# RTX Telecom A/S

## Annual report 2007/08

**RTX Telecom A/S**
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# FINANCIAL HIGHLIGHTS AND KEY RATIOS OF THE GROUP

| Amounts in DKKm | 2003/04[1] | 2004/05 | 2005/06 | 2006/07[2] | 2007/08 |
|---|---|---|---|---|---|
| **Profit and loss account items** | | | | | |
| Net turnover | 222.0 | 317.2 | 285.1 | 207.3 | 250.3 |
| Gross profit | 144.2 | 179.4 | 152.3 | 93.1 | 146.7 |
| Operating profit/loss (EBIT) | -30.7 | -3.9 | -63.0 | -95.7 | -21.0 |
| Net financials | 5.9 | 4.0 | -1.5 | 68.8 | 2.8 |
| Profit/loss before tax | -24.8 | 0.1 | -64.5 | -26.9 | -18.2 |
| Profit/loss for the year from continuing operations | - | - | - | -41.4 | -18.3 |
| Profit/loss for the year from discontinued operations | - | - | - | -5.9 | -7.4 |
| Profit/loss for the year | -17.3 | -1.1 | -64.7 | -47.3 | -25.7 |
| **Balance sheet items** | | | | | |
| Cash and current asset investments | 231.2 | 161.5 | 106.9 | 115.7 | 99.5 |
| Total assets | 447.1 | 452.4 | 408.9 | 343.2 | 311.1 |
| Equity | 374.9 | 366.5 | 304.6 | 257.0 | 221.1 |
| Liabilities | 72.2 | 85.9 | 104.3 | 86.2 | 90.0 |
| **Other key figures** | | | | | |
| Development costs | - | 29.8 | 46.3 | 26.5 | 11.2 |
| Depreciation, amortisation and impairment | 19.9 | 10.2 | 14.7 | 10.7 | 6.5 |
| Cash flows from operations | -30.5 | -47.7 | -46.2 | -53.3 | -12.5 |
| Cash flows from investments | -13.6 | 27.6 | 33.8 | 100.9 | 1.6 |
| Investments in tangible assets | 6.0 | 3.4 | 12.3 | 1.9 | 1.5 |
| Increase/decrease in cash and cash equivalents | -60.1 | -27.0 | -11.7 | 42.1 | -17.7 |
| **Key ratios** | | | | | |
| Growth in net turnover (percentage) | 24.1 | 42.9 | -10.1 | -27.3 | 20.7 |
| Profit margin (percentage) | -13.8 | -1.2 | -22.1 | -46.2 | -8.4 |
| Return on invested capital (percentage) | -19.9 | -2.1 | -27.0 | -50.1 | -13.5 |
| Return on equity (percentage) | -4.5 | -0.3 | -19.3 | -16.8 | -10.7 |
| Equity ratio (percentage) | 83.8 | 81.0 | 74.5 | 74.9 | 71.1 |
| **Employment** | | | | | |
| Average number of full-time employees | 225 | 249 | 276 | 221 | 205 |
| Net turnover per employee (DKK ‘000) | 987 | 1,274 | 1,033 | 938 | 1,221 |
| Operating profit/loss per employee (DKK '000) | -136 | -16 | -228 | -433 | -102 |

# FINANCIAL HIGHLIGHTS AND KEY RATIOS OF THE GROUP

| Amounts in DKKm | 2003/04[1] | 2004/05 | 2005/06 | 2006/07[2] | 2007/08 |
|---|---|---|---|---|---|
| **Shares (number of shares in thousands)** | | | | | |
| Average number of shares in circulation | 9,410 | 9,285 | 9,300 | 9,289 | 9,289 |
| Average number of diluted shares[3] | 9,580 | 9,406 | 9,364 | 9,299 | 9,292 |
| **Share data, DKK per share at DKK 5** | | | | | |
| Profit/loss for the year (EPS) | -1.8 | -0.1 | -7.0 | -5.1 | -2.8 |
| Profit/loss for the year, diluted (DEPS) | -1.8 | -0.1 | -6.9 | -5.1 | -2.8 |
| Cash flows from operations | -3.7 | -5.1 | -4.9 | -5.7 | -1.3 |
| Dividends | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Equity value | 39.1 | 39.5 | 32.7 | 27.7 | 23.8 |
| Listed price | 53.3 | 135.5 | 73.0 | 52.5 | 25.9 |

Note: The Group's financial year runs from 1 October to 30 September.
The stated key ratios have been calculated in accordance with "Recommendations and Ratios 2005" issued by the Danish Association of Financial Analysts. The financial highlights and key ratios for 2004/05, 2005/06, 2006/07 and 2007/08 have been prepared in accordance with the International Financial Reporting Standards (IFRS).

1 Comparative figures for 2003/04 have not been restated to the changed accounting policies upon transition to financial reporting according to IFRS but have been computed in accordance with the previous accounting policies based on the provisions of the Danish Financial Statements Act and the Danish Accounting Standards.

2 Comparative figures for 2006/07 have been restated, and profit/loss from discontinued operations is shown separately.

3 Including all unexercised warrants. A total of 2,040 warrants at DKK 5 have been issued in 2003 to a limited number of key employees which, upon full conversion, can be converted into 2,040 shares at DKK 5 in the period 20 January 2008 to 4 February 2009.

# COMPANY DETAILS

## Company

RTX Telecom A/S
Strømmen 6
9400 Nørresundby
Denmark

Central Business Registration No: 17 00 21 47
Registered in: Aalborg municipality

Telephone: +45 9632 2300
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Web-site: www.rtx.dk

## Supervisory Board

**Poul Lind, Chairman,** born 1952.
Elected by the Annual General Meeting, first time in 2000. Term of office expires January 2009.

Education: Engineer (Low Voltage Electricity) 1976.
Title: CEO, PowerSense A/S.
Other directorships: Member of the Supervisory Board of MT Højgaard a/s and Monberg & Thorsen A/S.

**Per Møller, Deputy Chairman,** born 1943.
Elected by the Annual General Meeting, first time in 2000. Term of office expires January 2009.

Education: MSc (Economics) 1968.
Other directorships: Chairman of the Supervisory Board of Højgaard Holding A/S, MT Højgaard a/s, Atrium Partners A/S and Det Danske Klasselotteri A/S. Member of the Supervisory Board of BioMar A/S and Bjarne Jensens Fond.

**Jørgen Dalby-Jakobsen**, born 1962.
Elected by the employees, first time in 2003. Term of office expires January 2009.

Education: MSc (Engineering) 1987.
Title: Senior Coordinator, RTX Telecom A/S.

