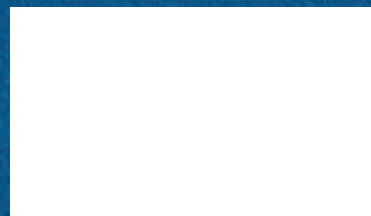


The Eltek Group



Annual Report 1997



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Group

Eltek continued to increase its revenue in 1997, as in previous years. The group volume was NOK 613.5 million, an increase of 16 % from last year. 65 % of the revenue was generated outside Norway. Profit before tax was NOK 38.7 (15.7) million, which represented a profit margin of 6.3 % (3 %). In addition to an improvement in the result in Heien-Larsen AS from a loss of NOK 10.1 million to a profit of NOK 1.8 million, the other parts of the company also showed considerable improvements in result in 1997.

The pension liabilities which, with the implementation of the Provisional Norwegian Accounting Standard on Pension Costs in 1996, were undervalued by NOK 2.6 million and were entered directly against owners' equity, were in accordance with the accounting standards registered as an extraordinary expenditure in 1997.

Reorganisation

The Eltek Group previously had 4 departments; Development, Production, Sales and Finance and Accounting. From 1 January 1997, the group was reorganised into divisions with separate managements and full profit and loss responsibilities as well as a central financial controller and accounting department. The divisions are Power, Fire & Safety, Manufacturing and Data-/Telecommunications. From 1 June, this reorganisation was further formalised by selling the divisions to

the newly-formed subsidiaries Eltek Energy AS and Eltek Fire & Safety AS through intragroup transfers. As a result of this reorganisation, AS Eltek has 3 main subsidiaries, the above-mentioned two and Universal Communication AS (Ucom). All other subsidiaries are organised under these companies. The parent company also owns shares in two associated companies.

Parent company

The intragroup transfers were made at estimated market values, which generated a gain of NOK 425 million for the parent company AS Eltek. Including the profit on ordinary activities during the first five months of the year in the parent company, the profit before tax was NOK 439.6 million.

Eltek Energy

The market for Eltek's power supply systems continued to grow substantially also in 1997, and Eltek Energy's sales increased by 17 % to NOK 344 million. The profit before tax was NOK 21.8 million. New marketing channels were opened through the establishment of subsidiaries in Singapore and the USA as well as through agreements with distributors and directly with end users in the new growth markets in Asia and Eastern Europe. Eltek Energy's already strong position in China was further strengthened by Eltek Far East Ltd. setting up two new offices in this country.

Power to telecommunications installations

Protects people and property

Eltek Energy ensures continuous power supply to telecommunications installations. The products are used for all installations ranging from small GSM transmitting stations to large telephone exchanges. In a global society in which electronic communication is one of the cornerstones of the infrastructure, Eltek has an important role to play as a supplier of reliable, high-tech power supply systems.

Eltek Fire & Safety has safety systems within the areas fire alarm, fire extinguishing, emergency lighting and nurse-call systems. The systems are primarily installed in commercial and industrial buildings, oil installations, ships, hospitals and institutions. The systems have two main tasks: to protect people and property in the event of fire and to secure efficient day-to-day operation of the premises or areas in which the equipment is installed.

Considerable resources are used on research and development in order to be able to meet the future requirements of the telecommunications industry for power supply systems. Own production with quality control in accordance with ISO 9001 and extensive test routines mean that Eltek enjoys great confidence in the market. The customers are served through a well-developed international sales and service apparatus.

The fire safety solutions developed by Eltek represent state-of-the-art technologies, including networks which make it possible to supply customised systems regardless of the size of the installations. The concept "Protecting People" describes Eltek's main philosophy: The combination of alarm and extinguishing technology provides the customers with maximum fire safety and open solutions for future growth.

Eltek's principal competitive advantages are documented high reliability and the ability to provide customised solutions based on a standard product range of modular design.

The complete product range and high fire-technology competence make Eltek Fire & Safety a market leader.



Eltek Fire & Safety

Eltek Fire & Safety increased its market share of fire alarm systems to 30 %, making it the largest supplier in Norway. An increase in revenue was also achieved in the foreign markets where Eltek Fire & Safety is established. Total sales increased by 14 % to NOK 207 million, and the profit before tax was NOK 14 million. Whereas the sales channels of the division have so far been located in Norway and in Northern Europe, in 1997 agreements were entered into with dealers in China, Thailand and the Czech Republic, and this, together with the achievements in product development, has laid a foundation for a positive development in 1998 as well.

Data-/telecommunications

Ucom, which distributes computer and telecommunications equipment, showed a substantial increase in revenue by 21 % to NOK 61.2 million. The profit of NOK 3.5 million was in line with the profit in 1996 as a result of a period with low profit margins on modems. In 1997, a project was initiated for development of telecommunications equipment, and this is expected to contribute positively to both sales revenue and profit already in 1998.

Organisation and environment

Eltek's activities do not cause any pollution of the external environment. There were no industrial disputes in

Telecommunication and data communication

As one of the largest distributors of modems and ISDN equipment in Norway, Ucom has successfully expanded into the following new areas of commitment: data collection, palmtop PCs and testing and monitoring systems. Considerable system competence has been built up within the area of bar code equipment and industrial hand terminals, and the products are sold throughout Norway.

PSION palmtop PCs have a market share of 35%, which is secured through a large, nation-wide network of dealers. Based on its own system competence, Ucom is aiming at a highly promising and rapidly growing market for mobile office support solutions.

The greatest expectations are attached to testing and monitoring systems for ISDN and signalling system number 7 where Ucom caters for a global market of telecommunications operators and telecommunications companies. In co-operation with Telenor Nett and SND, Ucom is developing a system for quality assurance and monitoring of ISDN, which will be completed in June 1998.



1997. The working environment is regarded as good, and no special measures have been implemented in this area. AS Eltek had 6 employees as at 31.12.97. In the course of the year, the number of employees in the group increased by 67 to 532, 205 of whom are employed outside Norway.

Preparations for the Millennium

In 1998, the administrative IT systems will be replaced for the companies in Norway, and the solutions which have been chosen can also be installed at the foreign subsidiaries if this is necessary because of the change to the year 2000. All software connected to Eltek's own products is prepared for this change, and the Board of Directors is of the opinion that Eltek is in line with the system changes which must be implemented before the Millennium.

