



# Eltek

## Annual Report 1998





# Eltek

*The Eltek Group consists of 24 companies in Norway, Europe and Asia. Eltek has two business areas:*

*Eltek Energy is a supplier of power supply systems, primarily to the telecommunications industry.*

*Eltek Fire & Safety is a supplier of fire protection systems.*

*The Group has a total of 637 employees, 220 of whom are employed outside Norway. Eltek ASA was floated on the Oslo Stock Exchange in 1998. The company's headquarter is in Drammen, 40 kilometres south of Oslo.*

## *Contents*

|  |           |
|--|-----------|
| <i>Important events in 1998</i>              | <b>4</b>  |
| <i>Key figures</i>                           | <b>5</b>  |
| <i>A sound platform for continued growth</i> | <b>6</b>  |
| <i>Eltek Energy</i>                          | <b>8</b>  |
| <i>Eltek Fire &amp; Safety</i>               | <b>10</b> |
| <i>Directors' report 1998</i>                | <b>12</b> |
| <i>Profit and loss account</i>               | <b>16</b> |
| <i>Balance sheet</i>                         | <b>17</b> |
| <i>Cash flow analysis</i>                    | <b>18</b> |
| <i>Comments to the accounts</i>              | <b>19</b> |
| <i>Notes to the accounts</i>                 | <b>20</b> |
| <i>Accounts for the parent company</i>       | <b>26</b> |
| <i>Auditor's report</i>                      | <b>27</b> |
| <i>Eltek towards new horizons</i>            | <b>28</b> |
| <i>Fire protection pays</i>                  | <b>30</b> |
| <i>Organisation and management</i>           | <b>32</b> |
| <i>International network</i>                 | <b>33</b> |
| <i>Addresses</i>                             | <b>34</b> |

# Important events in 1998

## **Eltek ASA**

- Divested Ucom and Wireless Systems
- Raised fresh capital through a NOK 79.9 million share issue
- Floated on the Oslo Stock Exchange

## **Eltek Energy**

- Established Eltek Energy France
- Purchased a further 50.5 % of shares in Unitech (increasing ownership share to 76 %)
- Entered into a frame agreement worth NOK 40 million with the Canadian Department of Defence
- Entered into a frame agreement worth NOK 25 million with Singapore Telecom

## **Eltek Fire & Safety**

- Merged with Norfass
- Acquired Magnus Fergin Belysning in Sweden
- Purchased the remaining 80 % of shares in Intelligent Emergency Lighting Systems (IEL)
- Completed the fire alarm system at Oslo Airport Gardermoen

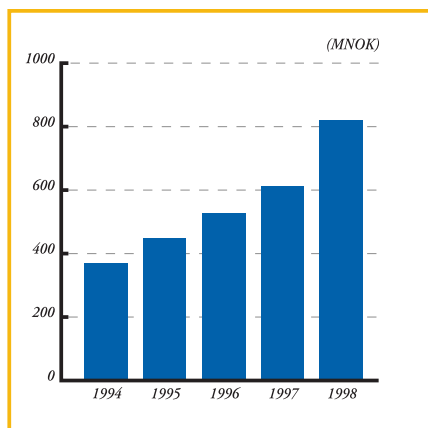


Eltek participated in developing Oslo Airport Gardermoen by supplying the fire alarm system.

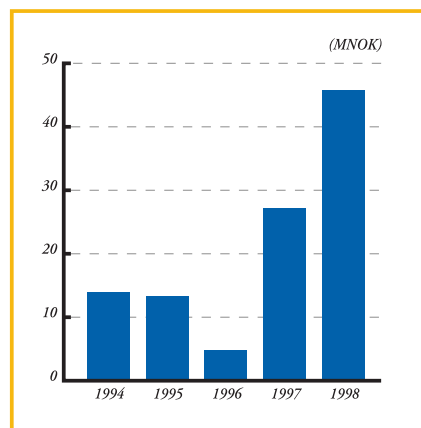
In 1998, a number of countries in Asia developed their tele-communications infrastructure with power supply systems from Eltek.

# Key figures

Development of operating revenue for the Eltek Group



Development of net profit for the year for the Eltek Group



## Key figures (MNOK)

|                                       | 1998   | 1997   | 1996   | 1995   | 1994   |
|---------------------------------------|--------|--------|--------|--------|--------|
| <b>Results</b>                        |        |        |        |        |        |
| Operating revenue                     | 822.6  | 613.5  | 526.9  | 451.0  | 371.8  |
| Operating profit                      | 57.2   | 42.6   | 17.1   | 27.7   | 26.6   |
| Pre-tax profit                        | 62.0   | 38.7   | 15.7   | 25.8   | 24.9   |
| Net profit for the year (ordinary) 1) | 45.7   | 27.2   | 4.9    | 13.3   | 14.0   |
| Operating margin 2)                   | 7.0 %  | 6.9 %  | 3.2 %  | 6.1 %  | 7.2 %  |
| Profit margin (before tax) 3)         | 7.5 %  | 6.3 %  | 3.0 %  | 5.7 %  | 6.7 %  |
| <b>Capital</b>                        |        |        |        |        |        |
| Total capital                         | 475.5  | 319.1  | 242.6  | 224.3  | 160.2  |
| Equity capital (total) 4)             | 223.4  | 109.8  | 80.3   | 76.1   | 40.9   |
| Equity ratio                          | 47.0 % | 34.4 % | 33.1 % | 33.9 % | 25.5 % |
| <b>Shares</b>                         |        |        |        |        |        |
| Shares, total (thousands)             | 13 825 | 10 428 | 9 700  | 9 700  | 700    |
| Profit per share 5)                   | 3.60   | 2.70   | 0.51   | 2.56   | 20.00  |
| Dividend per share                    | 1.00   | 1.44   | 0.00   | 1.19   | 7.14   |
| <b>Employees</b>                      |        |        |        |        |        |
| Employees as at 31 December           | 637    | 532    | 465    | 373    | 275    |

1) Profit after tax and minority interests + extraordinary expenses

2) Operating profit as a percentage of operating revenue

3) Pre-tax profit as a percentage of operating revenue

4) Equity capital + minority interests

5) Ordinary profit for the year as a percentage of average number of shares as at 1 January and 31 December

# A sound platform for continued growth

*The year 1998 has been a very special year for Eltek. Never before have we grown so strongly in terms of sales. We have surprised analysts and the rest of the market, with a result that was better than anticipated. We have laid the foundation for continued growth both in Norway and worldwide.*

Around three or four years ago it became clear that Eltek would have to undergo a maturing process, both in financial and ownership terms, in order to grow in line with market challenges. With owners such as Telenor Venture and the Government Fund for Industry and Regional Development (SND), we staked out a course which would culminate in the company's listing on the Oslo Stock Exchange. In July 1998, we were quoted on the Oslo Stock Exchange with a share price NOK 40 per share.

Flotation on the Oslo Stock Exchange coincided with a general downturn in the stock market, and Eltek's shares performed like those of similar-sized companies. There is a clear trend in the stock market that larger companies fare better than smaller companies in a bear market. We are naturally disappointed with developments and consider the value of the company to be significantly higher than that indicated by current market pricing.

We are hardly the first people to experience that a flotation renders the valuation of the company dependent on a number of factors over which we have no control. In the longer term, however, only our own results count, and in order to achieve continued growth, Oslo Stock Exchange will be an important instrument for us in the years ahead.

All market evaluations indicate that we must continue to grow in order to move up one division as an attractive investment object. Such an expansion requires insight into the market and available capital, but this alone is not enough. Expansion must be controlled if it is to bear fruit. In this respect, the composition of our Board of Directors is a stimulus and a prerequisite for continued growth in Eltek.

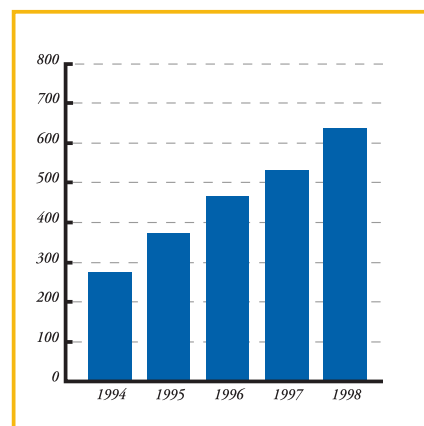
Major structural changes are occurring in the market within both our business areas. Globalisation is bearing down on us with full strength. A supplier of telecommunications equipment in a market with a diminishing number of players cannot base its operations on restricted geographical niches. Within the fire protection segment in Norway, there have been a number of mergers and international acquisitions. Today we are the only remaining Norwegian-owned company. This development is also an incitement for continued growth. We have announced our participation in the race.

To meet these demands, we have planned an aggressive strategy for continued expansion through acquisitions and technological development. Eltek has the financial strength to tackle such an

Global distribution of sales



Number of employees in the Eltek Group





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"Eltek has planned an aggressive strategy for continued expansion."

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expansion. We have an equity ratio which many would envy us, and our partners regard us as sound, serious and future-oriented.

To document the result of our development, we attach great importance to providing our owners with information. In 1999, we will raise our profile several notches. Given Eltek's development, there is no reason to appear to be a well-kept secret in the market. We also welcome an improved dialogue with our present and potential investors and hope that the information we provide will contribute to this. It is therefore with considerable optimism that we have made a start on a new year.

Regards,

  
Alain F. Angelil  
Group CEO

### KAPAKS

The KAPAKS project is a turn-key project for Telenor which consists of different sizes of outdoor kiosks. The detailed planning of these kiosks has taken place in cooperation with Telenor. The kiosks contain electronic components, power supply systems, heating and ventilation.

### Quality

ISO 9001 certification documents Eltek's focus on quality at all levels, from design and production to delivery and customer service.



### MPSU 6000

MPSU 6000 is a modular power supply unit, which ensures a high quality DC power supply, for integration with communications equipment. By using a modular power supply unit, it is possible to extend or service the unit without disconnecting the rest of the equipment from the network. This product is used in, among other things, GSM base stations, and Eltek expects to deliver several thousand units in 1999.