# COMPANY DETAILS

## Supervisory Board (continued)

**Jens Hansen**, born 1958.
Elected by the Annual General Meeting, first time in 1994. Term of office expires January 2009.

| | |
|---|---|
| Education: | MSc (Engineering) 1984. |
| Title: | Vice President, Business Development, RTX Telecom A/S. |
| Other directorships: | Chairman of the Supervisory Board of Futarque A/S. |
| | CEO of JH Venture A/S. |

**Christian Jørgensen**, born 1959.
Elected by the Annual General Meeting, first time in 2006. Term of office expires January 2009.

| | |
|---|---|
| Education: | MSc (Economics) 1985 and MBA 1992. |
| Title: | General Manager, Western Europe, Baxter Healthcare, USA. |
| Other directorships: | Member of the Supervisory Board of Deadline Games A/S. |

**Else Baldvinsson Larsen**, born 1950.
Elected by the employees, first time in 2007. Term of office expires January 2011.

| | |
|---|---|
| Education: | Registered Public Accountant 1978. |
| Title: | Finance Controller, RTX Telecom A/S. |

**Jens Toftgaard Petersen**, born 1959.
Elected by the Annual General Meeting, first time in 1994. Term of office expires January 2009.

| | |
|---|---|
| Education: | MSc (Engineering) 1984. |
| Title: | Vice President, Business Development, RTX Telecom A/S. |

# COMPANY DETAILS

## Executive Board

**Tage Rasmussen**, born 1947.

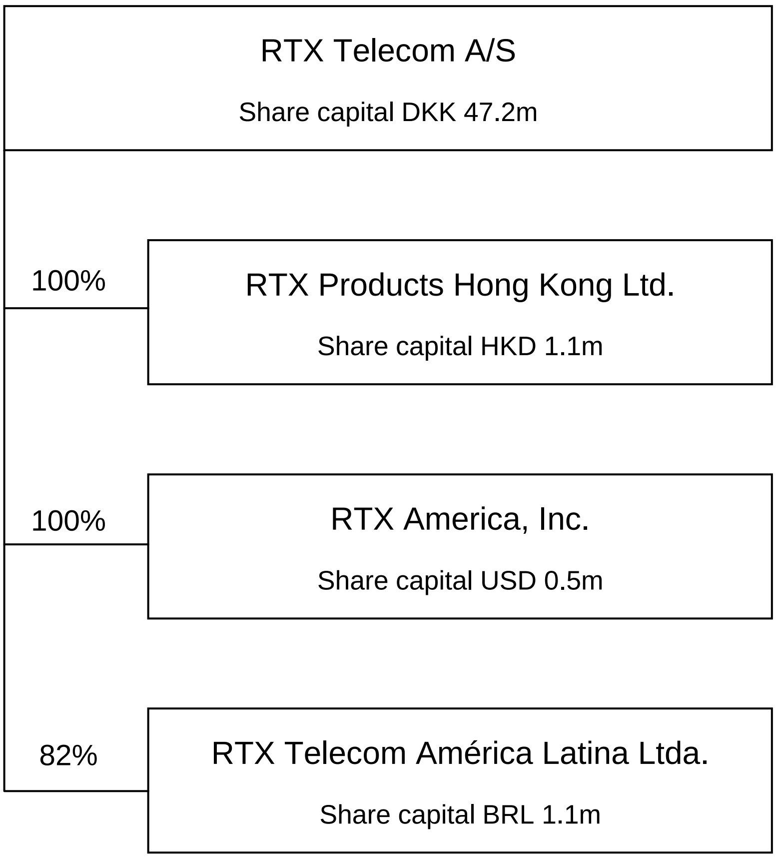
| | |
|---|---|
| Education: | MSc M.E. 1973. |
| Title: | CEO, RTX Telecom A/S. |
| Other directorships: | Managing partner of Quinterion PLC, UK. |
| | Member of the Supervisory Board of Radiocomp ApS. |

## Company auditor
Deloitte Statsautoriseret Revisionsaktieselskab

## Annual General Meeting
The Annual General Meeting is held at the Company's premises Strømmen 6, 9400 Nørresundby, Denmark, on Wednesday, 28 January 2009 at 3 pm.

# GROUP CHART

## Group chart at 30 September 2008



# BUSINESS CONCEPT, STRATEGY AND BUSINESS UNITS

## Business concept and strategy

In the year under review, RTX Telecom has used considerable resources to consider and update the Company's business concept and strategy.

RTX Telecom is an internationally operating group which sells, develops and manufactures innovative wireless communications products, technological solutions and services for the global telecommunications industry.

RTX Telecom operates in a flexible partnership with customers where the Group's committed and competent employees render services and deliver high-quality products based on European know-how combined with efficient production in Asia.

RTX Telecom delivers OEM-/ODM-based products to global enterprises within professional telecommunications. It is the RTX Telecom Group's objective to be their customers' preferred partner for development and supply of advanced solutions within wireless communications, and in particular when it comes to the technologies DECT and Bluetooth™ as well as IP networks.

The Group, which has subsidiaries in Hong Kong, Brazil and the US, aims to create added value for the customers' business areas through flexibility, fast response time, high quality as well as thorough knowledge of customers' needs and market conditions.

The RTX Telecom Group is making a targeted effort to retain and improve strong cooperative relations with important chip suppliers of wireless technologies. In this way, RTX Telecom aims at obtaining a unique and early access to state-of-the-art technology and global sales channels.

The Group is making a targeted effort to develop platform solutions, which makes it possible to supply the same basic technology to different customers. The reuse of technology platforms enables the customers to obtain more competitive prices and shorter time-to-market.

The Group offers attractive terms of employment for the employees in a social and professional working environment with challenging and interesting tasks in flexible and dynamic cooperative relations.

# BUSINESS CONCEPT, STRATEGY AND BUSINESS UNITS

## Business units

RTX Telecom's commercial activities are split up into three business units: RTX Technology, RTX Products (formerly RTX Consumer Products) and RTX Network Systems, each of them handling the sales and marketing activities within their special area. The business units are also individually responsible for the development and maintenance of the product portfolio.

The Group's development resources and administrative functions are located centrally and allocated as required. RTX Products Hong Kong Ltd. (formerly RTX Consumer Products Hong Kong Ltd.), however, has a special status as this subsidiary handles almost all the value chain from marketing and sale to supply of products, etc.

The Group currently aims at balancing engineer resources between development and supply of customer assignments on one hand and continued development of the Group's technological and business competences on the other. The Group's objective continues to be the maintenance of a leading position within development of products and equipment based on important wireless technologies such as DECT/CAT-iq and Bluetooth™.

In the following the individual business units are briefly described:

**RTX Technology** markets and sells, develops and produces advanced design and production solutions for wireless products and systems.

The development tasks are primarily focused around technologically advanced solutions within the market segments Wireless Voice Communication, In-Home Wireless Connectivity and Production Test and Verification.

**RTX Products** markets and sells, develops and produces professional telephony equipment such as wireless telephones, handsets and repeaters on OEM/ODM basis for leading international brands within the telecommunications industry.

RTX Products's customers are primarily found within the market segments Enterprise PBX Systems, Small Office VoIP Communication Systems. Furthermore, RTX Products markets and sells own-developed products under the name of DU@Lphone, e.g. the Skype™ products DU@Lphone 3058 and DU@Lphone 3088 as well as repeaters, wireless telephone line extenders and other telecom products.

The subsidiary RTX Products Hong Kong Ltd. represents the major part of the business unit.

# BUSINESS CONCEPT, STRATEGY AND BUSINESS UNITS

**RTX Network Systems** markets and sells, develops and produces infrastructure solutions and terminals to telecom networks based on the Wireless IP/DECT and WiFi technologies. RTX Network Systems is primarily focused on the sale of solutions for Public Networks to Tier 1 and Tier 2 teleoperators in Latin America through the subsidiary RTX América Latina Ltda. in São Paulo, Brazil and on the sale to similar customer types in Europe with solutions for Wireless Extension for Hosted PBX solutions.

Moreover, RTX Network Systems markets and sells special communications modules based on the GSM/GPRS technology for installation in various appliances for remote monitoring, process measurement and tracking.