Financial matters

Through share issues to previous owners and key persons on the management and the Board of Directors, the share capital has been increased by NOK 727,500 to NOK 10,427,500. The premium, which amounted to NOK 15,808,575, has been transferred to free reserve. As at 31.12.97, the group's equity capital, including minority interests, was NOK 109.8 million, equivalent to an equity capital share of 34.4 %. As at 31.12.97, the company had 13 shareholders, of which the largest were the following:

Eltek Holding As, (owned by the Angelil family)	7,954 shares = 38.1 %
Alain F. Angelil	4,275 shares = 20.5 %
Wenche Angelil	3,320 shares = 15.9 %
The State Business and Regional Development Fund	2,732 shares = 13.1 %
Telenor Venture AS	1,862 shares = 8.9 %

Prospects

The development so far in 1998 continues the positive trend which Eltek had in 1997, and the Board of Directors is optimistic about the potential for a further increase in turnover and profit within all the company's business areas. Eltek has begun the preparations for a stock exchange listing in mid-1998.

Allocation of the profit for the year

The Board of Directors recommends the following allocation of the profit for the year of NOK 435,611,458 in AS Eltek:

To dividend	NOK	15,000,000
To free reserve	NOK	420,611,458
Total	NOK	435,611,458



The Board of Directors of AS Eltek. From the left: Alain F. Angelil, Leif Rune Rinnan, Arve Johansen, Morten F. Angelil, Bjørn H. Rasmussen, Øivind Aass og Thomas Hoel.

Drammen, 31 December 1997/3 April 1998

On the Board of Directors of AS Eltek

Leif Rune Rinnan
Chairman of the Board of Directors

Alain F. Angelil

Bjørn H. Rasmussen

Arve Johansen

Morten F. Angelil

Thomas Hoel

Øivind Aass

1 January to 31 December

<i>All figures in full thousands (NOK)</i>	Note	1997	1996	1995
Operating income		613 537	526 859	451 003
Cost of sales		320 963	305 677	256 659
Payroll and other personnel costs		154 227	125 740	103 173
Other operating costs		86 079	73 047	59 299
Ordinary depreciation	6	6 433	3 876	3 106
Bad debts	2	3 242	1 439	1 046
Total operating costs		570 945	509 778	423 283
Operating profit		42 592	17 081	27 719
Financial income and financial costs				
Share of result in associated companies	4	-60	407	320
Financial income		5 049	3 705	2 967
Financial costs		- 8 834	- 5 533	- 5 251
Net financial items		- 3 845	- 1 422	- 1 964
Profit before tax		38 747	15 659	25 755
Tax cost	7	9 595	6 412	9 087
Minority interest	10	1 986	4 381	3 404
Ordinary net profit		27 167	4 866	13 265
Extraordinary items	8	- 2 622		
Consolidated profit for the year		24 545	4 866	13 265



Power Rack System (PRS) from Eltek is a concept in the industry which stands for reliability and flexibility. Eltek was one of the first companies to use microprocessor technology for operation and control of the rectifier modules. This has given the company a technological edge, especially in remote monitoring of unmanned telecommunications exchanges.

as at 31 december

<i>All figures in full thousands (NOK)</i>	Note	1997	1996	1995
ASSETS				
Current assets				
Cash in hand and bank deposits	1	12 503	10 049	38 563
Trade debtors	2	130 156	92 679	83 338
Other short-term receivables	2	22 139	12 651	9 710
Raw materials	3	47 312	31 868	26 108
Work in progress	3	23 220	18 003	12 403
Finished goods	3	29 726	37 382	30 824
Total current assets		265 056	202 633	200 946
Fixed assets				
Share in associated companies	4	5 889	837	635
Other shares	5	487	835	517
Other receivables		862	1 597	1 864
Goodwill	6	10 714	10 216	0
Vehicles, machinery, office equipment, etc.	6	15 238	12 697	10 624
Buildings, etc.	6	20 816	13 782	9 692
Total fixed assets		54 006	39 964	23 331
Total assets		319 063	242 597	224 277
LIABILITIES AND EQUITY				
Short-term debt				
Trade creditors		81 832	53 395	46 437
Bank overdraft	15	11 127	15 783	10 737
Holiday pay, payroll tax, etc.		16 856	16 840	13 123
Advance payments from customers		6 843	7 837	18 247
Tax liability	7	9 221	8 183	12 483
Unpaid dividend		15 965	398	12 428
Other short-term debt		33 889	36 213	18 275
Total short-term debt		175 734	138 648	131 731
Long-term debt				
Other long-term debt		25 993	18 995	11 381
Pension liabilities	11	7 535	4 692	5 100
Total long-term debt		33 528	23 687	16 481
Minority interests	10	8 447	6 440	6 371
Equity				
Share capital		10 428	9 700	9 700
Other equity capital		90 926	64 122	59 994
Total equity	9	101 353	73 822	69 694
Total liabilities and equity		319 063	242 597	224 277
Mortgages, etc.	12	61 972	22 788	16 594
Guarantees, etc.	13	1 250	1 223	1 614