### SMPS 1000 SI

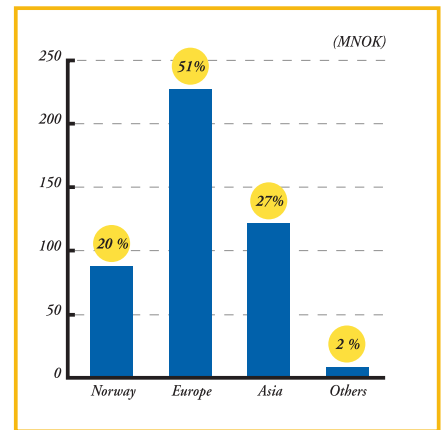
SMPS 1000 SI is designed to give a reliable, uninterrupted supply of direct current for use with telecommunications and industrial equipment. SMPS 1000 SI can be connected and unplugged during operation, thus facilitating service and installation. The size of SMPS 1000 SI makes it perfect for the telecommunications market and it is therefore Eltek's most popular product.

# Eltek Energy



Eltek Energy's business area is the supply of uninterrupted power supply systems to telecommunications installations (fixed network, mobile network, cable TV and the Internet). The company has two production facilities – one in Drammen in connection with Eltek's main office and one in Hemel Hempstead in connection with Eltek UK Ltd.

- Eltek Energy's market is global and consists of large and small telecommunications operators and their suppliers.
- A complete power supply system consists of rectifier modules which transform alternating current from the electricity network into direct current, batteries, a monitoring unit and a distribution unit for interfacing with the network.
- Eltek Energy's operations are primarily export-oriented. The European market outside of Norway accounts for 51 % of turnover while the Asian market accounts for 27 %. Sales in Norway comprise 20 % of total turnover.
- Eltek Energy is represented through wholly or part-owned companies in Norway, England, France, Germany, Poland, Hong Kong, Singapore and India. In addition, the company's products are sold directly to end-users or through distributors in a number of countries.



Global distribution of sales

## Product development

Eltek Energy's research and development unit is located in Drammen and employs 20 people. This division works in close cooperation with research institutes such as the Norwegian University of Science and Technology (NTNU) and SINTEF. Eltek Energy is presently involved in a research project with these institutions, with funding from the Research Council of Norway. One of Eltek's engineers is currently working on an industrial doctorate under the auspices of NTNU. Eltek Energy represents one of the strongest professional environments within the field of power electronics in Norway.

## Eltek UK is "Exporter of the Year"



Eltek UK received the prestigious "Export Times Exporter of the Year Award" in the category "New Exporter". The "New Exporter" prize is awarded to businesses which were established as export companies in the last three years and which have achieved significant results and a considerable breakthrough in the market.

### Fireguard DELTA

New operating unit with a pioneering design. Network-based for maximum flexibility. Individually adapted to each installation. Graphical presentation with FireWin. 100 % compatible with other Eltek systems. A entirely new fire alarm concept has been developed in Eltek's laboratories. Based on recognised technology, it offers the customer increased safety and improved functionality.

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### Fire extinguishing systems

Eltek Fire & Safety can deliver all established forms of fire extinguishing methods using water, gas, foam and powder. As a replacement for halogen gas systems, which, in accordance with the regulations, must be replaced by the end of 1999, one can choose between several different types of gas and/or early detection systems. Our fire extinguishing systems are certified for use within the offshore, shipping, construction and manufacturing sectors.

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### Emergency lighting

Standard fittings from IEL are simple, elegant light fittings which can be expanded with self-tester functions and different communications solutions. The light fittings have received an award for good design from the Norwegian Design Council. The light fittings are EN compliant. As the first and only manufacturer of emergency light fittings in Europe, IEL now supplies light fittings which are compatible with E.I.B – European Installation Bus.

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### Service/Project

Eltek Fire & Safety has a well-developed service apparatus responsible for installation, control and routine maintenance. Our project divisions assist the principal in designing complete fire protection systems.

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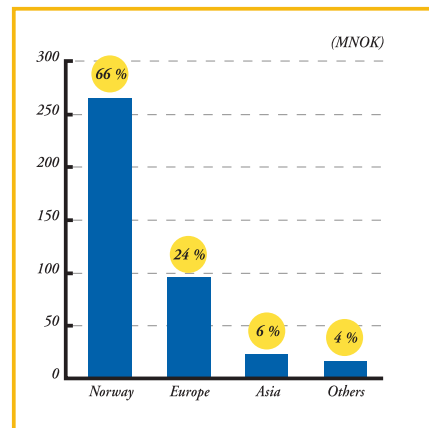


# Eltek Fire & Safety



Eltek Fire & Safety supplies complete fire protection systems within the areas fire detection, fire alarm, fire extinguishing and evacuation. The systems are primarily installed in the professional market, i.e. in commercial buildings, public institutions, housing complexes, industry, ships and offshore installations.

- The land-based market is served by the parent company Eltek Fire & Safety AS, and foreign subsidiaries and distributors in several countries.
- The maritime market is served by Heien-Larsen, while offshore and land-based petroleum facilities are served by Norfass and Firetech.
- Emergency lighting operations are provided by Intelligent Emergency Lighting Systems (IEL) and Magnus Fergin Belysning.
- Eltek Fire & Safety's focus was considerably strengthened in 1998 by the merger with Norfass and Firetech. In addition to fire protection systems, the companies produce control systems for emergency and process shutdown.



Global distribution of sales

## Product development

Eltek Fire & Safety's research and development division employs a total of 20 people. Activities involve the development of fire protection systems and associated software applications. Importance is attached to integrating active extinguishing systems and control systems. Within the field of evacuation systems, the focus is on voice alarm and intelligent emergency lighting systems.

## Fire alarm networks

Fire alarm centres can be networked in order to meet the requirements of both small buildings and large buildings and industrial complexes. The network can be integrated with monitoring systems for emergency lighting and extinguishing systems. In addition, this can be combined with voice alarm, a system which ensures more rapid evacuation in the event of fire.



# Directors' report 1998

## **Results**

Eltek recorded an increase of 34 % in both sales and operating profit in 1998 as a result of acquisitions, one merger and organic growth. Group revenue was NOK 822.6 million, an increase of NOK 209.1 million on the previous year. Operating profit increased by NOK 14.6 million to NOK 57.2 million and net profit for the year rose by NOK 21.1 million to NOK 45.7 million. In 1998, the sale of shares in companies yielded a total gain of NOK 8.3 million before tax and NOK 6.3 million after tax.

Compared with the pro forma consolidated figures for 1997 (given below in brackets), as they would have been inclusive of those companies that were acquired in 1998 and exclusive of those companies that were divested in 1998, turnover increased by 14 %, operating profit grew by 18 %, while profit before tax rose by 42 %.

Group order intake was NOK 847 (774) million in 1998 and the order backlog at year-end was NOK 202 (178) million.

## **Merger, acquisition and divestment of companies**

To strengthen Eltek's position within fire protection, a merger was implemented in 1998 between Norfoss AS and a company in Eltek Fire & Safety. Eltek has sold emergency lighting as part of its fire protection concept for many years and invested in a 20 % share when Intelligent Emergency Lighting Systems AS (IEL) was established in 1995. In 1998, Eltek's emergency lighting business was strengthened through the acquisition of the remaining 80 % of IEL and the acquisition of the Swedish company Magnus Fergin Belysning AB. Both companies are owned by Eltek Fire & Safety and were consolidated into the accounts with effect from 1 April 1998. Unitech AS, which in 1997 became an associated company after Eltek acquired 25.5 % of its shares, became a subsidiary in 1998 following the acquisition of a further 50.5 % of the shares. Eltek Energy currently owns 76 % of this company.

To streamline Eltek's involvement in power supply and fire protection systems, shares in the subsidiary Universal Communication AS (UCOM) and in the associated company Wireless Systems AS were sold in June 1998.

## **Eltek Energy**

Eltek Energy's turnover was NOK 443.8 million, a 21% increase in relation to 1997. Operating profit was NOK 22.8 million, a reduction of 9 % from last year. The operating margin was 5.1 (6.9) %. The reduction in operating profit is largely due to technical problems experienced in the third quarter when a newly-developed rectifier was recalled for modification.

Order intake in 1998 was NOK 455 (409) million and the order backlog as at 31 December 1998 was NOK 89 (78) million.

Eltek Energy increased its sales in Asia by 6 % in spite of the difficult economic situation in this market. In addition to China, Singapore and Thailand became important markets in 1998. The strongest growth in sales was achieved in Europe (22 %). To strengthen its marketing apparatus in Southern Europe, Eltek Energy France S.A. was established at the beginning of this year. On the American continent, a frame agreement worth NOK 40 million in total was signed with the Canadian Department of Defence.

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### **Eltek Fire & Safety**

Eltek Fire & Safety's turnover was NOK 398 million in 1998, which represents an increase of 92 % compared with 1997. Operating profit rose by 153 % to NOK 34.4 million following a strong profit performance in all segments of the market. The operating margin was 8.6 (6.3) %.

Order intake in 1998 was NOK 411 (386) million while the order backlog as at 31 December 1998 was NOK 118 (105) million.

The merger with Norfass AS has made Eltek Fire & Safety a leading supplier of fire protection systems to the offshore sector. The acquisition of Magnus Fergin Belysning AB and IEL Systems AS had a similar effect on the emergency lighting sector. Within the fire alarm sector, Eltek has strengthened its position as a market leader in Norway, increasing its market share from 30 % to 32 %. The largest land-based project implemented in 1998 was the installation of the fire alarm system at Oslo Airport Gardermoen. The Czech Republic and China gave Eltek's fire alarm system national approval, which means that the system has now been approved in 16 countries.

### **Organisation and environment**

Eltek's activities do not cause any pollution of the external environment. There were no industrial disputes in 1998. The working environment is regarded as good, and efforts are constantly being made to make further improvements in this area.

The Eltek Group had a total of 637 (577) employees as at 31 December 1998. Of these, 417 were employed in Norway while 220 worked abroad. At year-end, the parent company had 8 (6) employees.

### **Preparations for the Millennium**

In 1999, the administrative IT systems in the companies in Norway are being replaced, and the solutions chosen can also be installed in the foreign subsidiaries. All software connected to Eltek's own products is prepared for the transition to the year 2000, and the Board of Directors is of the opinion that Eltek is on schedule with the system changes that must be implemented before the Millennium.

### **Financial matters**

Through share issues prior to Eltek's floating on the Oslo Stock Exchange in July, equity capital was increased by NOK 79.9 million. In this connection, the nominal value of the shares was changed from NOK 500 to NOK 1. Following share issues and the merger with Norfass AS, the share capital was increased by NOK 3,397,103 to NOK 13,824,603. As at 31 December 1998, group equity inclusive of minority interests was NOK 223.4 million, an increase of NOK 113.6 million in relation to 1997, equivalent to an equity capital share of 47 %.