# MANAGEMENT'S REVIEW

## Summary for the year

The Group's strengthening of the sales and marketing activities has resulted in an overall increase in the Group's net turnover and operating profit (EBIT) compared to the previous financial year 2006/07. The increase has been particularly noticeable in the two largest business units RTX Technology and RTX Products (formerly RTX Consumer Products) as the implementation of the adopted focus strategy as well as the expansion and optimisation of the sales and marketing activities have contributed to the positive development.

During the past financial year 2007/08, the RTX Telecom Group has continued the operational and financial turn-around process which was initiated in the autumn of 2006. The implementation of the focus strategy has been more time-consuming and resource-demanding than expected. The Group has performed a wide range of measures to support this process, including considerable main elements such as capacity reduction, establishment and strengthening of commercial activities in the business units as well as relocation of material activities to the subsidiary in Hong Kong, RTX Products Hong Kong Ltd. (formerly RTX Consumer Products Hong Kong Ltd.).

The subsidiary RTX Products Hong Kong Ltd., which was acquired in January 2006, has realised a significant progress in sales and earnings in the past financial year. As a result of this progress, the subsidiary has turned a considerable loss in previous years into a satisfactory profit this year. The growth in sales and deliveries to OEM/ODM customers and the relocation of production and sales activities from Denmark to Hong Kong, among other things, have resulted in the number of staff in the subsidiary having more than doubled since the acquisition. The number of employees amounted to 45 persons at the end of 2007/08.

During the year, the Group established strategic sales and cooperative relations with local Brazilian partners to strengthen the sales efforts on the Latin American market and to support the continued development of activities in the business unit RTX Network Systems. In connection with this cooperation, the Group set up a subsidiary, RTX Telecom América Latina Ltda. in São Paulo, Brazil. The purpose of setting up this subsidiary is to market RTX Telecom's technologies and products as attractive options when Latin American teleoperators are planning to set up new wireless IP network solutions both within the new cooperation and when entering into other partnerships. The CEO of the subsidiary, Palle Kjær, 38 years old, has long experience from his employment in the telecommunications industry with Danish Sonofon and Italian Elsacom, among others. The establishment in Brazil is expected to have significant impact on RTX Telecom's growth in Latin America in the years ahead.

The RTX Telecom Group has received the first commercial order in connection with the establishment in Brazil as a teleoperator in Northern Brazil has ordered an IP network solution comprising wireless telephony and wireless access to the Internet.

# MANAGEMENT'S REVIEW

During the year, the wholly-owned Danish subsidiary, RTX Products A/S, merged with the Parent with effect from 1 October 2007. The intragroup merger was formally adopted on 26 March 2008 with RTX Telecom A/S as the surviving company. The merger was carried through as the strategy adopted in the autumn of 2006 has resulted in material changes in RTX Products A/S and in the entire basis for the subsidiary's activities.

As a natural continuation of the strategy adopted, which was planned to focus on the business activities within the professional market for telecommunications, Group Management was able to announce in June 2008 that the Group had sold the shares of the 100%-owned subsidiary RTX Healthcare. The buyer is one of the world's leading suppliers of telehealth solutions, Tunstall Healthcare Group, UK.

The sales price of the shares in RTX Healthcare is a combination of a cash payment at the level of the carrying amount and an earn-out payment depending on the development in RTX Healthcare over a period of 24 months following the conclusion of the agreement.

Also in the coming financial year, Management will currently consider and implement strategic initiatives to adjust the Group to the existing business opportunities. Moreover, the Group will make efforts to be among the technological leaders by currently developing an effective and competitive product programme within the Group's business areas.

At the end of the financial year, the RTX Telecom Group has an overdue receivable of DKK 32.7 million from a Rumanian customer. The receivable amount has mainly arisen by invoicing of supplies of goods in connection with the customer's expansion of a Wireless IP Network system in Rumania. The Group has made provisions for bad debt covering the entire receivable relating to this customer. The Group has taken legal action to recover the claim.

The following highlights and main points relating to the Group are included in the annual report for 2007/08, for instance:

- Net turnover from continuing operations has increased by 20.7% amounting to DKK 250.3 million against DKK 207.3 million last year.
- Operating profit/loss (EBIT) from continuing operations amounts to a negative DKK 21.0 million against a negative DKK 95.7 million in 2006/07. In the comparative year EBIT was affected by a provision for bad debt of DKK 30.0 million.
- Profit/loss after tax amounts to a negative DKK 25.7 million compared to a negative DKK 47.3 million in 2006/07.

# MANAGEMENT'S REVIEW

- The Group's cash and current asset investments amounted to DKK 99.5 million at 30 September 2008, which is a decrease of DKK 16.2 million compared to the same time last year.
- At 30 September 2008, the Group's equity amounted to DKK 221.1 million, which is a decline of DKK 35.9 million compared to last year.
- In the financial year, RTX Telecom entered into a strategic sales and marketing cooperation with Brazilian partners and set up a subsidiary in São Paulo, Brazil.
- In the financial year, RTX Telecom sold its shares in the wholly-owned subsidiary RTX Healthcare to one of the world's leading suppliers of telehealth solutions.
- Management expects for the financial year 2008/09 a moderate increase in net turnover compared to the financial year 2007/08 and an operating profit/loss (EBIT) around break-even.

## Primary activity

### Business units

RTX Telecom was established in May 1993, and since June 2000 the Company's shares have been listed at the stock exchange, NASDAQ OMX Copenhagen A/S.

The RTX Telecom Group markets, develops and manufactures advanced and high-technological wireless technology projects and products. Today, the Group's technology development is focused around advanced solutions within the technology areas DECT, DCT2.4 GHz, CAT-iq, Bluetooth$^{TM}$, WiFi and VoIP.

The activities within sales, development, production and distribution of wireless niche products account for an increasing part of the Group's total activities. Previously, the activities were primarily related to customer-financed development contracts and royalty. Future growth in earnings is therefore primarily expected to come from products sold as OEM/ODM deliveries for industrial customers or through distributors. In addition, the Group is making a targeted effort, as a minimum, to maintain the income level from customer-financed development contracts.

As part of its continued focus the Group sold its shares in RTX Healthcare in June 2008. Subsequently, the Group's activities cover the following three business units: RTX Technology (technology projects), RTX Products (wireless products for the professional market) and RTX Network Systems (network products). In the following the three business units, each with its own focused sales and marketing department, will be described in detail.

# MANAGEMENT'S REVIEW

## RTX Technology

*Business concept*

The business unit RTX Technology is an independent, full-service technology partner for industrial customers who want a flexible and reliable supplier of knowledge and solutions, primarily within wireless applications for communications products.


*Objective*

It is RTX Technology's objective within a three-year period to become the preferred development and ODM partner within development and delivery of innovative and advanced wireless applications for communications products to the business environment and at home.

*Market and customers*

RTX Technology's principal markets are high-end wireless telephony, wireless handsets and headsets as well as special applications within wireless technologies.

The business unit RTX Technology has a deep technological knowledge of design and development of wireless products. Based on this knowledge and many years of experience in contract development, the business unit is able to offer advanced customer-paid development tasks based on a fixed contract payment and/or royalty payment.

# MANAGEMENT'S REVIEW

The development tasks are primarily focused on advanced solutions within the wireless technologies. In addition, RTX Technology offers development and delivery of ODM-specialised products as well as development, delivery, installation and support of production test solutions, including delivery of test instruments and test equipment. Within the latter area, RTX Technology offers a portfolio of dedicated measuring and test instruments as well as development tools for use in the customers' own internal development work.