as at 31 december

All figures in full thousands (NOK)	1997	1996	1995
Funds generated from/spent on activities			
Profit before tax	36 125	15 659	25 755
Conversion difference, result	506	964	-283
Gain/loss on sales of fixed assets	60	0	0
Gevinst/tap ved salg av anleggsmidler	0	1 154	-86
Ordinary depreciation	6 433	3 876	3 106
Distributed dividend	-398	-14 594	-10 750
Tax liability	-9 595	-6 412	-5 586
Additions from activities for the year	33 131	647	12 156
Change in trade debtors	-37 477	-7 304	-16 415
Change in other receivables	-9 487	-2 684	-4 069
Change in stocks of raw materials	-15 444	-5 271	-6 639
Change in work in progress	-5 217	-5 473	-3 882
Change in stocks of finished goods	7 657	-5 988	-14 337
Change in trade creditors	28 438	5 487	5 458
Change in other accruals	-2 087	4 019	19 071
Net liquidity change from activities (A)	- 486	- 16 567	- 8 657
Funds generated from/spent on investments			
Reduction in capital (Eltek UK)	0	-2 158	0
Sales of fixed assets	570	274	381
Investment in fixed assets	-17 076	-10 413	-7 160
Investment in shares	-4 764	-14 158	-3 321
Change in long-term receivables	735	267	-454
Net liquidity change from investments (B)	-20 535	-26 188	-10 554
Funds generated from/spent on financing			
Change in overdraft limit	1 140	13 300	0
Change in pension liability	2 843	-409	0
New long-term debt	5 782	8 883	8 754
Repayment of debt	0	-572	-727
Net liquidity change from financing (C)	9 765	21 202	8 027
Injection of equity capital by issue (D)	16 898	1 107	50 006
Conversion difference, balance sheet (E)	2 608	0	-10 623
Net change in liquid funds during the year (A+B+C+D+E)	8 250	-20 446	28 199
+ Liquid funds 01.01.	28 866	49 312	20 889
= Liquid funds 31.12. (incl. overdraft limit)	37 116	28 866	49 088

Eltek Fireguard Delta is the fire alarm system of the future in which the only visible element is an elegant control panel. Much work is put into maintaining Eltek's high level of design and user-friendliness, and this commitment has resulted in a number of design prizes.



Reorganisation of the group - intragroup transfers

From 1 January 1997, the activities in the parent company were organised in the divisions Power, Fire & Safety and Manufacturing, which were given independent responsibility for their own profit and loss accounts and balance sheets. The subsidiaries were organised under the divisions. This reorganisation was formalised with effect from 1 June when the activities in the divisions were sold from the parent company to the newly-formed subsidiaries Eltek Energy AS and Eltek Fire & Safety AS. The sales were done in accordance with the rules on intragroup transfers, i.e. at market values.

Subgroup

The Norwegian Banking, Insurance and Securities Commission has granted an exemption from the requirement of preparing consolidated annual report and accounts for the subdivisions in the Eltek Group in which the parent company is a subsidiary of AS Eltek.

Consolidated accounting principles

The consolidated accounts consist of AS Eltek and subsidiaries in which AS Eltek has a controlling interest directly or indirectly through the shareholders' ownership interests. The latter applies to Universal Communication AS. The consolidated accounts have been prepared as if the group was a unit by the elimination of all major intragroup transactions and accounts. In the profit and loss accounts, minority interests are included in the profit before tax and stated on a separate line so that the profit for the year shows the majority shareholders' share of the profit after tax.

In connection with the acquisition of shares in a subsidiary, the cost price of the shares is eliminated against the equity capital in the subsidiary at the time of the acquisition. Added values are distributed on other assets or entered as goodwill. Goodwill is amortised over the estimated useful life based on calculations at the time of the acquisition. Goodwill is written down if the value is considered to be considerably lower than the book value and this change is expected to be permanent.

Associated companies

Associated companies in which Eltek has strategic ownership of 20-50 % are included in accordance with the equity method by the share of the result adjusted for depreciation on any added values being entered on a separate line under the financial items. In the consolidated balance sheet, associated companies are entered at cost price with addition of accumulated shares of the result adjusted for dividend received. This principle has been fully implemented from and including the 1997 accounting year, and the share of equity capital from prior years has been entered directly under the equity capital.

Conversion of foreign subsidiaries

The group's accounting principles have also been implemented for foreign subsidiaries in so far as this has been practically possible. Conversion of these companies' accounts takes place by the profit and loss accounts being converted at the average exchange rate for the year, whereas balance sheet items are converted at the current exchange rate as at 31 December in the accounting year. Conversion differences in the opening equity capital are entered directly under the group's equity capital.

Eltek is a player on the world market with products that can be used in all countries, often without the need for any changes. Together with the production units and the sales offices, this provides the customers with local service, customisation and follow-up. The transfer of competence between the various markets results in large synergy effects which are used in the general sales and development work.



Booking of income

Income is booked at the time of delivery for goods sold and at the time of provision for service sales. For projects with a long production time, current settlement is used so that a share of the estimated contribution margin is booked as income in accordance with the degree of completion. Provisions have been made for guarantee liability based on historically ascertained guarantee costs and a concrete evaluation of the individual projects.

Current assets and short-term debt

Current assets and short-term debt consist of items which fall due for payment within one year or are attached to the circulation of goods. Advance payments from customers which concern work in progress are included as short-term debt.

Cash in hand and bank deposits denominated in foreign currency

Cash in hand and bank deposits denominated in foreign currency are converted at the exchange rate effective on the balance sheet date.

Trade debtors/Provisions for bad debts

Trade debtors are booked at nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual evaluation of the accounts receivable.

Trade debtors and trade creditors denominated in foreign currency

Trade debtors and trade creditors denominated in foreign currency are converted at the exchange rate on the balance sheet date.

Stocks

Raw materials and components, etc. are valued at the lower of original cost and actual value. Work in progress and finished goods of own production are valued at the lower of production cost and actual value. The FIFO principle or weighted average is used in connection with disposals of stocks.

Work in progress

Work in progress is entered at cost price less actual and/or estimated costs. Work in progress on long-term production contracts also includes a share of the estimated profit calculated on the basis of the degree of completion of each individual contract. Contributions are booked as income only if reliable estimates may be calculated both for the process in question and the total contract. Payments from customers are deducted from the value of work in progress in the same contract or are entered as advance payments from customers to the extent to which they exceed this value. Any loss on future work on long-term production contracts is charged against income and classified as costs incurred in the balance sheet.

Maintenance

Maintenance is entered as expenditure on a continuous basis. Upgrading and replacement of fixed assets are capitalised.

Fixed assets/Depreciation

Fixed assets are entered at historical cost adjusted for any revaluation/write-down and accumulated depreciation. Fixed assets are depreciated on a straight-line basis over their estimated useful life. Gains and losses in connection with the disposal of fixed assets are included in the operating result.

Long-term receivables and debt denominated in foreign currency

Long-term receivables/debt denominated in foreign currency are converted at the exchange rate on the balance sheet date. Unrealised exchange losses are entered as expenditure, whereas unrealised exchange gains are only booked as income as a reversal of prior loss charged against income or to cover unrealised loss denominated in the same currency.

