567	8 195	8 567
Other long term liabilities	26 292	56 812	67 347
Total long term liabilities	34 859	65 007	75 914
Minority interests	7 758	4 704	5 287
Share capital	13 825	11 593	11 594
Other equity	198 051	91 256	91 816
Total equity	211 876	102 849	103 410
Total liabilities and equity	469 174	394 301	426 070