### **Shareholder structure**

Eltek had 761 shareholders at the end of 1998. Alain F. Angelil and Wenche Angelil controlled, directly and indirectly, a total of 48.2 % of the company's shares. Other major shareholders were SND Invest AS (8.2 %), Norfass Holding AS (8 %) and Telenor Venture AS (4.5 %). The private share offering to employees prior to flotation on the Oslo Stock Exchange was well supported. At year-end, 321 employees owned 4.7 % of the company's shares.

### Strategy and prospects

Eltek's business concept is to supply advanced products to the professional markets. In order to achieve its growth objectives, Eltek will continue its strategy with an aggressive development of the market apparatus by acquiring and establishing companies. In February 1999, Eltek Energy purchased 51 % of the shares in the French company Société de Fabrications Electriques et Electroniques S.A. (S.F.E.E.). In 1999, Eltek Fire & Safety established a new company in the United Arab Emirates.

In the opinion of the Board of Directors, the market prospects for 1999 are positive. For Eltek Energy, extensive development programmes within the telecommunications sector in both Europe and Asia provide a good basis for continued growth. Focus will be given to launching new products and reducing production costs in order to improve the profit margin in 1999. For Eltek Fire & Safety, the Norwegian market for new constructions both on land and offshore, which forms the basis for around fifty per cent of activities in Norway, is expected to be slightly reduced in 1999. For the remaining operations, which are directed at service and upgrading, this development is expected to be of less significance. The European fire protection market is in a mature phase with relatively stable growth. For Eltek Fire & Safety, growth in 1999 will be secured by further internationalisation and an increased focus on service, and by exploiting the synergies between the companies in the business area.

### Allocation of the profit for the year

Eltek ASA recorded a net profit for the year of NOK 22.6 million. The Board of Directors recommends the allocation to dividend of NOK 1 per share, equivalent to NOK 13.8 million, and that the remainder, NOK 8.8 million, be transferred to free reserve.

Drammen, 31 December 1998 / 17 March 1999

On the Board of Directors of Eltek ASA

Tore Egil Holte  
Chairman

Leif Rune Rinnan

Arve Johansen

Alain F. Angelil

Morten F. Angelil

Thomas Hoel

Øivind Aass



**The Board of Directors of Eltek ASA.**

*From the left:*

Morten F. Angell, Thomas Hoel,  
Alain F. Angell, Tore Egil Holte,  
Øivind Aass and Leif Rune Rinnan.

Arve Johansen was not present  
at the time.

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# Profit and Loss Account

1 January to 31 December

| <i>Amounts in thousands (NOK)</i>           | <b>Note</b> | <b>1998</b>    | <b>1997</b>    | <b>1996</b>    |
|---|-------------|----------------|----------------|----------------|
| <b>Revenue</b>                              | 1           | <b>822 574</b> | <b>613 537</b> | <b>526 859</b> |
| Cost of sales                               |             | 428 138        | 320 963        | 305 677        |
| Payroll and other personnel costs           |             | 202 473        | 154 227        | 125 740        |
| Other operating costs                       |             | 123 127        | 86 080         | 73 047         |
| Ordinary depreciation                       | 2           | 11 092         | 6 433          | 3 876          |
| Bad debts                                   | 3           | 542            | 3 242          | 1 439          |
| Total operating costs                       |             | 765 372        | 570 945        | 509 778        |
| <b>Operating profit</b>                     |             | <b>57 202</b>  | <b>42 592</b>  | <b>17 081</b>  |
| <b>Financial income and financial costs</b> |             |                |                |                |
| Share of result in associated companies     | 4           | 9 577          | -60            | 407            |
| Financial income                            |             | 8 845          | 5 049          | 3 705          |
| Financial costs                             |             | 13 603         | 8 834          | 5 533          |
| <b>Net financial items</b>                  |             | <b>4 819</b>   | <b>- 3 845</b> | <b>- 1 422</b> |
| <b>Profit before tax</b>                    |             | <b>62 021</b>  | <b>38 747</b>  | <b>15 659</b>  |
| Taxes                                       | 5           | 13 797         | 9 595          | 6 412          |
| Minority interest                           | 10          | 2 531          | 1 986          | 4 381          |
| <b>Ordinary net profit for the year</b>     |             | <b>45 693</b>  | <b>27 167</b>  | <b>4 866</b>   |
| Extraordinary items                         |             |                | - 2 622        |                |
| <b>Net profit for the year</b>              |             | <b>45 693</b>  | <b>24 545</b>  | <b>4 866</b>   |

# Balance Sheet

As at 31 December

| <i>Amounts in thousands (NOK)</i>   | <b>Note</b> | <b>1998</b>    | <b>1997</b>    | <b>1996</b>    |
|-------------------------------------|-------------|----------------|----------------|----------------|
| <b>ASSETS</b>                       |             |                |                |                |
| <b>Current assets</b>               |             |                |                |                |
| Cash in hand and bank deposits      | 6           | 48 358         | 12 503         | 10 049         |
| Trade debtors                       | 3           | 182 465        | 130 156        | 92 679         |
| Other short-term receivables        |             | 12 852         | 22 139         | 12 651         |
| Raw materials                       |             | 40 139         | 47 312         | 31 868         |
| Work in progress                    |             | 34 520         | 23 220         | 18 003         |
| Finished goods                      |             | 57 627         | 29 726         | 37 382         |
| <b>Total current assets</b>         |             | <b>375 961</b> | <b>265 056</b> | <b>202 633</b> |
| <b>Fixed assets</b>                 |             |                |                |                |
| Shares in associated companies      | 4           | 2 657          | 5 889          | 837            |
| Other shares                        | 7           | 217            | 487            | 835            |
| Other receivables                   |             | 813            | 862            | 1 597          |
| Goodwill                            | 2           | 42 951         | 10 714         | 10 216         |
| Cars, machinery and equipment       | 2           | 27 442         | 15 238         | 12 697         |
| Land and buildings                  | 2           | 25 445         | 20 816         | 13 782         |
| <b>Total fixed assets</b>           |             | <b>99 525</b>  | <b>54 006</b>  | <b>39 964</b>  |
| <b>Total assets</b>                 |             | <b>475 486</b> | <b>319 063</b> | <b>242 597</b> |
| <b>LIABILITIES AND EQUITY</b>       |             |                |                |                |
| <b>Short-term debt</b>              |             |                |                |                |
| Trade creditors                     |             | 97 017         | 81 832         | 53 395         |
| Bank overdraft                      | 8           | 8 141          | 11 127         | 15 783         |
| Holiday pay, payroll tax and VAT    |             | 33 983         | 16 856         | 16 840         |
| Advance payment from customers      |             | 17 024         | 6 843          | 7 837          |
| Tax liability                       | 5           | 15 943         | 9 221          | 8 183          |
| Unpaid dividend                     |             | 13 825         | 15 965         | 398            |
| Other short-term debt               |             | 31 228         | 33 889         | 36 213         |
| <b>Total short-term debt</b>        |             | <b>217 161</b> | <b>175 734</b> | <b>138 648</b> |
| <b>Long-term debt</b>               |             |                |                |                |
| Other long-term debt                |             | 25 624         | 26 134         | 18 996         |
| Pension liabilities                 | 9           | 9 312          | 7 394          | 4 691          |
| <b>Total long-term debt</b>         |             | <b>34 936</b>  | <b>33 528</b>  | <b>23 687</b>  |
| <b>Minority interests</b>           | 10          | <b>8 565</b>   | <b>8 447</b>   | <b>6 440</b>   |
| <b>Equity</b>                       |             |                |                |                |
| Share capital                       |             | 13 825         | 10 428         | 9 700          |
| Other equity capital                |             | 200 999        | 90 926         | 64 122         |
| <b>Total equity</b>                 | 11          | <b>214 824</b> | <b>101 353</b> | <b>73 822</b>  |
| <b>Total liabilities and equity</b> |             | <b>475 486</b> | <b>319 063</b> | <b>242 597</b> |
| Mortgages                           | 12          | 65 386         | 61 972         | 22 788         |
| Guarantees                          | 13          | 457            | 768            | 1 223          |

# Cash Flow Analysis

| <i>Amounts in thousands (NOK)</i>                       | <b>1998</b>    | <b>1997</b>    | <b>1996</b>    |
|---|----------------|----------------|----------------|
| <b>Funds generated from/spent on activities</b>         |                |                |                |
| Additions from activities for the year*                 | 46 536         | 33 023         | 13 870         |
| +/- Change in stock, trade debtors and trade creditors  | -69 152        | -31 530        | -21 233        |
| +/- Change in other accruals                            | 40 184         | 1 027          | 5 390          |
| <b>= (A) Net liquidity change from activities</b>       | <b>17 568</b>  | <b>2 520</b>   | <b>-1 973</b>  |
| <b>Funds generated from/spent on investments</b>        |                |                |                |
| - Investment in fixed assets                            | -59 136        | -17 503        | -21 445        |
| - Investment in shares                                  | -217           | -4 337         | -3 126         |
| + Sales of fixed assets                                 | 202            | 570            | 274            |
| + Sales of shares                                       | 15 000         | 0              | 0              |
| +/- Change in other investments/ long-term receivables  | 49             | 735            | 267            |
| <b>= (B) Net liquidity change from investments</b>      | <b>-44 102</b> | <b>-20 535</b> | <b>-24 030</b> |
| <b>Funds generated from/spent on financing</b>          |                |                |                |
| + New long-term debt                                    | 4 909          | 5 782          | 9 069          |
| - Repayment of debt                                     | -5 310         | 0              | -572           |
| + Change in pension liability                           | 1 809          | 2 843          | -409           |
| + Injection of equity capital                           | 79 932         | 16 898         | -1 051         |
| - Distributed dividend                                  | -15 965        | -398           | -14 594        |
| <b>= (C) Net liquidity change from financing</b>        | <b>65 375</b>  | <b>25 125</b>  | <b>-7 557</b>  |
| <b>A+B+C Net change in liquid funds during the year</b> | <b>38 841</b>  | <b>7 110</b>   | <b>-33 560</b> |
| + Liquid funds as at 01.01                              | 1 376          | -5 734         | 27 826         |
| <b>= Liquid funds as at 31.12</b>                       | <b>40 217</b>  | <b>1 376</b>   | <b>-5 734</b>  |
| <b>Unused overdraft limit as at 31.12</b>               | <b>55 859</b>  | <b>24 613</b>  | <b>18 717</b>  |
| *) <i>Figure calculated from:</i>                       |                |                |                |
| Net profit for the year, Group                          | 48 224         | 26 530         | 9 247          |
| + Ordinary depreciation                                 | 11 092         | 6 433          | 3 876          |
| - Gain/+ loss at disposal of fixed assets               | -8 333         | 0              | 1 154          |
| +/- Change deferred tax                                 | -3 135         | 0              | 0              |
| +/- Share of result in associated companies             | -1 312         | 60             | -407           |
| <b>= Additions from activities for the year</b>         | <b>46 536</b>  | <b>33 023</b>  | <b>13 870</b>  |

# Comments to the accounts

## Consolidated accounting principles

The consolidated accounts consist of Eltek ASA and companies in which Eltek ASA has a controlling interest. All intragroup transactions and balances have been eliminated in the accounts. In the profit and loss accounts, minority interests are included in the profit before taxes and stated on a separate line so that net 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 acquisition. Added values are distributed on the other assets or entered as goodwill. Goodwill is amortised over the estimated useful life. Goodwill is written down if the value is considered to be significantly lower than book value and this change is expected to be permanent. Mergers are booked in accordance with the continuity method.