RTX Technology identifies itself with the customers' success criteria in order to identify and take advantage of the opportunities which occur in selected market segments. RTX Technology is focused on contract development of solutions partly within high-end consumer products, partly professional solutions in small and medium-sized enterprises and partly special applications with a high content of technology. RTX Technology's ability to offer a number of well-defined technological platforms is the key to the future growth of the business area.

In the past financial year, RTX Technology has experienced significant growth and obtained an increasing portfolio of customer-paid development projects. RTX Technology is currently focusing on additional sales to key customers within the core competences of the business area, and the business unit currently takes measures to cultivate new market segments within the business area. In 2007/08, RTX Technology started to market a new product area, comprising applications for wireless connected units in the home (In-Home Wireless Connectivity).

*Market opportunities*

RTX Technology will continue to focus on high-quality solutions and on the more advanced solutions for the wireless telephony market. The next generation of DECT – called CAT-iq – has been standardised, which makes it possible to market DECT as a suitable technology within a large number of applications not only covering wireless telephony. VoIP applications are expected to drive the penetration of CAT-iq since wideband sound (called Wideband Audio or High Definition Audio) is considered one of the primary driving forces. Together with the Group's partners, RTX Technology is very focused on ranking among the leading suppliers of CAT-iq solutions.

Within Bluetooth™ RTX Technology's possibilities consist of offering specialised solutions which impose large requirements on highly developed competences (e.g. complex antenna designs for headsets) or solutions where Bluetooth™ and other technologies are integrated in the same design.

RTX Technology expects that the average consumer's accept of internet telephony as a stand-alone solution is still some years ahead in the future. But there is an expectation in the market that within a foreseeable number of years the existing fixed-line telephony will widely change into internet telephony (VoIP) through the consumers' broadband connections. The roll-out of alternative telephony solutions will, however, widely depend on fixed-line operators and other market players who will be central players with significant influence on the extent of the penetration of the VoIP technology and the related timeline for the roll-out of the VoIP technology.

# MANAGEMENT'S REVIEW

RTX Technology participates in a number of different cooperative forms with customers and partners. For many years, RTX Technology has been closely monitoring and adjusting business models, and the business unit can therefore offer a cooperation with the customer based on the necessary flexibility.

## RTX Products (formerly RTX Consumer Products)

*Business concept*

RTX Products is an OEM/ODM partner supplying wired and wireless communications products to industrial customers in the PBX, VoIP and B2B markets.


*Objective*

It is RTX Products's objective to become the largest supplier of wireless OEM/ODM products to business environments all over the world within a three-year period.

# MANAGEMENT'S REVIEW

*Markets and customers*

Based on well-known technologies and competences in the RTX Telecom Group, RTX Products sells communications products on OEM/ODM basis. RTX Products handles all tasks within sales, product definition, development and production. The combination of the Group's competences and know-how in Denmark and RTX Products's presence in Hong Kong is assessed to give RTX Products a competitive advantage because of a high technical level, relatively low cost structure and short time-to-market. By focusing on clearly defined market segments, RTX Products has built up wide knowledge about the market development, which has contributed to RTX Products having established itself as a strong and attractive partner to its customers.

RTX Products primarily focuses its sales and marketing activities on terminals for professional communications solutions and for the exclusive part of the consumer market. With a wide portfolio of wired as well as wireless products, RTX Products has built up a wide product programme which is expected to be expanded in the years ahead. The products are primarily expected to be produced and delivered from factories in China.

Technologically and commercially, RTX Products is among the leaders within wireless terminals for PBX systems and VoIP, and RTX Products aims at being an efficient, flexible and active OEM/ODM partner. Time-to-market is essential for the customers as well as for the success of RTX Products.

Understanding of the OEM/ODM customers' needs and opportunities in the market serves as basis for all the business unit's products. In the financial year 2007/08, RTX Products introduced new professional PBX terminals as well as VoIP terminals and VoIP base stations based on OEM/ODM agreements. These new product platforms have already proved to be an efficient stepping stone to the professional market for wired VoIP products, which is in growth. The sale of DECT repeaters and TLE products is at a satisfactory level.

The Group has used considerable resources on transfer of technology and knowledge to the subsidiary RTX Products Hong Kong Ltd., which carries out most of the activities in the business unit, including marketing, sale, development and production. In the past financial year, the subsidiary has been profit-yielding because of increased sale and supplies to OEM/ODM customers.

*Market opportunities*

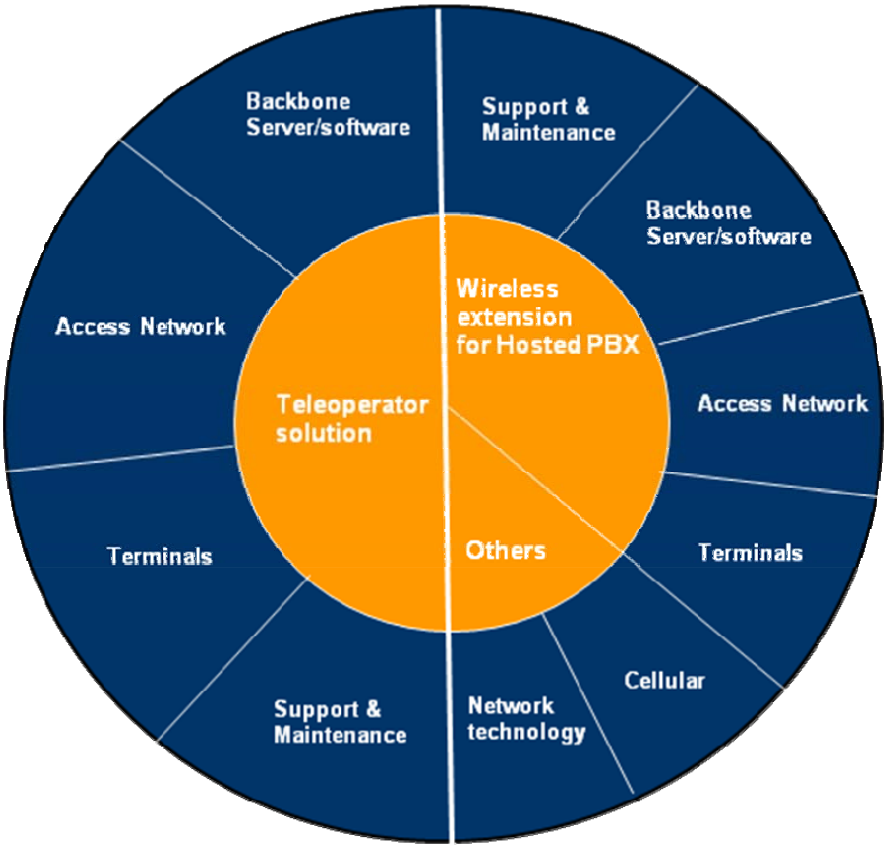
The key to the business unit's future growth will be insight into technologies and markets and the ability together with the OEM/ODM customers to develop new ideas or new mechanical varieties and designs quickly and efficiently into finished goods. By combining the best from Europe and Hong Kong/China, RTX Products has obtained a favourable market position.