Leasing

Leasing agreements are treated as operational leasing on the basis of the term of the agreement and the estimated useful life of the leased objects and are entered as expenditure on a continuous basis.

Research and development expenses

Expenses incurred in connection with research and development of new products are entered as expenditure on a continuous basis.

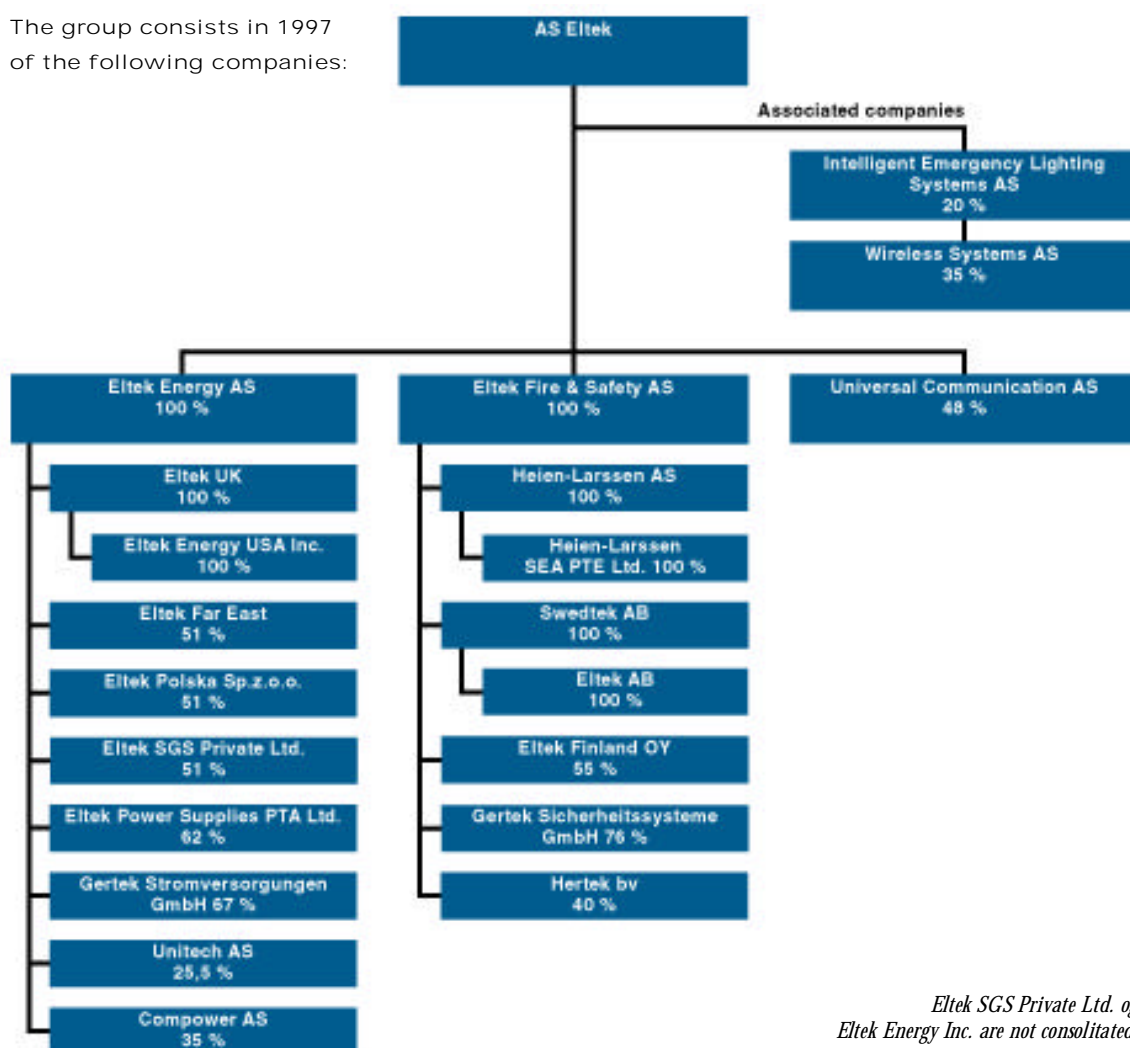
Taxes

The tax cost in the profit and loss account includes both tax payable and the change in deferred tax. The change in deferred tax reflects future tax payable as a result of the activities in the course of the year. Deferred tax in the balance sheet is related to the tax liability for future gains and losses. Deferred tax is assessed in accordance with the debt method as an equalisation of positive and negative temporary variances between tax and book value plus loss which can be carried forward.

Change in accounting principles

From 1 January 1997, stocks of finished goods of own production are valued in accordance with the full production cost, whereas, previously, the direct production cost was used. At the closing of the accounts for 1997, the principles for valuation of dead stocks were also changed from a theoretical model based on movement over time to a more specific valuation of future requirements for all raw materials, semi-manufactures and finished goods.

The group consists in 1997 of the following companies:



Eltek SGS Private Ltd. og Eltek Energy Inc. are not consolidated, but included cost method.

Note 1 - Tied-up bank deposits

Group

Of the group's bank deposits, tied-up deposits amount to NOK 5 074.

Parent company

Of the parent company's bank deposits, tied-up deposits amount to NOK 400.

Note 2 - Trade debtors

Group

For the group, trade debtors are valued at nominal value less provisions for bad debts:

	1997	1996	1995
Trade debtors 31 December at nominal value	134 961	95 910	85 291
Provisions for bad debts	4 805	3 231	1 953
Trade debtors 31 December	130 156	92 679	83 338
Accounting valuation:			
Provisions for bad debts 1 January	3 391	1 976	1 486
Provisions for bad debts 31 December	4 805	3 231	1 976
Change in provisions for bad debts	-1 414	-1 255	-490
Net loss booked during the year	-1 828	-184	-556
Net cost in the profit and loss account	-3 242	-1 439	-1 046

All other accounts receivable are valued at nominal value.