The conversion of foreign 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. Conversion differences are entered directly under the Group's equity capital.

Associated companies in which Eltek has a strategic ownership of 20–50 % are included in accordance with the equity method. The share of the result is entered on a separate line. In the consolidated balance sheet, associated companies are entered at cost price with the addition of accumulated shares of result.

## Booking of income and expenses

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 earned income is booked as income in accordance with the degree of completion.

Costs are matched with and expensed at the same time as the income to which they relate. Costs which cannot be related directly to income are charged to expense as they accrue. All costs relating to the restructuring and winding-up of operations are expensed at the time the decision was taken. Provisions have been made for guarantee liability based on historically ascertained guarantee costs and a concrete evaluation of the individual projects.

## Classification in the balance sheet

Assets attached to the circulation of goods are classified as current assets. The same rule also applies in the case of short-term debt. Trade debtors and debts which are not attached to the circulation of goods are classified as current assets/short-term debt if they fall due for payment within one year after the completion of the accounting period. Shares which are not intended to be owned permanently are recorded as current assets.

Other assets are classified as fixed assets while other debts are classified as long-term debt.

## Items denominated in foreign currency

Short-term balance sheet items denominated in foreign currency are converted at the exchange rate effective on the balance sheet date. Exchanged gains/losses are entered as financial income/costs.

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

## Trade debtors

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.

## Stocks

Raw materials 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 is used in connection with the disposal of stocks.

## Work in progress

Work in progress on long-term production contracts includes a share of the estimated profit calculated on the basis of the degree of completion of each contract. Payments from customers are deducted from the value of work in progress in the same contract or are entered as advanced payments 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 expensed on a continuous basis. Upgrading and replacement of fixed assets are capitalised.

## Fixed assets

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

## Research and development costs

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

## Pension liabilities

Pension liabilities which are defined as contribution schemes are valued at the present value of the future pension contributions earned on the balance sheet date and calculated on the basis of assumptions regarding discount rate, estimated future pay increases and pension regulations. Pension funds are valued at market value. Net pension liabilities on under-financed contracts are entered as long-term interest-free debt, while net pension funds on over-financed contracts are entered as long-term interest-free receivables provided it is likely that the over-financing can be utilised. Net pension cost, which is gross pension cost minus the estimated return on pension funds, adjusted for the distributed effect of change in estimates and pension plans, is included in the item payroll and other personnel costs. For pension schemes which for accounting purposes have been defined as benefit plans, the benefit is charged as the pension cost for the period.

## Leasing

A distinction is made between financial and operational leasing based on a concrete evaluation of the individual leasing agreement. Financial leasing means agreements where the lessee assumes the major part of the advantages and risks associated with owning the fixed asset. Financially-leased fixed assets are entered in the balance sheet and depreciated as ordinary fixed assets, whereas the leasing agreement's payment liabilities are treated as debt. The instalments on the term payments are treated as debt instalments, while interest charges are treated as financial expenses. In the case of operational leasing, the term payments are charged as expenditure in the period in which the cost relates to.

## Taxes

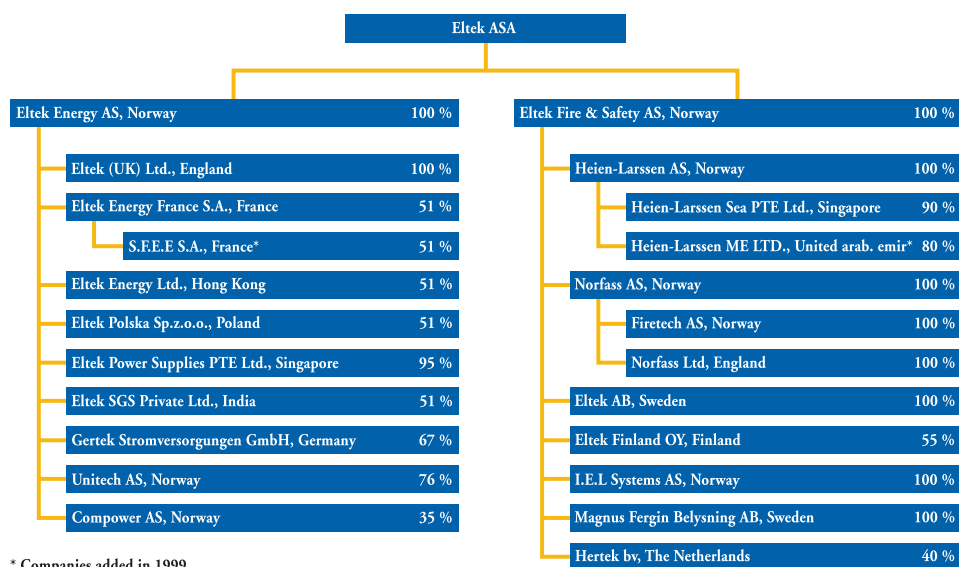
Taxes in the profit and loss account include both tax payable and the change in deferred tax. The payable tax effect and deferred tax effect of items charged directly against equity capital have also been charged directly against equity capital. Deferred tax is assessed in accordance with the debt method as an equalisation of positive and negative temporary variances between tax and book values plus loss which can be carried forward. In accordance with current rules, the net deferred tax advantage is not recorded in the balance sheet.

## Cash flow

Liquid funds are defined as the sum of cash in hand and bank deposits reduced by utilised overdraft. The cash flow analysis is drawn up in accordance with the indirect method.

# Notes to the accounts

The Group consists of the following companies:



\* Companies added in 1999.

Amounts in  
thousands (NOK)

## Note 1 - Pro forma accounts

The pro forma accounts for 1996 and 1997 show the Group and business areas as they would have been inclusive of companies acquired or merged with in 1998, and excluding those companies which were divested in 1998.

### Group

|                         | 1998          | 1997          | 1996          |
|-------------------------|---------------|---------------|---------------|
| Revenue                 | 822 574       | 719 851       | 601 774       |
| Cost of sales           | 428 138       | 394 014       | 359 225       |
| Other operating costs   | 326 142       | 267 094       | 220 260       |
| Ordinary depreciation   | 11 092        | 9 995         | 7 955         |
| Total operating costs   | 765 372       | 671 103       | 587 440       |
| <b>Operating profit</b> | <b>57 202</b> | <b>48 748</b> | <b>14 334</b> |

### Revenue by geographical distribution

|                      |                |                |                |
|----------------------|----------------|----------------|----------------|
| Norway               | 333 119        | 269 338        | 226 300        |
| Rest of Europe       | 322 080        | 277 371        | 246 527        |
| Asia                 | 144 182        | 154 556        | 127 629        |
| Rest of the world    | 23 193         | 18 586         | 1 318          |
| <b>Total revenue</b> | <b>822 574</b> | <b>719 851</b> | <b>601 774</b> |

### Business areas

#### Eltek Energy

| Revenue                 | 443 765       | 383 695       | 328 719       |
|-------------------------|---------------|---------------|---------------|
| Operating costs         | 416 020       | 353 000       | 309 638       |
| Ordinary depreciation   | 4 976         | 4 289         | 2 964         |
| Total operating costs   | 420 996       | 357 289       | 312 602       |
| <b>Operating profit</b> | <b>22 769</b> | <b>26 406</b> | <b>16 117</b> |

#### Eltek Fire & Safety

| Revenue                 | 397 994       | 357 097       | 291 404        |
|-------------------------|---------------|---------------|----------------|
| Operating costs         | 357 848       | 329 049       | 288 196        |
| Ordinary depreciation   | 5 727         | 5 706         | 4 991          |
| Total operating costs   | 363 575       | 334 755       | 293 187        |
| <b>Operating profit</b> | <b>34 419</b> | <b>22 342</b> | <b>- 1 783</b> |

Amounts in  
thousands (NOK)

## Note 2 - Fixed assets

### Group

|                               | Goodwill      | Machinery, etc. | Buildings, etc. | Total         |
|-------------------------------|---------------|-----------------|-----------------|---------------|
| Original cost as at 01.01     | 10 417        | 41 411          | 25 821          | 77 649        |
| Additions                     | 38 876        | 16 328          | 2 898           | 58 102        |
| Disposals                     | 0             | 1 072           | 0               | 1 072         |
| Accumulated depreciation      | 6 342         | 29 225          | 3 274           | 38 841        |
| <b>Book value as at 31.12</b> | <b>42 951</b> | <b>27 442</b>   | <b>25 445</b>   | <b>95 838</b> |
| Depreciation for the year     | 3 474         | 6 575           | 1 043           | 11 092        |
| Rate of depreciation          | 5-10 %        | 10-33 %         | 2-20 %          |               |