# MANAGEMENT'S REVIEW

## RTX Network Systems

*Business concept*

The business unit RTX Network Systems develops and markets wireless IP network solutions containing wireless access to telephony and internet. The business unit focuses on delivering scalable solutions with high availability as well as on competitive installation costs and competitive operating costs for the developed IP network solutions.




*Objective*

It is RTX Network Systems's objective within a three-year period to be the preferred supplier of wireless IP communications networks to teleoperators and ISPs in developing and industrialised countries.

*Market and customers*

RTX Network Systems offers sturdy wireless IP network solutions for teleoperators, VoIP suppliers and integrators of telecommunications solutions. The solutions comprise wireless networks for telephony as well as data and consist of a wireless IP network with related server solutions for operation and monitoring of the network. The network systems are obtainable with different types of telephones and other terminal equipment.

# MANAGEMENT'S REVIEW

The network solutions can be integrated with the public fixed-line network, enabling the teleoperator to offer the customers a wireless access to the internet as well as wireless telephony, among other things with varying mobility within a defined geographical area.

In industrialised and highly-developed continents like North America and Western Europe, there is a massive use of fixed as well as mobile telecommunications systems as well as highly-developed data and internet solutions for the professional as well as the private markets. In the developing countries, however, the teledensity is still low, and so far neither mobile nor fixed-line communications have been able to serve large populations in these countries. RTX Network Systems's wireless IP network solutions are directed towards the market in these countries.
The wireless IP network solutions are interesting for potential customers from a business point of view because of the low installation costs compared with mobile telephony and traditional fixed-line solutions. The network solution allows for a flexible extension of the network (and thereby related successive investment), i.e. an extension driven by needs concurrently with the customer base being increased. Moreover, it is a decisive factor that the network solution also contains wireless broadband access to the internet.

The primary markets for RTX Network Systems cover growth markets where there is a need for improvement of the infrastructure within telecommunications. Geographically, the focus market is Latin America, especially Mexico and Brazil. The countries in Latin America are characterised by low teledensity combined with a large population base. The countries stated are assessed to constitute a significant market potential for the business unit.

In Western Europe RTX Network Systems offers a variety of the system to suppliers of so-called hosted PBX solutions to teleoperators and other large players on the market for fixed-line telephony.

In the past financial year, considerable resources have been spent on building up a wider sales organisation both regionally and on market segments. It should be noticed, however, that supplies, sales and order intakes have not been at a satisfactory level in the financial year.

At the end of the financial year 2007/08, the Group entered into a strategic sales and marketing cooperation with local Brazilian partners to strengthen RTX Network Systems' sales efforts on the Latin American market. In connection with this cooperation, the Group set up a subsidiary in São Paulo, Brazil. The purpose of setting up a subsidiary is to market RTX Telecom's technologies and products as attractive options when Latin American teleoperators are planning to expand the telephony and data traffic based on IP network solutions both within the new cooperation and when entering into other partnerships.

# MANAGEMENT'S REVIEW

*Market opportunities*

It is assessed that there is a large need for expanding wireless IP network solutions in Latin America within telecommunications, and especially for expanding telephony and broadband solutions. In this connection the teleoperators need to implement solutions which can maintain and develop them in the market. For RTX Network Systems this means that the future growth of the business unit can be accelerated depending on the ability of the business unit to enter into strategic cooperative agreements, among other things with major Latin American teleoperators on the sale and marketing of wireless IP network solutions.

## Development in activities and finances

### Annual report 2007/08

The comments on the financial statements are, unless otherwise stated, based on consolidated figures in the annual report for 2007/08 and compared with similar consolidated figures for 2006/07. The layout of the financial statements and the accounting policies applied are unchanged compared to the annual report presented for 2006/07.

In the Group's annual report for 2007/08, the discontinued operations are presented in accordance with IFRS 5, which means, among other things, that profit/loss after tax from discontinued operations is shown separately in the Group's profit and loss account and that the related comparative figures have been restated. The business unit RTX Healthcare is classified as discontinued operations in the annual report.

**Consolidated profit and loss account**

*Net turnover from continuing operations*

In 2007/08, the Group realised a net turnover of DKK 250.3 million which represents an increase of 20.7% compared to last year’s net turnover of DKK 207.3 million. Thus, net turnover was realised within the expected turnover interval, which amounted to DKK 240-270 million (see Announcement No. 5/2008 of 22 May 2008).

Income from contract development projects is computed at DKK 65.3 million, which represents an increase of 107.6% compared to last year’s income of DKK 31.4 million. A satisfactory improvement was realised on this activity compared to the previous year as the Group has obtained an increasing portfolio of customer-paid development projects during the past financial year.

# MANAGEMENT'S REVIEW

After some financial years with relatively high royalty income, some products with success in terms of sales have gradually been phased out. The Group's royalty income amounted to DKK 10.6 million in the financial year 2007/08, which is a decrease of 61.2% compared to royalty income of DKK 27.5 million in the financial year 2006/07. The realised decrease in royalty income was expected.

Sale of products, etc amounts to DKK 174.4 million, which is 17.5% above last year's sale of products of DKK 148.4 million. During the financial year, production and deliveries within the Group's product programme have mainly comprised professional VoIP and PBX handsets, DECT repeaters, wireless USB DU@Lphones, wireless Telephone Line Extenders (TLE), Wireless IP Network products, GSM modules as well as test equipment. By far the major part of the Group's marketing, sale, development and production of professional telephony equipment, etc is based on agreements with OEM/ODM customers.

The Group has realised a considerable increase in the sale of products in the financial year 2007/08. Based on the increased sales activities the Group has recorded an increase in order intake of professional VoIP and PBX handsets for large existing and new OEM/ODM customers during the past financial year. The Group's subsidiary in Hong Kong, RTX Products Hong Kong Ltd., is handling almost all of the most important functions relating to marketing and sale, development and production to these customers. Within the sale of professional telephony equipment, the increase is particularly significant. This result has been obtained through reuse and adjustment of technology platforms combined with the delivery of individual customer-specific mechanical designs, among other things.

The sale of the Group's own-developed Skype products, including the Skype™-based DU@Lphone 3088, has historically not been up to expectations, but during the second half of 2007/08 the Group experienced a substantial increase in the demand for and sale of Skype™ products.

The sale and marketing of the Wireless IP Network technology have not been up to expectations in the financial year as the sale and supplies of products as well as order intake have not been at a satisfactory level. As the activities of the business unit have been expanded and reorganised over the past financial year, an increasing share of the resources are used for forward-looking sales work. In addition, RTX Telecom has strengthened the sales efforts on the Latin American market, partly by entering into a strategic sales and marketing cooperation with local Brazilian partners, and partly by setting up a subsidiary, RTX Telecom América Latina Ltda. in São Paulo, Brazil.

*Gross profit from continuing operations*

RTX Telecom's gross profit amounted to DKK 146.7 million, which is an increase of 57.6% compared to last year's gross profit of DKK 93.1 million.

# MANAGEMENT'S REVIEW

*Other external expenses relating to continuing operations*

Other external expenses amounted to DKK 57.1 million, which is a decrease of 22.9% compared to 2006/07. The expenses in the comparative year were affected by a provision of DKK 30.0 million for bad debt relating to a Rumanian customer. In 2007/08, the Group realised savings compared to last year on external cost of premises as a result of the closure of the Group's branch in Århus. Apart from the above provision for bad debt, other external expenses have increased by DKK 13.1 million net, mainly because of costs incurred in connection with the initiated strategy, sales and management development programme as well as provisions for bad debt.