Parent company

For the parent company, trade debtors are valued at nominal value less provisions for bad debts:

	1997	1996	1995
Trade debtors 31 December at nominal value	3 030	62 743	51 479
Provisions for bad debts	0	1 400	1 200
Trade debtors 31 December	3 030	61 343	50 279
Accounting valuation			
Provisions for bad debts 1 January	1 400	1 200	1 000
Provisions for bad debts 31 December	0	1 400	1 200
Change in provisions for bad debts	- 1 400	- 200	- 200
Transferred by intragroup transfers	1 400	0	0
Net loss booked during the year	-435	-125	-166
Net cost in the profit and loss account	-435	-325	-366

All other accounts receivable are valued at nominal value.

Note 3 - Stocks

Group

A change in the principle for the valuation of stocks from direct cost to full production cost gave an improvement in result of NOK 2 304 in 1997. In addition, a valuation of obsolete goods has been made which has resulted in an increase in provisions for obsolescence of NOK 1 792.

Note 4 - Shares in associated companies

Group

Shares in associated companies comprise the following:

	Share of equity capital	Goodwill on share	Total
Intelligent Emergency Lighting Systems AS			
Book value as at 31 December 1996	0	200	200
Acquisition in 1997	0	600	600
Share of result 1997	0	- 80	- 80
Book value 31 December 1997	0	720	720
Wireless Systems AS			
Acquisition in 1997	336	1664	2 000
Share of result 1997	- 336	- 139	- 475
Book value 31 December 1997	0	1 525	1 525
Compower AS			
Book value as at 31 December 1996	120	192	312
Share of result 1997	105	- 11	94
Book value 31 December 1997	225	181	406
Unitech AS			
Acquisition in 1997	522	1478	2 000
Share of result 1997	152	- 86	66
Book value 31 December 1997	674	1 392	2 066
Hertek B.V.			
Book value as at 31 December 1996	837	0	837
Share of result 1997	335	0	335
Book value 31 December 1997	1 172	0	1 172
Total share of result, associated companies	256	- 316	- 60
Total balance sheet value, assoc. companies	2 071	3 818	5 889

The nurse-call system is important for communication between patients, nurses and physicians at a hospital or nursing home. Eltek's systems may be integrated with the fire alarm system and internal pagers.



Parent company

Share in subsidiaries comprise the following:

	Share in %	Total share capital	No. of shares	Nom. value per share	Book value
Universal Communications AS	48 %	NOK 2 241	10 852	NOK 100	3 763
Eltek Energy AS	100 %	NOK 45 000	45 000	NOK 1 000	45 000
Eltek Fire & Safety AS	100 %	NOK 30 000	30 000	NOK 1 000	30 000
Total shares in other companies					78 763

Note 5 - Other shares

Group

The holding of other shares in the group as at 31 December 1997 consists of:

	Share in %	Total share capital	No. of shares	Nom. value per share	Book value
Eltek SGS Private Ltd, India	51 %		236 028		482
Eltek Energy USA Inc., USA	100 %				0
El. Industriens Testcenter		NOK 913	50	NOK 100	5
Total shares in other companies					487

Parent company

The holding of other shares in the parent company as at 31 December 1997 consists of:

	Share in %	Total share capital	No. of shares	Nom. value per share	Book value
I.E.L. Systems AS	20 %	NOK 4 000	800	NOK 1 000	800
Wireless AS	35 %	NOK 400	1400	NOK 100	2 000
Andre aksjer					5
Total shares in other companies					2 805

Note 6. - Fixed assets

Group

	Machinery, etc.	Goodwill	Buildings, etc.	Total
Original cost as at 1 January 1997	27 964	11 009	16 348	55 321
Additions	9 767	427	6 882	17 076
Disposals	- 713	0	0	- 713
Accumulated depreciation	21 780	722	2 414	24 916
Book value as at 31 December 1997	15 238	10 714	20 816	46 768
Depreciation for the year	4 777	578	1 078	6 433
Rate of depreciation	0 - 33 %	5 - 10 %	2 - 20 %	

Investments in and sales of (sales price) fixed assets and real property in the past 5 years:

	1997		1996		1995		1994		1993	
	Inv.	Sales	Inv.	Sales	Inv.	Sales	Inv.	Sales	Inv.	Sales
Machinery, etc.	9 767	570	6 329	274	5 842	381	3 137	284	2 879	646
Goodwill	427		11 032							
Buildings	6 882		3 268		1 318		3 246		231	
Total	17 076	570	20 629	274	7 160	381	6 383	284	3 110	646

Parent company

	Machinery, etc.	Buildings, etc.	Total
Original cost as at 1.1.97.	15 608	4 519	20 127
Additions	354	73	427
Disposals	11 108	4 362	15 470
Accumulated depreciation	3 275	115	3 390
Book value as at 31.12.97.	1 579	115	1 694
Depreciation for the year	682	195	877
Rate of depreciation	1 - 33 %	10 %	

Investments in and sales of (sales price) fixed assets and real property in the past 5 years:

	1997		1996		1995		1994		1993	
	Inv.	Sales	Inv.	Sales	Inv.	Sales	Inv.	Sales	Inv.	Sales
Machinery, etc.	354	9 908	3 169	274	2 109	40	1 808	174	1 590	574
Buildings	73	6 896	3 203	0	323	0	114	0	231	0
Total	427	16 804	6 372	274	2 432	40	1 922	174	1 821	574

Note 7 - Taxes

Group

The tax cost for the group consists in its entirety of tax payable, as net deferred tax advantage and the change in this tax advantage cannot be entered in the accounts in accordance with sound accounting policies.

Deferred tax has been assessed on the basis of the variances which exist at the end of the year between accounting values and tax values:

	1997	1996	1995
Guarantee provisions	-3 675	-3 980	-2 641
Stocks and projects in progress	155	835	569
Operating plant and machinery	5 676	361	251
Trade debtors	-2 856	-2 162	-949
Costs accrued	-2 387	-210	-451
Pension liabilities	-4 178	18	0
Other	-999	0	0
Basis for assessment of deferred tax in Norway	-8 264	-5 138	-3 221
Deferred tax advantage (28 %)	-2 314	-1 439	- 902
Deferred tax in foreign subsidiaries (27-33%)	154	515	217
Deferred tax advantage, eliminated intragroup profit on stocks	-154	-515	-217
Net deferred tax advantage/deferred tax	0	0	0

In accordance with sound accounting principles, the tax advantage has not been entered in the company's balance sheet.