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

|                 | 1998          |            | 1997          |            | 1996          |            | 1995         |            | 1994         |            |
|-----------------|---------------|------------|---------------|------------|---------------|------------|--------------|------------|--------------|------------|
|                 | Inv.          | Sales      | Inv.          | Sales      | Inv.          | Sales      | Inv.         | Sales      | Inv.         | Sales      |
| Goodwill        | 38 876        | 0          | 427           | 0          | 11 032        | 0          | 0            | 0          | 0            | 0          |
| Machinery, etc. | 16 328        | 202        | 9 767         | 570        | 6 329         | 274        | 5 842        | 381        | 3 137        | 284        |
| Land/buildings  | 2 898         | 0          | 6 882         | 0          | 3 268         | 0          | 1 318        | 0          | 3 246        | 0          |
| <b>Total</b>    | <b>58 102</b> | <b>202</b> | <b>17 076</b> | <b>570</b> | <b>20 629</b> | <b>274</b> | <b>7 160</b> | <b>381</b> | <b>6 383</b> | <b>284</b> |

### Parent company

|                               | Machin etc.  |  | Buildings, etc |  | Total        |
|-------------------------------|--------------|--|----------------|--|--------------|
| Original cost as at 01.01     | 10 530       |  | 1 046          |  | 11 576       |
| Additions                     | 8 252        |  | 121            |  | 8 373        |
| Disposals                     | 610          |  | 0              |  | 610          |
| Accumulated depreciation      | 8 699        |  | 984            |  | 9 683        |
| <b>Book value as at 31.12</b> | <b>9 473</b> |  | <b>183</b>     |  | <b>9 656</b> |
| Depreciation for the year     | 320          |  | 53             |  | 374          |
| Rate of depreciation          | 10-33 %      |  | 10 %           |  |              |

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

|                 | 1998         |            | 1997       |               | 1996         |            | 1995         |           | 1994         |            |
|-----------------|--------------|------------|------------|---------------|--------------|------------|--------------|-----------|--------------|------------|
|                 | Inv.         | Sale       | Inv.       | Sale          | Inv.         | Sale       | Inv.         | Sale      | Inv.         | Sale       |
| Machinery, etc. | 8 252        | 110        | 354        | 9 908         | 3 169        | 274        | 2 109        | 40        | 1 808        | 174        |
| Land/buildings  | 121          | 0          | 73         | 6 896         | 3 203        | 0          | 323          | 0         | 114          | 0          |
| <b>Total</b>    | <b>8 373</b> | <b>110</b> | <b>427</b> | <b>16 804</b> | <b>6 372</b> | <b>274</b> | <b>2 432</b> | <b>40</b> | <b>1 922</b> | <b>174</b> |

## Note 3 - Trade debtors

### Group

|  | 1998           | 1997           | 1996          |
|--|----------------|----------------|---------------|
| Trade debtors at nominal value as at 31.12 | 187 343        | 134 961        | 95 910        |
| Provisions for bad debts                   | 4 878          | 4 805          | 3 231         |
| <b>Trade debtors as at 31.12</b>           | <b>182 465</b> | <b>130 156</b> | <b>92 679</b> |

### Accounting valuation:

|  |             |               |               |
|--|-------------|---------------|---------------|
| Provisions for bad debts as at 01.01           | 4 805       | 3 231         | 1 976         |
| Provisions for bad debts as at 31.12           | 4 877       | 4 805         | 3 231         |
| <b>Change in provision for bad debts</b>       | <b>-72</b>  | <b>-1 574</b> | <b>-1 255</b> |
| Net loss booked during the year                | -470        | -1 668        | -184          |
| <b>Net cost in the profit and loss account</b> | <b>-542</b> | <b>-3 242</b> | <b>-1 439</b> |

### Parent company

|  |              |              |               |
|--|--------------|--------------|---------------|
| Trade debtors at nominal value as at 31.12 | 3 603        | 3 030        | 62 743        |
| Provisions for bad debts                   | 0            | 0            | 1 400         |
| <b>Trade debtors as at 31.12</b>           | <b>3 603</b> | <b>3 030</b> | <b>61 343</b> |

### Accounting valuation:

|  |          |              |              |
|--|----------|--------------|--------------|
| Provisions for bad debts as at 01.01           | 0        | 1 400        | 1 200        |
| Provisions for bad debts as at 31.12           | 0        | 0            | 1 400        |
| <b>Change in provisions for bad debts</b>      | <b>0</b> | <b>1 400</b> | <b>- 200</b> |
| Transferred by intragroup transfers            | 0        | - 1 400      | 0            |
| Net loss booked during the year                | 0        | -435         | -125         |
| <b>Net cost in the profit and loss account</b> | <b>0</b> | <b>-435</b>  | <b>-325</b>  |

Amounts in  
thousands (NOK)

## Note 4 - Shares in associated companies

### Group

Shares in associated companies comprise the following:

|  | Share of value<br>as at 01.01 | Share of<br>result | Share of book<br>value as at 31.12 |
|--|-------------------------------|--------------------|------------------------------------|
| Ucom AS (48 % ownership share)                   |                               | 279                |                                    |
| Compower AS (35 % ownership share)               | 406                           | 233                | 639                                |
| Hertek bv (40 % ownership share)                 | 1 172                         | 800                | 2 018                              |
| Gain from sale of shares in associated companies | 4 311                         | 8 265              |                                    |
| <b>Total associated companies</b>                | <b>5 889</b>                  | <b>9 577</b>       | <b>2 657</b>                       |

## Note 5 - Taxes

### Group

Reconciliation of taxes:

|                        | 1998          | 1997         | 1996         |
|------------------------|---------------|--------------|--------------|
| Tax payable            | 16 932        | 9 595        | 6 412        |
| Change in deferred tax | -3 135        | 0            | 0            |
| <b>Taxes</b>           | <b>13 797</b> | <b>9 595</b> | <b>6 412</b> |

Deferred tax on temporary variances related to:

|                                |        |        |        |
|--------------------------------|--------|--------|--------|
| Current assets/short-term debt | 13 558 | -5 343 | -6 032 |
| Fixed assets/long-term debt    | -7 535 | -5 651 | 894    |
| Other variances                | -7 255 | -1 433 | 0      |

**Net negative temporary variances - 1 232 -12 427 - 5 138**

**Estimated deferred tax advantage -345 - 3 480 -1 439**

### Parent company

Reconciliation between profit before tax and tax base for the year:

|  | 1998          | 1997          | 1996         |
|--|---------------|---------------|--------------|
| Profit before tax                            | 29 854        | 437 011       | 14 070       |
| Gain on intragroup transfer                  | -1 600        | -425 000      | 0            |
| Permanent variances                          | 276           | 3 313         | 1 839        |
| Change, temporary variances                  | -1 621        | -4 872        | 805          |
| Intragroup contribution                      | 0             | 0             | -9 321       |
| Share issue costs, eliminated against equity | -8 073        | 0             | 0            |
| Risk   | -1 867        | 0             | -4 511       |
| <b>Tax base for the year</b>                 | <b>16 969</b> | <b>10 452</b> | <b>2 882</b> |

**Of which 28 % tax 4 751 2 927 807**

|   |              |              |              |
|---|--------------|--------------|--------------|
| Tax on share of result Eltek Energy Ltd.      | 0            | 0            | 200          |
| Payment of share dividend for the year        | 0            | -1 536       | 0            |
| <b>Tax payable</b>                            | <b>4 751</b> | <b>1 391</b> | <b>1 007</b> |
| Tax receivable offset in previous years       | 1 474        | 1 474        | 462          |
| <b>Net tax payable/receivable as at 31.12</b> | <b>3 277</b> | <b>-83</b>   | <b>545</b>   |

Reconciliation of taxes:

|  |              |              |            |
|--|--------------|--------------|------------|
| Allocated tax payable  | 4 751        | 1 391        | 1 007      |
| Reduction in tax payable, eliminated against equity                | 2 253        | 0            | 0          |
| Excess allocation for previous years                               | -242         | 0            | -37        |
| Refund claim in accordance with division model (excess allocation) | 0            | 0            | -104       |
| Change in deferred tax   | 454          | 8            | 0          |
| <b>Taxes</b>   | <b>7 217</b> | <b>1 399</b> | <b>866</b> |

Deferred tax on temporary variances related to:

|                                |       |    |        |
|--------------------------------|-------|----|--------|
| Current assets/short-term debt | 0     | 0  | -5 454 |
| Fixed assets/long-term debt    | 1 653 | 32 | 614    |

**Net positive/- negative temporary variances 1 653 32 - 4 840**

**Estimated deferred tax/tax advantage 463 9 - 1 355**

## Note 6 - Bank deposits

### Group

Withholding tax in the Group is secured through a Group guarantee.

### Parent company

Withholding tax is secured by a bank guarantee.

Amounts in  
thousands (NOK)

## Note 7 - Other shares

### Group

The holding of other shares in the group as at 31.12 consists of:

|  | Share<br>in % | Total<br>share capital | No. of<br>shares | Nominal value<br>per share | Recorded<br>value |
|--|---------------|------------------------|------------------|----------------------------|-------------------|
| Vendosafe AS                           | 7.1 %         | 3 260 100              | 2 311            | NOK 100                    | 208               |
| Technor ASA                            |               |                        |                  |                            | 9                 |
| <b>Total shares in other companies</b> |               |                        |                  |                            | <b>217</b>        |

## Note 8 - Credit ceiling

The consolidated companies have overdraft facilities totalling NOK 64 000.

## Note 9 - Pension cost and pension liabilities

### Estimated pension cost

|  | Group        |              |              | Parent company |            |              |
|--|--------------|--------------|--------------|----------------|------------|--------------|
|  | 1998         | 1997         | 1996         | 1998           | 1997       | 1996         |
| Earned pension for the year                    | 4 969        | 4 417        | 3 399        | 207            | 1 664      | 2 710        |
| Interest charges on pension liability incurred | 1 614        | 1 275        | 1 097        | 115            | 499        | 865          |
| Estimated return on the pension funds          | -1 454       | -1 293       | -977         | -197           | -590       | -763         |
| Amortisation                                   | -11          | -233         | -115         | -30            | -96        | -134         |
| Withholding of employee pay                    | -1 481       | -1 158       | -1 092       | -62            | -540       | -997         |
| <b>Net pension cost</b>                        | <b>3 637</b> | <b>3 008</b> | <b>2 312</b> | <b>32</b>      | <b>937</b> | <b>1 681</b> |

### Pension liability as at 31.12

|  |              |              |              |            |             |              |
|--|--------------|--------------|--------------|------------|-------------|--------------|
| Estimated value of pension funds         | 22 468       | 18 517       | 17 733       | 2 454      | 3 239       | 14 351       |
| Estimated value of pension liability     | 31 885       | 25 911       | 22 679       | 2 270      | 3 098       | 17 932       |
| Net unamortised loss                     | 105          | 0            | 255          | 151        | 0           | 83           |
| <b>Net pension liability as at 31.12</b> | <b>9 312</b> | <b>7 394</b> | <b>4 691</b> | <b>-33</b> | <b>-141</b> | <b>3 664</b> |

This calculation has been 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 8 employees, whereas the Group's collective pension scheme covers 254 employees.