*Staff costs related to continuing operations*

Staff costs amounted to DKK 104.1 million, which is at the same level as last year. In the financial year 2007/08, the Group obtained payroll savings as a result of the capacity adjustment implemented in the previous financial year. Measured per employee there is an increase in expenditure of 7.9%.

The average number of employees in the Group has decreased from 221 in 2006/07 to 205 in 2007/08, corresponding to a decrease of 7.2% on last year.

*Depreciation, amortisation and impairment of continuing operations*

The Group's depreciation, amortisation and impairment have been reduced from DKK 10.7 million in 2006/07 to DKK 6.5 million in 2007/08. In the present financial year, the Group has recognised a profit of DKK 1.7 million from the sale of a plot of unbuilt land.

*Operating profit/loss (EBIT) from continuing operations*

Operating profit/loss (EBIT) was a loss of DKK 21.0 million against a loss of DKK 95.7 million in the financial year 2006/07. The loss in the comparative year was affected by a provision of DKK 30.0 million for bad debt relating to a Rumanian customer. EBIT shows an improvement in performance of DKK 44.7 million when disregarding the above provision for bad debt.

The operating profit/loss (EBIT) was realised at the level of the published expectations in the range from a negative DKK 30 million to a negative DKK 15 million (see Announcement No. 5/2008 of 22 May 2008).

*Net financials*

Net financials were an income of DKK 2.8 million compared to an income of DKK 68.8 million in the financial year 2006/07. In the financial year, the Group has recorded increasing financial income, among other things because of an increase in cash funds and a higher interest rate level on fixed-term deposits with banks. The major part of the Group's cash funds is invested in current asset investments and bank deposits.

# MANAGEMENT'S REVIEW

In the comparative year, a realised profit of DKK 72.6 million was recognised from the sale of shares in LitePoint Corporation, USA.

*Profit/loss before tax from continuing operations*

Pre-tax loss for 2007/08 from continuing operations amounted to DKK 18.2 million compared to last year's loss of DKK 26.9 million.

*Tax on profit/loss from continuing operations*

Tax on profit/loss for the year from continuing operations is recognised at DKK 0.0 million. Tax on profit/loss for the year according to a usual calculation amounts to a net income of DKK 3.0 million, and the difference of DKK 3.0 million has not been recognised as income in the profit and loss account in 2007/08, see subsequent section on deferred tax assets.

Based on Management's expectations for the financial performance for a five-year period, the deferred tax assets have been valued. At 30 September 2008, the total tax value of deferred tax assets is calculated at a net amount of DKK 58.7 million. Due to uncertainty relating to the use of the deferred tax assets in the Group, the amount has been recognised in the balance sheet at DKK 0.0 million net.

*Profit/loss for the year from continuing operations*

Profit/loss for the year from continuing operations amounted to a loss of DKK 18.3 million compared to last year's loss of DKK 41.4 million.

*Profit/loss for the year from discontinued operations*

Profit/loss for the year from discontinued operations amounted to a loss of DKK 7.4 million against a loss of DKK 5.9 million in the financial year 2006/07. As previously stated, discontinued operations comprise the activities in the business unit RTX Healthcare.

*Profit/loss for the year*

Total profit/loss for 2007/08 amounted to a loss of DKK 25.7 million compared to a loss of DKK 47.3 million last year.

The Supervisory Board recommends to the Annual General Meeting that the Group's loss for the year after tax is covered by the reserves.

*Earnings per share (EPS)*

Earnings per share (EPS) amounted to a negative DKK 2.8 compared to a negative DKK 5.1 the year before.

# MANAGEMENT'S REVIEW

**Consolidated balance sheet and cash flows**

*Equity and capital conditions*

During the year, Group equity has decreased by DKK 35.9 million from 257.0 million to DKK 221.1 million. The loss for the year has reduced equity by DKK 25.7 million, writedown of the value of shares in ilochip A/S has reduced equity by DKK 10.9 million whereas other adjustments have increased equity by DKK 0.7 million net.

The equity ratio is 71.1%, which is a decline of 3.8% compared to last year.

The Supervisory Board recommends to the Annual General Meeting on 28 January 2009 not to pay dividend for the financial year 2007/08.

The Company's holding of 144,584 treasury shares was acquired in the financial years 2004/05 and 2006/07 in order to hedge the liabilities related to the share options granted by the Company to the Executive Board and a limited number of executives. The Company has neither acquired nor sold treasury shares in the financial year 2007/08.

The Company's Supervisory Board is authorised to acquire treasury shares of a total face value of 10% of the Company's share capital up to the next annual general meeting. The Supervisory Board does not intend to use this authorisation before the Annual General Meeting on 28 January 2009.

*Consolidated cash flows, financing and cash relating to continuing operations*

Cash flows from operations amounted to a negative DKK 12.5 million, which is an improvement of DKK 40.8 million compared to 2006/07. Compared to last year, the improvement is affected by significant changes in operating profit/loss, working capital and items without cash effect.

*Investments relating to continuing operations*

Cash flows from investments comprising investments in intangible assets, tangible assets and other long-term assets and current asset investments totalled DKK 1.6 million compared to DKK 100.9 million in 2006/07. The largest changes relate to transactions in 2006/07 comprising the sale of the shareholding in LitePoint Corporation, USA, for DKK 83.7 million and a change in proceeds from the acquisition and sale of current asset investments of DKK 17.7 million.

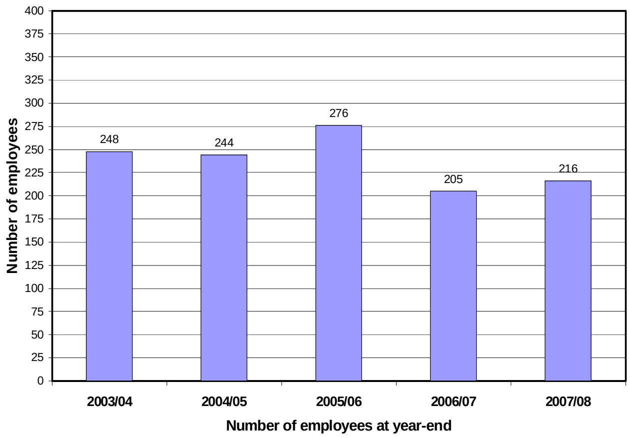
*Balance sheet*

The Group’s balance sheet total amounted to DKK 311.1 million at 30 September 2008, which is a decrease of DKK 32.1 million on last year. The decline in the balance sheet total is due to a decrease in long-term assets of DKK 18.7 million and a decrease in short-term assets of DKK 13.4 million.

# MANAGEMENT'S REVIEW

*Management and employees*

At 30 September 2008, the Group employed 216 people, of whom 124 are engineers and technical staff. Compared to the same time last year, the total number of employees is almost the same as at the end of the previous financial year.




In total, 43 employees joined the Group and 32 employees resigned in 2007/08. The number of employees in the foreign subsidiaries is continuously growing in line with the development trend over the past two financial years.

*Incentive schemes*

Upon resolution at the General Meeting on 17 April 2000, the Supervisory Board has been authorised, at one or more times, to issue warrants up to nominally DKK 2,000,000 without pre-emption right for the Company's shareholders in relation to the offering of warrants to the Company's employees, Supervisory Board or Executive Board. The authorisation was effective until 1 April 2005.

At the end of the financial year ending 30 September 2008, nominally DKK 10,200 granted unexercised warrants existed, equivalent to 2,040 warrants at DKK 5.