Parent company

The tax cost for the parent company consists of:

	1997	1996	1995
Profit before tax	437 011	14 070	14 935
Gain on intragroup transfer	- 425 000	0	0
Permanent variances	3 313	1 839	2 026
Change, temporary variances	- 4 872	805	7 674
Intragroup contribution	0	- 9 321	0
Share dividend	0	- 4 511	- 4 70
Tax base for the year	10 452	2 882	19 926
On which 28 % tax	2 927	807	5 616
Tax on share of result Eltek (Far East)	0	200	384
Payment of share dividend for the year	- 1 536	0	0
Tax payable	1 391	1 007	6 000
Tax receivable offset in previous years	- 1 474	462	
Net tax payable/receivable as at 31 December	- 83	545	
Allocated tax payable	1 391	1 007	6 000
Excess allocation for previous years	0	- 37	22
Refund claim in accordance with division model (excess allocation)	0	- 105	- 147
Change in deferred tax	8	0	- 1 019
Tax cost	1 399	865	4 856

Deferred tax is assessed on the basis of the variances which exist at the end of the year between accounting values and tax values:

	1997	1996	1995
Guarantee provisions	0	- 3 000	- 3 000
Stocks	0	- 1 000	0
Operating plant and equipment	- 109	205	353
Trade debtors	0	- 1 244	- 937
Costs accrued	0	- 210	- 451
Pension funds/Premium reserve	141	409	0
Basis for assessment of deferred tax	32	- 4 840	4 035
Deferred tax/tax advantage(-) (28 %)	9	- 1 355	- 1 130

In accordance with sound accounting principles, the deferred tax advantage in 1996 and 1995 has not been entered in the company's balance sheet.

Note 8 - Extraordinary items

Group and parent company

The extraordinary costs for the year concern the company's pension liability, which was the object of incorrect treatment in 1996 in connection with the implementation of the Provisional Accounting Standard on Pension Costs. The error, which amounts to a total of NOK 2 622, was to have been entered directly against the equity capital as at 1 January 1996 and has been entered in the profit and loss account in the correction in 1997 in accordance with the Provisional Accounting Standard on Extraordinary Income and Costs.

Note 9 - Equity

Group

	1997	1996	1995
Equity as at 1 January	73 822	69 694	34 739
Share issue/capital reduction in parent company	16 536		40 006
Ordinary net profit	27 167	4 866	13 265
Extraordinary items	- 2 622		
Dividend	- 15 000		- 11 500
Conversion differences and other items	1 450	516	- 1 012
Implementation of pension standard			- 5 031
Share issues/capital red. in subsidiaries		- 1 254	- 773
Equity as at 31 December	101 353	73 822	69 694

Parent company

	1997	1996	1995
Equity as at 1 January	67 246	63 362	28 850
Share issue/capital reduction in parent company	16 536		40 006
Ordinary net profit	438 234	13 205	10 079
Intragroup contribution made		- 9 321	
Extraordinary items	- 2 622		
Dividend	- 15 000		- 11 500
Implementation of pension standard			- 4 073
Equity as at 31 December	504 393	67 246	63 362



Emergency lights are used to mark emergency exits and provide general lighting along evacuation routes in the event of a power failure. The emergency light fittings are available with self-tester function and automatic feedback, resulting in reduced maintenance costs.

Note 10 - Minority interests

Group

	1997	1996	1995
Minority interests as at 1 January	6 440	6 371	6 177
Minority share of the result	1 985	4 381	3 404
Acq. of minority shares/capital changes		- 3 499	- 2 876
Dividend	- 852	- 412	- 25
Conversion differences and other items	874	- 401	- 309
Minority interests as at 31 December	8 447	6 440	6 371

Note 11 - Pension and pension liabilities

Group

In the accounts for 1997, the group has treated pension costs and pension liabilities in accordance with the Provisional Norwegian Accounting Standard on Pension Costs. This standard was implemented in the group in 1996. The pension scheme encompasses the parent company AS Eltek, Eltek Energy AS, Eltek Fire & Safety AS, Heien-Larsen AS and Universal Communication AS. The collective pension scheme covers 223 employees. The group's share of the annual premium has been entered under personnel costs. The below information is based on actuarial calculations made by the insurance company.

The calculation has been based on the following assumptions:

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

Estimated pension cost

	1997	1996
Earned pension for the year	4 417	3 399
Interest charges on pension liability incurred	1 275	1 097
Estimated return on the pension funds	- 1 293	- 977
Amortisation	- 233	- 115
Withholding of employee pay	- 1 158	- 1 092
Net pension cost	3 008	2 312

Pension liability as at 31 December

Estimated value of pension funds	18 517	17 733
Estimated value of pension liability	25 911	22 679
Net unamortised loss/insufficient allocation in the group		255
Net pension liability as at 31 December	7 394	4 691

Eltek (UK) Ltd. pays a contribution to three self-managed pension schemes, one for individual members of the Board of Directors and executives and another for other employees. The pension funds have not been entered in the company's balance sheet. Paid premiums amounted to approx. NOK 753 in 1997.

Parent company

In the accounts for 1997, AS Eltek has treated pension costs and pension liabilities in accordance with the Provisional Norwegian Accounting Standard on Pension Costs.

The company has a collective pension scheme in an insurance company which covers 8 employees. The company's share of the annual premium has been entered as expenditure under personnel costs.

The below information is based on actuarial calculations made by the insurance company.

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The calculation has been based on the following assumptions:

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

Estimated pension cost:

	1997	1996
Earned pension for the year	1 664	2 710
Interest charges on pension liability incurred	499	865
Estimated return on the pension funds	- 590	- 763
Amortisation	- 96	- 134
Withholding of employee pay	- 540	- 997
Net pension cost	937	1 681

Pension liability as at 31 December

Estimated value of pension funds	3 239	14 351
Estimated value of pension liability	3 098	17 932
Net unamortised loss/excess allocation in the company		83
Net pension liability as at 31 December	-141	3 664

The net pension liability as at 31 December 1997 has been entered in the balance sheet under the item other receivables under fixed assets.