Eltek (UK) Ltd. pays a contribution to two self-managed pension schemes, one for individuals 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.

## Note 10 - Minority interests

### Group

|   | 1998         | 1997         | 1996         |
|---|--------------|--------------|--------------|
| Minority interests as at 01.01          | 8 447        | 6 440        | 6 371        |
| Minority share of the result            | 2 531        | 1 985        | 4 381        |
| Acq. of minority shares/capital changes | -2 567       | 0            | -3 499       |
| Dividend                                | 0            | -852         | -412         |
| Conversion differences                  | 154          | 874          | -401         |
| <b>Minority interests as at 31.12</b>   | <b>8 565</b> | <b>8 447</b> | <b>6 440</b> |

## Note 11 - Equity

### Group

|                               | 1998           | 1997           | 1996          |
|-------------------------------|----------------|----------------|---------------|
| Equity as at 01.01            | 101 353        | 73 822         | 69 694        |
| Share issue/capital reduction | 79 932         | 16 536         | -1 254        |
| Ordinary net profit           | 45 693         | 24 545         | 4 866         |
| Dividend                      | -13 825        | -15 000        | 0             |
| Conversion differences        | 637            | 1 450          | 516           |
| Effect of merger              | 1 034          | 0              | 0             |
| <b>Equity as at 31.12</b>     | <b>214 824</b> | <b>101 353</b> | <b>73 822</b> |

### Parent company

|                               |                |                |               |
|-------------------------------|----------------|----------------|---------------|
| Equity as at 01.01            | 504 393        | 67 246         | 63 362        |
| Share issue in parent company | 79 932         | 16 536         | 0             |
| Ordinary net profit           | 22 638         | 435 612        | 13 205        |
| Intragroup contribution made  | 0              | 0              | -9 321        |
| Dividend                      | -13 825        | -15 000        | 0             |
| Cash payment, merger          | -9 910         | 0              | 0             |
| <b>Equity as at 31.12</b>     | <b>583 228</b> | <b>504 393</b> | <b>67 246</b> |

Amounts in  
thousands (NOK)

## Note 12 - Security pledged

| Group  | 1998           | 1997           | 1996           |
|--|----------------|----------------|----------------|
| <b>Book debt secured by mortgage</b>             | <b>65 386</b>  | <b>61 972</b>  | <b>22 788</b>  |
| <b>Book value of assets pledged as security:</b> |                |                |                |
| Trade debtors                                    | 182 465        | 93 175         | 26 775         |
| Other receivables                                | 13 665         | 8 773          | 7 738          |
| Stocks   | 103 912        | 90 375         | 73 206         |
| Cars, machinery and equipment                    | 6 662          | 2 684          | 2 061          |
| Land and buildings                               | 20 152         | 15 346         | 9 818          |
| Other  |                | 3 481          |                |
| <b>Total</b>                                     | <b>326 856</b> | <b>213 834</b> | <b>119 598</b> |

### Parent company

|  |            |              |               |
|--|------------|--------------|---------------|
| <b>Recorded debt secured by mortgage</b>   | <b>519</b> | <b>6 000</b> | <b>3 086</b>  |
| <b>Recorded stocks secured by mortgage</b> |            |              | <b>37 660</b> |

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, Heien-Larssen AS and IEL Systems AS.

## Note 13 - Guarantee liability

| Group                                  | 1998       | 1997       | 1996         |
|--|------------|------------|--------------|
| Surety liability for partner companies | 125        | 125        | 500          |
| Surety liability for employees         | 333        | 643        | 723          |
| <b>Total</b>                           | <b>457</b> | <b>768</b> | <b>1 223</b> |

### Parent company

|  |            |            |              |
|--|------------|------------|--------------|
| Surety liability for partner companies | 125        | 125        | 500          |
| Surety liability for employees         | 333        | 620        | 723          |
| <b>Total</b>                           | <b>457</b> | <b>745</b> | <b>1 223</b> |

## Note 14 - Shares in subsidiaries

### Parent company

|                                     | Share<br>in % | Total<br>share capital | No. of<br>shares | Nom. value<br>per share | Recorded<br>value |
|-------------------------------------|---------------|------------------------|------------------|-------------------------|-------------------|
| Eltek Energy AS                     | 100 %         | 65 000                 | 65 000           | NOK 1 000               | 65 000            |
| Eltek Fire & Safety AS              | 100 %         | 45 000                 | 45 000           | NOK 1 000               | 45 000            |
| <b>Total shares in subsidiaries</b> |               |                        |                  |                         | <b>110 000</b>    |

## Note 15 - Current leases and leasing agreements

|                    | Group         |                        | Parent company |                        |
|--------------------|---------------|------------------------|----------------|------------------------|
|                    | Cost<br>1998  | Expiry of<br>agreement | Cost<br>1998   | Expiry of<br>agreement |
| Machinery, etc.    | 5 770         | 1999/2003              | 545            | 1999/2001              |
| Cars               | 4 293         | 1999/2002              | 321            | 1999/2003              |
| Land and buildings | 6 185         | 1999/2007              | 540            | 2007                   |
| <b>Total</b>       | <b>16 248</b> |                        | <b>1 406</b>   |                        |

The company has no agreement regarding the takeover of this operating equipment after the expiry of the leasing agreements. The leases for the buildings used by Eltek ASA, Eltek Energy AS, Heien-Larssen AS and Eltek Fire & Safety AS are with Eltek Holding AS, which owns 4 062 000 shares in Eltek ASA.

Eltek ASA is liable for the leasing agreements on various machinery/movables and vehicles which, after intra-group transfer, are used in the subsidiaries Eltek Energy AS and Eltek Fire & Safety AS. The annual rental is approx. NOK 2 700, and the term of the agreement is 1999–2003. Eltek ASA is liable for a leasing agreement of computer equipment on behalf of Heien-Larssen AS. The annual rental is NOK 634, and the agreement expires in 2002.

## Note 16 - Remuneration, fees, etc.

### Parent company

A total of NOK 280 was paid in fees to the members of the Board of Directors, while the Group CEO's salary and other remuneration amounted to NOK 1 388. The accountant's fee amounts to NOK 266, distributed on NOK 139 for auditing and NOK 127 for other consultancy services.

The Group CEO has an agreement which entitles him to retire with 90 % of two years' salary at the time at which he retires, or a consultancy agreement limited to a maximum of five years. In addition, the company must pay a premium up to the ordinary retirement age for the collective pension schemes which are in force at any given time for the company's employees.

The management of Eltek have been granted options to buy 660 000 shares in the company (4.8 % of the share capital as at 31 December 1998). The exercise price is NOK 29 with expiry in November 1999, and March and November 2000.

Amounts in  
thousands (NOK)

## Note 17 - Shares owned and options granted to members of the Board of Directors

### Parent company

Members of the Board of Directors of Eltek ASA own/control the following shares and options in the company:

| Name              | Board affiliation      | No. of shares | No. of options |
|-------------------|------------------------|---------------|----------------|
| Tore Egil Holte   | Board chairman         | 0             | 0              |
| Leif Rune Rinnan  | Board member           | * 618 500     | 0              |
| Arve Johansen     | Board member           | 39 000        | 13 000         |
| Øivind Aass       | Board member           | 400           | 0              |
| Thomas Hoel       | Board member           | 0             | 0              |
| Morten F. Angelil | Board member           | 0             | 50 000         |
| Alain F. Angelil  | Board member/Group CEO | ** 6 668 603  | 50 000         |

\* Telenor Venture owns the shares

\*\* 4 062 000 shares are owned by Eltek Holding AS and 1 035 000 shares by Wenche Angelil.

## Note 18 - Forward exchange contracts

Major contracts entered into in a foreign currency have been secured by means of forward exchange contracts. In addition, forward contracts have been entered into in the currencies in which the Group has considerable running revenues.

### Outstanding forward exchange contracts as at 31.12.98:

| Currency | Buy/sale | Amount in<br>currency (1,000) |
|----------|----------|-------------------------------|
| EURO     | sale     | 3 581                         |
| GBP      | sale     | 1 600                         |
| CAD      | sale     | 2 250                         |
| THB      | sale     | 6 000                         |

## Note 19 - Research and development costs

### Group

|   | 1998   | 1997   | 1996   |
|---|--------|--------|--------|
| Expensed research and development costs | 26 578 | 22 070 | 18 605 |

## Note 20 - Risk

The risk amount per share as at 01.01.98 143.07 \*

Estimated risk amount per share as at 01.01.99 0.47

\* Calculated on the basis of the number of shares as at 01.01.98, which was 20,855.