The Supervisory Board decided in 2005 and 2006 to grant share options to a limited number of executives and to the Executive Board. Overall, at 30 September 2008 RTX Telecom has granted share options of nominally DKK 725,000, equivalent to a total of 145,000 share options at DKK 5.

In an ordinary process the share options can be exercised no earlier than 36 months after the time of issue and must be exercised no later than 84 months after the time of issue. Special conditions have been agreed regarding exercise if extraordinary conditions should occur in the period of agreement, for instance the employee's resignation.

# MANAGEMENT'S REVIEW

The exercise price of share options is fixed as the average rate for a period of five trading days immediately up to the time of grant plus 5% per year commenced after the time of grant.

The granted share options account for approx. 1.5% of the Company's share capital.

The Supervisory Board will on the coming Annual General Meeting on 28 January 2009 make a proposal for approval by the Annual General Meeting of overall guidelines in pursuance of S. 69 b of the Danish Public Companies Act relating to incentive programmes for the Executive Board of RTX Telecom A/S. A transaction bonus of DKK 2.5 million to the Executive Board is expensed under “Profit/loss from discontinued operations” in the profit and loss account for 2007/08 due to the closed sale of shares in RTX Healthcare A/S. The transaction bonus is recognised in the annual report 2007/08 on condition that the Annual General Meeting adopts the proposal from the Supervisory Board.

## Subsidiaries

*RTX Products Hong Kong Ltd., Hong Kong*

RTX Products Hong Kong Ltd. (formerly RTX Consumer Products Hong Kong Ltd.) is a wholly-owned subsidiary, which employed 45 people at the end of the financial year. The number of employees has increased by five people during the past year.

The activities in RTX Products Hong Kong Ltd., which is the head office of the Group’s commercial product activities, comprise marketing, sales, development and production of professional telephony equipment such as wireless telephones, handsets and repeaters on OEM/ODM basis. Based on the increased sales activities the subsidiary has recorded an increase in order intake of professional VoIP and PBX handsets for large existing and new OEM/ODM customers in the financial year.

In 2007/08, RTX Products Hong Kong Ltd. obtained a net turnover of DKK 73.4 million, which represents an increase of 187.9% on last year’s net turnover of DKK 25.5 million. Profit before financial items (EBIT) amounted to DKK 6.8 million, and profit after tax amounted to DKK 5.8 million. In the financial year 2006/07, the company realised a loss after tax of DKK 13.8 million. Equity in RTX Products Hong Kong Ltd. amounted to DKK 8.0 million at 30 September 2008.

*RTX America, Inc., USA*

RTX America, Inc. is a wholly-owned subsidiary with five employees at the end of the financial year.

The subsidiary is located in San Jose, California, USA and handles sales and marketing tasks on the North American market. Moreover, the subsidiary handles technical product support to selected American customers.

# MANAGEMENT'S REVIEW

RTX America, Inc. realised a turnover of DKK 6.1 million in 2007/08. Profit after tax amounted to DKK 0.1 million. Equity in RTX America, Inc. amounted to DKK 2.5 million at 30 September 2008.

*RTX Telecom América Latina Ltda., Brazil*

RTX Telecom América Latina Ltda. is a 82%-owned subsidiary, which employed one person at the end of the financial year.

The subsidiary was established in the financial year 2007/08 to strengthen the Group's sales and marketing efforts on the Latin American market. The specific reason for the establishment is that the Group sees a clear advantage in being locally present in Brazil in connection with the marketing and sale of the Group's wireless IP technologies and products in Latin America. Thus, the subsidiary primarily supports the sales and marketing area for the business unit RTX Network Systems. The subsidiary is located in São Paulo, Brazil.

The business activities in the subsidiary have been initiated so late in the financial year that the impact on the financial performance in 2007/08 is immaterial. Equity in RTX Telecom América Latina Ltda. amounted to DKK 2.4 million at 30 September 2008.

*RTX Products A/S, Denmark*

During the year, RTX Products A/S, which was a wholly-owned Danish subsidiary, merged with the Parent with effect from 1 October 2007. The intragroup merger was formally adopted on 26 March 2008 with RTX Telecom A/S as the surviving company. The merger was resolved on the basis of the focusing strategy adopted in 2006, which has resulted in material changes in RTX Products A/S and in the entire basis for the subsidiary's activities.

*RTX Healthcare A/S, Denmark*

As part of the Group's continued focusing and the ongoing turn-around process, the Group sold its shares in the wholly-owned subsidiary RTX Healthcare on 27 June 2008 to one of the world's leading suppliers of telehealth solutions.

The sale was performed in accordance with the Group's strategic plan contemplating focus on the business activities and concentrating the efforts on development and production of advanced solutions and products for the professional market for telecommunications. As a natural continuation of this, the Group has decided to sell its activities within the telehealth and medico industry.

# MANAGEMENT'S REVIEW

## Investments

*ilochip A/S (www.ilochip.com)*

ilochip A/S is a development company with focus on development and integration of advanced biological analytical methods in bio-chips. Bio-chips, also called intelligent lab-on-chips, are a kind of self-governing micro-labs in which biochemistry, biophysics, electronics and software are integrated. The technology can be used for detection of biological weapons, veterinarian diagnostics, diagnostics of food products and diagnosing of infectious diseases.

ilochip A/S' objective is to develop portable sensor units which quickly and efficiently will facilitate the detection of different forms of disease-causing, in particular air-borne, spores, bacteria and vira and subsequently transmission of the retrieved data to a centrally based data treatment for the purpose of countering risks in the best possible way.

Since 2002, RTX Telecom has subscribed for shares in ilochip A/S at a total market value of DKK 11.3 million. In 2007/08, RTX Telecom has made a fair market value adjustment in equity of the share value of DKK 10.9 million to a carrying amount of DKK 0.4 million at 30 September 2008. RTX Telecom's ownership share in the company constitutes 19.8% at 30 September 2008.

## Uncertainty relating to recognition and measurement

RTX Telecom has significant deferred tax assets at the end of the financial year. Ordinary computation and measurement of the deferred tax assets would result in a net asset of DKK 58.7 million. As a result of the unsatisfactory results realised by the Group in recent years, there may be significant uncertainty as to when it will be possible for the Group to use the developed assets. As a result of this uncertainty, the Group has chosen to recognise the deferred tax assets in the balance sheet at 30 September 2008 at a net amount of DKK 0.0 million. The non-recognised deferred tax assets amount to DKK 58.7 million at year-end. The corresponding amount at 30 September 2007 was DKK 55.7 million.

## Unusual circumstances

The credit crisis, the turbulence on the financial markets and the global slowdown in the financial activity have not had any material impact on RTX Telecom during the past financial year. It is, however, likely that a weakened consumer confidence will prospectively and indirectly affect RTX Telecom although the Group only sells its products directly to the consumer market to a limited extent.

# MANAGEMENT'S REVIEW

## Particular risks

All investments in shares involve certain risks. The risk profile of RTX Telecom is partly a reflection of the day-to-day operations of the Group and partly a reflection of its continued development. In the following, a number of risk factors are presented which may impact on RTX Telecom's future growth, operation, financial position and performance. The factors stated are not necessarily all the factors posing a risk to the Group but the factors which Management considers to be of primary significance to the Group. It should be noted that the listing of the risk factors does not reflect their priority or significance. The description of risks should be considered in the context of the annual report in general.