Note 12 - Security pledged

Group

	1997	1996	1995
Book debt secured by mortgage	61 972	22 788	16 594
The book value of assets pledged as security:			
Trade debtors	93 175	26 775	37 789
Other receivables	8 773	7 738	992
Stocks	90 375	73 206	57 930
Machinery, fixture and fittings, etc.	2 684	2 061	1 891
Real properties	15 346	9 818	8 831
Other	3 481	0	0
Total	213 834	119 598	107 433

Parent company

	1997	1996	1995
Book debt secured by mortgage	6 000	3 086	0
Book stocks secured by mortgage		37 660	35 648

All single claims have been pledged as security.

The same assets have been pledged as security for debt in the companies Eltek Energy AS, Eltek Fire & Safety AS and Heien-Larssen AS. Eltek Energy AS and Eltek Fire & Safety AS are wholly owned by AS Eltek. Heien-Larssen AS is wholly owned by Eltek Fire & Safety AS.

Note 13 - Guarantee liability

Group

	1997	1996	1995
Bank guarantee for performance of consignments	482	0	0
Surety liability for partner companies	125	500	500
Surety liability for employees	643	723	1 114
Total	1 250	1 223	1 614

Parent company

	1997	1996	1995
Surety liability for partner companies	5 823	500	500
Surety liability for employees	620	723	1 054
Total	6 444	1 223	1 554

Note 14 - Current leases and leasing agreements

Group and parent company

The group leases the following equipment as at 31.12.97:

	AS Eltek		Norwegian subsidiaries		Foreign subsidiaries	
	Cost 1997	Expiry of agreement	Cost 1997	Expiry of agreement	Cost 1997	Expiry of agreement
Machinery, fixt. and fittings	621	2000/2001	2 282	1998/2002	900	1998/2002
Company cars	257	1998/2000	1 594	1997/2000	407	1998/2000
Buildings	5 172	2006	1 968	2002/2007	1 334	1999/2007
Total	6 050		5 844		2 641	

Total rental costs for 1997 amounted to NOK 14 535. The company has no agreement concerning the takeover of this operating plant and equipment after the expiry of the leasing agreement. The leases for the buildings which are used by Eltek, Eltek Fire & Safety and Universal Communication are with Eltek Holding AS, which owns 7,954 shares in AS Eltek.

AS Eltek is liable for leasing agreements on various machinery/movables and cars which, after intragroup transfer, are used in the subsidiaries Eltek Energy AS and Eltek Fire & Safety AS. The annual rental is approx. NOK 2,600, and the term of the agreement is 1998 - 2003. AS Eltek is liable for a leasing agreement of computer equipment on behalf of Heien-Larsen AS. The annual rental is NOK 634, and the agreement expires in the year 2002.

Note 15 - Credit and guarantee limits

The companies in the group have total overdraft and guarantee limits of NOK 53 500.

The ban on the use of Halon as an extinguishing agent has placed owners of computer rooms in a difficult situation. Eltek has several alternatives. Halon may be replaced by the extinguishing gas Halotron HB, or the fire extinguishing system may be replaced by an early-warning alarm system which registers the slightest traces of smoke. The latter alternative is widely used where the computer system has 24-hour monitoring.



Accounts for the parent company AS Eltek 1 January to 31 December

All figures in full thousands (NOK)	Note	1997	1996	1995
Operating income		545 513	280 078	242 663
Cost of sales		60 770	147 953	127 451
Payroll costs and other person. costs		41 037	79 882	64 017
Other operating cost		19 650	41 013	37 632
Ordinary depreciation	6	877	2 175	1 635
Bad debts	2	435	325	365
Total operating costs		122 769	271 348	231 100
Operating profit		422 744	8 730	11 563
Financial income and financial costs				
Share dividend from subsidiaries		5 486	4 511	4 709
Financial income		15 206	2 436	1 714
Financial costs		- 3 803	- 1 607	- 3 051
Net financial items		16 889	5 340	3 372
Profit before tax		439 633	14 070	14 935
Tax cost	7	1 399	866	4 856
Ordinary net profit		438 234	13 204	10 079
Extraordinary items	8	-2 622	0	0
Profit for the year		435 612	13 204	10 079
Transfers				
Allocated to statutory reserve		0	1 320	0
Allocated to free reserve		420 612	2 938	1 676
Allocated to dividend		15 000	0	11 500
Transf. from other restricted funds		0	-375	-3 097
Intragroup contrib. made		0	9 321	0
Total transfers		435 612	13 204	10 079

Accounts for the parent company AS Eltek as at 31 december

All figures in full thousands (NOK)	Note	1997	1996	1995
ASSETS				
Current assets				
Cash in hand and bank deposits	1	17 644	3 502	22 267
Trade debtors	2	3 030	61 343	50 279
Other short-term receivables	2	35 419	10 319	8 966
Raw materials		0	17 386	15 424
Work in progress		0	5 282	6 634
Semi-manufactures		0	7 587	0
Finished goods		0	7 405	13 600
Total current assets		56 093	112 824	117 170
Fixed assets				
Shares in subsidiaries	4	78 763	22 363	7 806
Other shares	5	2 805	918	819
Intragroup receivables		402 547	0	0
Other receivables		175	1 419	1 860
Vehicles, machinery, office equipment, etc.	6	1 579	6 866	5 785
Buildings, etc.	6	115	3 783	861
Total fixed assets		485 984	35 349	17 131
Total assets		542 077	148 173	134 301
LIABILITIES AND EQUITY				
Short-term debt				
Trade creditors		2 048	19 753	22 992
Overdraft		0	3 086	0
Unpaid HP, payroll tax, etc.		4 396	12 285	10 175
Adv. payments from customers		0	1 753	3 830
Tax liability	7	-83	545	6 179
Unpaid dividend		15 000	0	11 500
Other short-term debt		10 314	27 309	8 691
Total short-term debt		31 675	64 731	63 367
Long-term debt				
Deferred tax	7	9	0	0
Other long-term debt		6 000	3 664	3 499
Pension liabilities	11	0	12 532	0
Total long-term debt		6 009	16 196	3 499
Equity				
Share capital		10 428	9 700	9 700
Other tied-up equity capital		54 010	54 010	57 137
Distributable reserves		439 955	3 536	598
Total equity		504 393	67 246	67 435
Total liabilities and equity	9	542 077	148 173	134 301
Mortgages, etc.	12	6 000	3 086	0
Guarantees, etc.	13	6 444	1 223	1 554