## Note 21 - The ten largest shareholders in Eltek ASA as at 31.12.98

|                       | No. of shares | Share in % |
|-----------------------|---------------|------------|
| Eltek Holding AS      | 4 062 000     | 29.4 %     |
| Alain F. Angelil      | 1 571 603     | 11.4 %     |
| SND Invest AS         | 1 128 500     | 8.2 %      |
| Norfass Holding AS    | 1 108 000     | 8.0 %      |
| Wenche Angelil        | 1 035 000     | 7.5 %      |
| Telenor Venture AS    | 618 500       | 4.5 %      |
| Tine Pensjonskasse    | 450 900       | 3.3 %      |
| Omega Investment Fund | 400 000       | 2.9 %      |
| Closa Corp.           | 225 236       | 1.6 %      |
| Aksjefondet Gambak    | 220 000       | 1.6 %      |

# Accounts for the parent company Eltek ASA

## Profit and Loss Account

| Amounts in thousands (NOK)                  | Note | 1998          | 1997           | 1996           |
|---|------|---------------|----------------|----------------|
| <b>Revenue</b>                              |      | <b>9 198</b>  | <b>545 513</b> | <b>280 078</b> |
| Cost of sales                               |      | 601           | 60 770         | 147 953        |
| Payroll and other personnel costs           |      | 5 460         | 41 037         | 79 882         |
| Other operating costs                       |      | 2 734         | 19 650         | 41 013         |
| Ordinary depreciation                       | 2    | 374           | 877            | 2 175          |
| Bad debts                                   | 3    | 0             | 435            | 325            |
| <b>Total operating costs</b>                |      | <b>9 170</b>  | <b>122 769</b> | <b>271 348</b> |
| <b>Operating profit</b>                     |      | <b>28</b>     | <b>422 744</b> | <b>8 730</b>   |
| <b>Financial income and financial costs</b> |      |               |                |                |
| Gain on sales of shares                     |      | 9 918         | 0              | 0              |
| Dividend from subsidiaries                  |      | 0             | 5 486          | 4 511          |
| Financial income                            |      | 20 630        | 15 206         | 2 436          |
| Financial costs                             |      | -722          | -3 803         | -1 607         |
| <b>Net financial items</b>                  |      | <b>29 826</b> | <b>16 889</b>  | <b>5 340</b>   |
| <b>Profit before tax</b>                    |      | <b>29 854</b> | <b>439 633</b> | <b>14 070</b>  |
| Taxes                                       | 5    | 7 217         | 1 399          | 866            |
| <b>Ordinary net profit</b>                  |      | <b>22 638</b> | <b>438 234</b> | <b>13 204</b>  |
| Extraordinary items                         |      |               | -2 622         |                |
| <b>Net profit for the year</b>              |      | <b>22 638</b> | <b>435 612</b> | <b>13 204</b>  |
| <b>Transfers</b>                            |      |               |                |                |
| Intragroup contribution                     |      | 0             | 0              | 9 321          |
| Statutory reserve                           |      | 0             | 0              | 1 320          |
| Dividend                                    |      | 13 825        | 15 000         | 0              |
| Restricted funds                            |      | 0             | 0              | -375           |
| Free reserve                                |      | 8 813         | 420 612        | 2 938          |
| <b>Total transfers</b>                      |      | <b>22 638</b> | <b>435 612</b> | <b>13 204</b>  |

## Cash Flow Analysis

| Amounts in thousands (NOK)                 | 1998          | 1997          | 1996          |
|--|---------------|---------------|---------------|
| Net liquidity change from activities       | 52 781        | 37 398        | 1 339         |
| Net liquidity change from investments      | -48 470       | -25 782       | -20 315       |
| Net liquidity change from financing        | 49 541        | 5 612         | -2 875        |
| Net change in liquid funds during the year | 53 852        | 17 228        | -21 851       |
| <b>Liquid funds 01.01</b>                  | <b>17 644</b> | <b>416</b>    | <b>22 267</b> |
| <b>Liquid funds 31.12</b>                  | <b>71 496</b> | <b>17 644</b> | <b>416</b>    |

## Balance Sheet

| Amounts in thousands (NOK)                | Note | 1998           | 1997           | 1996           |
|---|------|----------------|----------------|----------------|
| <b>ASSETS</b>                             |      |                |                |                |
| <b>Current assets</b>                     |      |                |                |                |
| Cash in hand and bank deposits            | 6    | 71 496         | 17 644         | 3 502          |
| Trade debtors                             | 3    | 3 603          | 3 030          | 61 343         |
| Other short-term receivables              |      | 408            | 35 419         | 10 319         |
| Raw materials                             |      | 0              | 0              | 17 386         |
| Work in progress                          |      | 0              | 0              | 12 869         |
| Finished goods                            |      | 0              | 0              | 7 405          |
| <b>Total current assets</b>               |      | <b>75 507</b>  | <b>56 093</b>  | <b>112 824</b> |
| <b>Fixed assets</b>                       |      |                |                |                |
| Shares in subsidiaries                    | 14   | 110 000        | 78 763         | 22 363         |
| Other shares                              |      | 0              | 2 805          | 918            |
| Intragroup receivables                    |      | 414 768        | 402 547        | 0              |
| Other receivables                         |      | 77             | 175            | 1 419          |
| Cars, machinery and equipment             | 2    | 9 473          | 1 579          | 6 866          |
| Land and buildings                        | 2    | 183            | 115            | 3 783          |
| <b>Total fixed assets</b>                 |      | <b>534 501</b> | <b>485 984</b> | <b>35 349</b>  |
| <b>Total assets</b>                       |      | <b>610 008</b> | <b>542 077</b> | <b>148 173</b> |
| <b>LIABILITIES AND EQUITY</b>             |      |                |                |                |
| <b>Short-term debt</b>                    |      |                |                |                |
| Trade creditors                           |      | 4 609          | 2 048          | 19 753         |
| Bank overdraft                            | 8    | 0              | 0              | 3 086          |
| Holiday pay, payroll tax and VAT          |      | 1 077          | 4 396          | 12 285         |
| Advance payment from customers            |      | 0              | 0              | 1 753          |
| Tax liability                             | 5    | 3 277          | -83            | 545            |
| Unpaid dividend                           |      | 13 825         | 15 000         | 0              |
| Short-term debt to subsidiaries           |      | 1 871          | 0              | 0              |
| Other short-term debt                     |      | 1 139          | 10 314         | 27 309         |
| <b>Total short-term debt</b>              |      | <b>25 798</b>  | <b>31 675</b>  | <b>64 731</b>  |
| <b>Long-term debt</b>                     |      |                |                |                |
| Pension liabilities                       |      | 0              | 0              | 3 664          |
| Other long-term debt                      |      | 519            | 6 000          | 12 532         |
| Deferred tax                              | 5    | 463            | 9              | 0              |
| <b>Total long-term debt</b>               |      | <b>982</b>     | <b>6 009</b>   | <b>16 196</b>  |
| <b>Equity</b>                             |      |                |                |                |
| Share capital (13 825 603 shares à NOK 1) |      | 13 825         | 10 428         | 9 700          |
| Reserve fund                              |      | 54 010         | 54 010         | 54 010         |
| Free reserve                              |      | 515 393        | 439 955        | 3 536          |
| <b>Total equity</b>                       | 11   | <b>583 228</b> | <b>504 393</b> | <b>67 246</b>  |
| <b>Total liabilities and equity</b>       |      | <b>610 008</b> | <b>542 077</b> | <b>148 173</b> |
| Mortgages                                 | 12   | 519            | 6 000          | 3 086          |
| Guarantees                                | 13   | 457            | 745            | 1 223          |

# Auditor's report

## ARTHUR ANDERSEN

### TRANSLATION FROM NORWEGIAN

AUDITORS' REPORT FOR 1998

To the Annual General Meeting of  
Eltek ASA

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Arthur Andersen & Co.  
Statsautoriserte Revisorer

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Postboks 228 Skøyen  
0212 Oslo  
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22 92 89 00 Telefax  
Org. nr. NO-910 167 707

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Medlemmer av  
Den norske Revisorforening

We have audited the annual accounts of Eltek ASA for 1998, showing net income of NOK 22.638.000 for the company and net income of NOK 45.693.000 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 corporate law.

In our opinion, the annual accounts have been prepared in conformity with corporate law and present fairly the company's and the group's financial position as of 31 December 1998 and the result of its operations for the fiscal year in accordance with generally accepted accounting principles.

ARTHUR ANDERSEN & CO.

Frank J. Berg (sig.)  
State Authorised Public Accountant (Norway)

Oslo,  
17 March 1999

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Møller & Co, 3100 Tonsberg

The Asian market:

## Eltek towards new horizons

*The Asian market has been like a roller coaster ride over the last two years. Up and down - and mostly down. However, Eltek Energy has managed to hold its own against the strongest effects of the recession in this area. In the last year, the company has seen an increase in sales in the region, from NOK 114 million to NOK 121 million.*

From Eltek Energy's Chinese office in Guangzhou, one can look out over an expanding market for power supply products.



This result is due to a number of years spent developing business relations and over time an extensive knowledge of how to conduct business in Asia. Eltek Energy's offices in the highest building in the Chinese town of Guangzhou are in two senses a lookout post over one of the world's fastest growing markets for telecommunications products.

It all began eight years ago. Eltek was represented at Telecom 91 in Geneva, which is renowned as one of the largest trade fairs of its kind in the world. No one of any significance had visited the

stand in the first days of the exhibition and Eltek representatives were beginning to get impatient. Alain Angelil decided to travel back home and to leave a junior behind to pack up.

Just before the fair closed, two Chinese businessmen from Hong Kong appeared. They were interested in what Eltek had to offer as regards power supply technology and promised to contact Eltek later. One year passed, by which time most people at Eltek had forgotten the Chinese. Yet they reappeared at the beginning of the summer and in only a short period of time an agreement to supply goods worth NOK 50 million had been negotiated - in the space of three months!

The equipment was to be delivered to China, which at that time was taking its first tentative steps into a new telecommunications world.

"Things got hot that summer," says a key employee in Eltek Energy. "We worked day and night, but we managed to deliver the equipment."

### Set the ball rolling

The order was extended to supplies for NOK 100 million and the ball began rolling. In the space of these years, supplies to China have surpassed a quarter of a billion kroner and Eltek Energy has established a subsidiary in Hong Kong. Inside the Chinese border, in the Guangdong province, plans were laid to manufacture Eltek products under license - a major prerequisite for continued expansion.

Guangdong is the most important Chinese province as far as telecommunications are concerned, with a catchment area representing more than 20 % of the Chinese market.

According to Eltek, everything in the telecommunications sector happens here. And developments largely follow the same trends as in Europe. The former regional telephone company has been divided into a variety of businesses which partly compete with one another. Other companies too have entered the market. Compared to the West, the biggest difference is of course that everything is owned by the authorities.

Eltek has entered this conglomerate through its contact with its Chinese partners in Hong Kong, a valuable form of cooperation. Today Eltek is a key supplier of power supply systems to the telecommunications industry in the Chinese market - one of three "Switch Mode Power Supply" - suppliers with more than a 10% market share over the last six years. Furthermore, Eltek is the foreign supplier with the best established foothold in China in the power supply industry. In this part of the world, it means a lot to make contacts as early as possible - and to hang on to them.

Frankie Kong, who is in charge of Eltek Energy in Hong Kong, feels that the company's merit has been its willingness to share its experiences with the Chinese. In particular, Eltek has been willing to learn from the Chinese and local conditions. It's important to know this since the Chinese authorities regularly change their attitudes towards trade protectionism. Without prior warning, import duties can sky-rocket and all channels of import dry up.

"That's what happened at the end of 1998,-" says Morten Angelil, who has been involved in

the Asian operations right from the outset. "We're up and running again now, thanks in particular to our good cooperative relationship with the Chinese."

### Expansion in Asia

In February 1997, Eltek established a company in Singapore, originally as a joint venture with Jasper Suah, a local partner. Over time Eltek has taken over 95% of Eltek Power Supplies PTE Ltd.. In its first year of trading, the company achieved a turnover of NOK 12 million. Today, under the management of the Norwegian Lars Jervan, Eltek has out-competed virtually all the local competition in Singapore. Eltek's customer is Singapore Telecom.

Since then, Thailand too has opened up as a market for Eltek Energy. Through cooperation with the company KSCOM, Eltek has become market leader in a short space of time, with AIS, Thailand's largest mobile telephone operator, as its main customer. The manager of AIS, in justifying his company's choice of supplier, points to Eltek's technology and the service and support it offers.

"By supplying 300 systems via Nokia, Eltek has proven that its products measure up." Great importance is attached to Eltek's plans to establish a local service centre in the region.

### New growth

Only four months after Eltek sent Lars Jervan to Singapore in 1997, the Asian market suffered its biggest collapse ever. There was hardly a country in the region that was not affected by the sudden fall on the bourses in Japan and Korea.

"It's obvious that the timing was extremely unfortunate," says Morten Angelil. "The flow of investments was shut off everywhere. Nevertheless, we managed to maintain our client relationship. Eltek did not suffer a drop in sales during the crisis," he says – not without a hint of pride.

Anyone who can manage to survive through a crisis like that has a special advantage. Now, at the beginning of 1999, things look a lot brighter. Friday evening's mobile phone traffic statistics are said to be one of the most reliable indicators of business activity in the telecommunications sector in Thailand. This traffic suffered a serious setback from the autumn of 1997, but in December 1998 and the first two months of 1999 there has been a steady upturn in activity. The same signals are also evident in other countries in the region.

### New challenges

At the beginning of 1999, Eltek faces new challenges in Asia. Malaysia and the Philippines are next on the agenda. And there are plans for investments in Australia, too.

The biggest challenges are nevertheless linked to the Chinese market. The potential there is enormous, but every foreign supplier faces challenges in adapting to the market. Still, Eltek is only optimistic.

"We can manage to pull this off," says Morten Angelil. "But I'm very happy we have been working in China for several years. Starting out as a new player today would be almost impossible," he says.



Singapore and Thailand are the main focus of Eltek's involvement in Asia.

Cooperation in China is rooted in manufacturing under licence and the transfer of technology.



And he expects to have a lot of new things on his plate in the space of a few months.

Thanks to, among other things, fire alarm systems from Eltek Fire & Safety, compensation payments for fire loss were reduced from 1997 to 1998.



Finn Mørch Andersen, DFEP:

## Fire protection pays

*“The fire protection industry is experiencing a golden age that began at the end of the 1980s. There has been an upturn in the market and companies have had the financial means to focus on fire prevention. Furthermore, the industry has benefited from regulatory measures imposed by central government. At the same time, powerful technological developments have given new market opportunities.”*

church doors should open outwards. The enormous fires in towns at the turn of the last century, of which the best known was in Ålesund in 1904, led to the passing of regulations regarding the compulsory erection of firewalls in towns and villages. In 1959, fires at Stalheim Hotel and a nursing home in Kongsberg led to the passing of stringent requirements concerning fire protection in hotels and institutions.

In 1998, the DFEP concluded more than ten years' work on restructuring and developing Norwegian fire protection – yet again as a result of fires in institutions. In 1979, 14 people died in a fire at a nursing home in Sandnessjøen, and five people died in a similar fire in Asker. This triggered a new Fire Protection Act which was passed by the Storting (parliament) in 1988.

With a basis in this Act, Finn Mørch Andersen has been involved in the drafting of a complete set of fire protection regulations. This work, which was completed last year,

Finn Mørch Andersen is Norway's Mr Fire Protection. He is manager of the Section for Fire Protection at the Directorate for Fire and Explosion Protection (DFEP). Formerly a fire chief in Larvik, he has worked in the sector for many years. What he doesn't know about fire in Norway is hardly worth knowing.

Fire protection has to do with historical facts, and the history of developments in building traditions and fire protection technology is often the result of dramatic and tragic events in which many people have lost their lives. The fire in Grue church in 1822 in which 113 people were trapped and died led to the introduction of provisions one year later which stipulated that



Finn Mørch Andersen, manager of the Section for Fire Protection at the Directorate for Fire and Explosion Protection (DFEP)

resulted in the Regulations concerning the Sweeping of Chimneys and the Inspection of Fireplaces.

### Positive development

Norwegian fire statistics have not been much to boast about, but they appear to be more positive towards the end of the 1990s, even though Mr Mørch Andersen is the first person to claim that the positive figures from the 1998 statistics may be a chance variation. In 1998, a total of NOK 2.4 billion was paid out in compensatory damages, and this represents a reduction of NOK 400 million from the year before. The number of fire-related deaths has fallen from 67 in 1997 to 52 in 1998. This is the lowest figure since 1983.

The large fires in the 1980s were a peculiarly Norwegian phenomenon, and we fared worse than countries with which we generally compare ourselves, such as Sweden, Denmark and the United Kingdom. Last year's figures have brought us to the same level as these countries!

“Without a doubt, this development has a lot to do with the strategic efforts of the DFEP in the early 1990s, when ambitious objectives were set. One objective was that material losses from major fires (= fires in which assets worth more than NOK 5 million are lost) should be reduced by 50%. Another objective was that the total material losses should be reduced by 30%. The first objective has been achieved. As far as the second one is concerned, there is still some way to go, even though the trend is positive.”

### Exciting new technology

Mr Mørch Andersen feels that some of the credit for this positive trend should go to technological developments in fire alarms and fire protection. He is positive to the market prospects for the industry. In particular, he thinks there is a great potential for fire protection systems with voice alarm warnings. He believes that more and more companies will show interest in the newly-developed systems – new detection technology in combination with spoken warnings:

“There is no doubt that most people have more respect for a spoken message than a triggered alarm bell. There is so much noise around that people have become totally immune to alarm bells. Furthermore, the technology provides an opportunity for improved differentiation. A bell is a bell, whereas a voice can be adapted to the degree of danger. It's really quite amazing that more people haven't recognised the potential in the improved utilisation of detection technology,” he says.

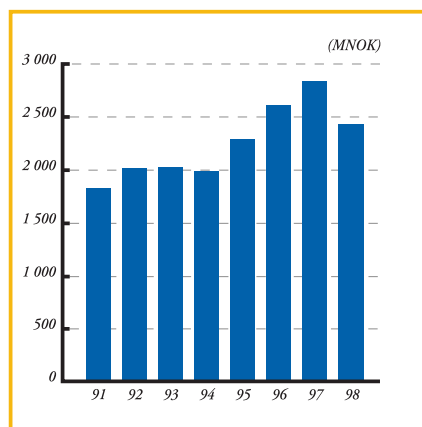
He remembers an episode involving a false fire alarm at “Paleet”, a shopping centre in the centre of Oslo. Everyone on the premises had to be evacuated in the middle of Saturday shopping. The alarm cost the shopping centre an estimated NOK 2–2.5 million in reduced takings!

### Costly consequences

Just inside the entrance to DFEP's offices in Tønsberg one can see an Eltek automatic fire detector system. The directorate does not own the building, but the system was installed following “mild pressure from the owner of the building”. Mr Mørch Andersen stresses that while there are no formal requirements stating that a building of this size should install a detector system, it does enhance security considerably.

The DFEP tests the system on a regular basis. On the first Monday of each month the alarm is sounded at precisely 9 o'clock. In addition to the alarm warning, the DFEP has automated switchboard that issues a warning via all the telephones in the building.

One should practice what one preaches!



Compensation for fire loss paid out by Norwegian insurance companies.

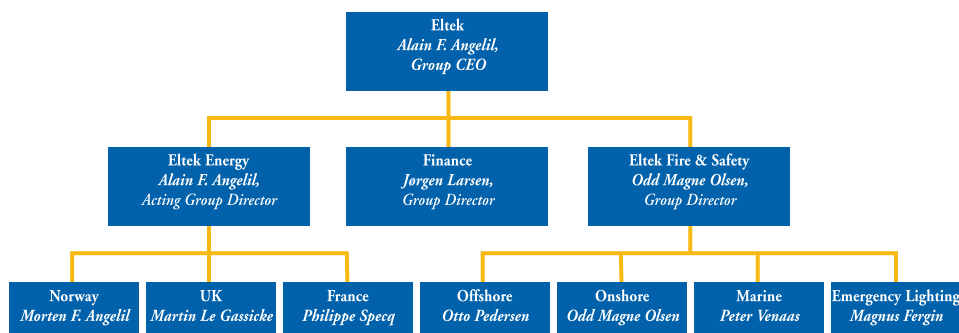
# Organisation and management

*Eltek is a worldwide group with subsidiaries in Europe and Asia and a network of distributors and agents covering all continents.*

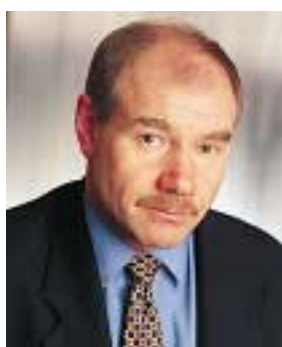
All Eltek's operational activities are divided into the business areas Eltek Energy and Eltek Fire & Safety. The Group is managed by a management team consisting of the Group CEO, the managers of the two business areas and the Group Director of Finance.

The organisation of the business area Eltek Energy is based on a division of the geographical markets between Norway, UK and France, while the organisation of Eltek Fire & Safety is based on the market segments offshore, onshore, marine and emergency lighting.

As at 17 March 1999, the Group CEO was acting Group Director of Eltek Energy.



Alain F. Angelil,  
Group CEO



Jørgen Larsen,  
Group Director  
Finance



Odd Magne Olsen,  
Group Director  
Eltek Fire & Safety

# International network



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# Eltek

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- Table of Contents
- Overview
- Summary 1998
- Key figures
- Report of the Board of Directors
- Income Statement
- Balance Sheet
- Cash Flow Analysis
- Notes
- Shareholders Policy