Accounts for the parent company AS Eltek as at 31 december

All figures in full thousands (NOK)	1997	1996	1995
Funds generated from/spent on activ.			
Profit before tax	437 011	14 070	14 935
Gain on intragroup transfers	- 425 000	0	0
Net loss, associated companies	0	0	0
Gain/loss on sales of fixed assets	0	- 79	- 40
Ordinary depreciation	877	2 175	1 635
Distributed dividend	0	- 11 500	- 5 000
Tax liability	- 1 391	- 6 500	- 5 875
Added from activities for the year	11 497	- 1 834	5 655
Change in trade debtors	58 313	- 11 064	- 14 812
Change in other receivables	- 25 101	- 1 332	- 4 834
Change in stocks	17 386	- 1 962	- 3 686
Change in work in progress	5 282	1 352	- 200
Change in stocks of finished goods	14 992	- 1 392	- 4 037
Change in trade creditors	- 17 705	- 3 239	4 087
Change in other accruals	- 27 266	9 310	6 873
Net liquid. change from activities (A)	37 398	- 10 161	- 10 954
Funds generated from/spent on inv.			
Sales of fixed assets	17 531	274	40
Investment in fixed assets	345 784	- 6 372	- 2 432
Sales of shares	92 720		
Investment in shares	- 80 514	- 14 657	- 1 118
Change in long-term receivables	- 401 303	441	- 678
Net liquid. change from inv. (B)	- 25 782	- 20 314	- 4 188
Funds generated from/spent on financ.			
Change in overdraft limit	- 6 000	- 8 500	4 000
Change in pension liability	- 3 664	- 409	0
New long-term debt	6 000	9 606	0
Repayment of debt	- 12 533	- 572	- 1 523
Net liquid. change from financing (C)	- 16 197	125	2 477
Injection of equity capital by issue (D)	15 809	0	40 006
Net change in funds during the year (A + B + C + D)	11 229	- 30 350	27 341
+ Liquid funds 01.01	6 416	36 767	9 426
+ Liquid funds 31.12. incl. overdraft	17 644	6 417	36 767



Eltek handles the production apparatus with main factories in Norway and the UK. In addition, Eltek has sub-production or production under licence in India and China. The production units are highly automated with emphasis on rapid switching between different product types.

Reorganisation of the Eltek Group - intragroup transfers

The intragroup transfers described in the comments on the consolidated accounts generated a gain of NOK 425 million in AS Eltek.

As a result of the above transfers, AS Eltek's annual accounts only contain ordinary activities for the first 5 months of the year. After this, the activities of the parent company consist of developing the business activities in the subsidiaries and handling its interests in these subsidiaries.

General principles

Shares in subsidiaries and associated companies are entered at the cost price for the shares. Shares which are assumed to have a lower value than the cost price are written down. Moreover, the comments on the consolidated accounts also apply to AS Eltek where relevant.

Notes to the accounts

The notes in AS Eltek's annual report and accounts follow the same note numbering as in the consolidated annual report and accounts. The parent company's notes have been incorporated as a separate item under the notes to the consolidated annual report and accounts and are therefore not repeated here except for notes 16 and 17, which only apply to AS Eltek.

Note 16. Foreign-exchange contract

A contract has been entered into with the subsidiaries Eltek Energy AS and Eltek Fire & Safety AS under which Eltek Energy AS was to sell GBP to AS Eltek at an exchange rate of 10.60 in 1997, whereas Eltek Fire & Safety AS was to buy GBP from AS Eltek at an exchange rate of 10.60. The average exchange rate was 11.58 in 1997.

Note 17. Remuneration, fees, etc.

NOK 340 has been paid in fees to the members of the Board of Directors, whereas the Managing Director's salary and other remuneration amount to NOK 1 193. Accountant's fee amounts to NOK 376 distributed on NOK 143 for auditing and NOK 233 for other consultancy services.

The Managing Director has an agreement which entitles him to retire with 90 % of 2 year's salary at the time at which he retires, possibly a consultancy agreement limited to max. 5 years. Furthermore, the company must pay a premium up to the ordinary retirement age for the collective pension scheme which is in force at any given time for the company's employees.

The General Manager of Eltek (UK) Ltd. has been granted an option to buy 194 shares in the company (0.9 % of the share capital as at 31.12.97). The option applies up to the listing of the company on the stock exchange, however, not later than April 1999.

ARTHUR ANDERSEN

TRANSLATION FROM NORWEGIAN

AUDITORS' REPORT FOR 1997

To the Annual General Meeting of
AS Eltek

Arthur Andersen & Co.
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Medlemmer av Norges Statsautoriserte
Revisorers Forening

We have audited the annual accounts of AS Eltek for 1997, showing net income of NOK 435.611.458 for the company and net income of NOK 24.545.000 for the group. The annual accounts, which consist of the Board of Directors' report, statement of income, balance sheet, statement of cash flows, notes and the corresponding consolidated financial statements, are the responsibility of the Board of Directors and the Chief Executive Officer.

Our responsibility is to examine the company's annual accounts, its accounting records and the conduct of its affairs.

We have conducted our audit in accordance with applicable laws, regulations and generally accepted auditing standards. We have performed the auditing procedures we considered necessary to determine that the annual accounts are free of material errors or omissions. We have examined, on a test basis, the accounting material supporting the financial statements, the appropriateness of the accounting principles applied, the accounting estimates made by management and the overall presentation of the annual accounts. To the extent required by generally accepted auditing standards we have also evaluated the company's asset management and internal controls.

The appropriation of net income, as proposed by the Board of Directors, complies with the requirements of the Joint Stock Companies Act.

In our opinion, the annual accounts have been prepared in conformity with the Joint Stock Companies Act and present fairly the company's and the group's financial position as of 31 December 1997 and the result of its operations for the fiscal year in accordance with generally accepted accounting principles.

ARTHUR ANDERSEN & CO.

Erik Mamelund (sig.)
State Authorised Public Accountant (Norway)

Oslo,
3. april 1998

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The Eltek Group



Annual Report 1997