### Business risks

*Rapid technological changes and new markets*

The Group’s strategy is to continue to improve existing products as well as to develop and launch the results of its development efforts with new or improved functionality to meet the ever growing customer demands.

The RTX Telecom Group continuously aims at identifying and developing technological competence enabling the Group to produce technological solutions and products demanded by the customers. In addition, it is the intention of the Group to be able to currently predict or react to the technological development to the extent required as well as to changes in customer preferences.

The Group is working with a goal-directed effort with detailed project and resource control tools, which enable very fast reaction time in relation to inquiries by customers.

*Project management*

By focusing on project planning, the Group tries to ensure synergies between parallel development activities. The progress of the individual development projects is supervised by achievement of the planned milestones. Despite the complexity of the parallel development projects, RTX Telecom has so far been able to meet the customers' expectations and supply the projects agreed in time.

*The ability to attract and retain skilled employees*

The employees represent RTX Telecom’s most important asset and are also sometimes a scarce resource. In order to develop and market its products, the Group will continue to rely on its ability to attract, retain, motivate and train skilled employees.

The companies in the Group are striving to be an attractive place to work for their employees by offering competitive terms of employment, by promoting both a professional and social working environment as well as by offering key employees to participate in an incentive scheme and by offering all employees the opportunity to subscribe for employee shares.

# MANAGEMENT'S REVIEW

*Development of technology platforms*

Development of technology platforms involves development projects launched at the Group's own account in order to provide RTX Telecom with new knowledge of and competence in new technologies.

A varying part of the Group's development projects will continue to be at the Group's own account. This will cause current development costs in the short term, which should be regarded as an investment in new technology.

New technology platforms are often developed in close co-operation with well-reputed international producers of chips. To some extent, RTX Telecom is dependent on delivery of the agreed technology from the chip producers at the time agreed.

*Managing level of activity*

The Group's ability to remain competitive and to follow the defined strategy will depend, among other things, on its ability to control and effectively manage the level of activity in the organisation. In order to effectively manage capacity adjustments, the Group has to continue to implement new systems and control routines and to adapt, train, integrate, motivate and effectively manage its staff.

*Possible fluctuations in interim results*

Management is of the impression that a period-to-period comparison of the interim results realised by the Group will not necessarily provide a complete picture of the Group's financial situation and that such a comparison should not be used as an indication of the future results to be realised by the Group.

*Dependence on single customers*

Developers of the size of RTX Telecom may to some extent become dependent on single customers. During the past three financial years, between 54% and 68% of turnover was generated from the ten largest customers. The Group's three largest customers accounted for between 27% and 43% of turnover in the same period. As many of these are ”regular” customers, the Group is dependent on single customers to some extent. However, there have been variations in the Group's dependence on these customers, and in the last three years the position as the largest single customer has been held by different companies.

*Dependence on sub-suppliers*

The majority of the Group's production is handled by foreign sub-suppliers. The Group depends on these sub-suppliers being able to produce and deliver the planned volume at the time requested and in the required quality. Significant changes in sales and contribution margin may occur if just a few sub-suppliers do not deliver at the time requested and in the required quality.

# MANAGEMENT'S REVIEW

RTX Telecom is continuously in open and close contact with the sub-suppliers in order to plan and monitor the deliveries, quality management systems and production. Moreover, through own-developed production test equipment the Group has widely obtained independence from suppliers and flexibility in production.

*Sale of own-distributed products*

In relation to the initiated activities with own-distributed products, the Group has, to a less extent, established its own marketing and independent distribution channels for these products. There is a risk that the own-distributed products cannot be sold in the expected volume and at the expected sales price.

The development in the number of own-distributed products will depend on the identified business opportunities for niche products with high knowledge content. The Group strives to reduce commercial risks by continuously adjusting the organisation to the nature and extent of the activities and by maintaining well-developed planning tools for purchase, production, sale and cash flow.

*Limited protection of proprietary rights*

At present, RTX Telecom has applied for patents within a few key areas. In order to take out a patent, the Group would have to reveal extensive details in its product specifications, and doing so would be contrary to the Group’s policy of concealing the technology of the products they want to protect.

There can be no assurance that RTX Telecom’s efforts to protect its intellectual property rights will be sufficient or that the Group’s competitors will not develop similar technologies independently of the Group. If the Group does not successfully protect its intellectual property rights, this could have a negative effect on the Group’s activities, financial performance and general financial position.

**Financial risks**

*Currency risks*

During the past three financial years 79% to 86% of RTX Telecom’s turnover derived from customers outside Denmark. This sale is primarily invoiced in currencies other than Danish kroner, whereas most contract-based development and a relatively small part of own production take place in Denmark. The Group has in-house development projects which take place in Denmark as well as abroad. The main part of goods purchased from sub-suppliers is paid in foreign currencies.

# MANAGEMENT'S REVIEW

As a consequence of the large international activity, the Group's cash flows are influenced by changes in exchange rates. If assessed to be appropriate, RTX Telecom enters into transactions to hedge its commercial currency risks in order to reduce the currency exposure. There can be no assurance that currency fluctuations will not have a material adverse effect on the Company's financial performance and financial development.

*Interest rate risks*
The Group is primarily exposed to interest rate risks through interest-bearing assets and liabilities. The overall purpose of management of the interest rate risk is to limit the negative effects of interest fluctuations on earnings and the balance sheet. Surplus cash is primarily invested in short-term solidly credit-rated cash bonds in Danish kroner or in money market deposits. The interest rate risk of these investments is managed based on duration compared to a pre-defined benchmark.

*Credit risks*
The Group's credit risks related to trade receivables are assessed on an ongoing basis. By experience, a relatively large credit risk may occur from time to time as a large part of receivables often relates to a relatively small number of counterparties and customers.

The Group's credit risk on work in progress may be significant as a large part of the stated value of development projects in progress, net often relates to a relatively small number of counterparties and customers. Moreover, in special cases the customers' requests/requirements for specifications and delivery times may result in tasks being started before final agreements have been concluded.

*Cash*
The Group's cash at bank and in hand primarily consists of deposits in respected banks and credit institutions. Consequently, cash is not considered to be subject to any special credit risk. Bank deposits and bank debt carry a floating interest rate.

## Organisational information

*Death*
Former CEO of RTX Telecom, Jørgen Elbæk, aged 55 years, passed away on 26 April 2008. Jørgen Elbæk was a member of the Company's Supervisory Board elected by the General Meeting.

Jørgen Elbæk was a co-founder of RTX Telecom in 1993. In the period from 1993 to 2006, Jørgen Elbæk was the Company's CEO. Jørgen Elbæk resigned as CEO in 2006 for health reasons, but despite severe illness he continued his inspiring work in RTX Telecom until his death.

# MANAGEMENT'S REVIEW

## Intellectual capital resources

*Human resources*

It is essential that the employees of the Group have wide knowledge of the engineering disciplines required to carry out high-technology development projects from definition to delivery of wireless communications services and products. The Group's employees have the required competences, which means that RTX Telecom is able to supply turnkey solutions and not only partial solutions which require that the customers have to complete the project themselves.

The Group is ready for changes and prepared for future growth as the structure of the organisation enables a prompt integration of more skilled employees. Through RTX Products Hong Kong Ltd. the Group has also secured access to low-price development, logistics and quality assurance resources. An organisation which is ready for changes makes it possible with short notice to transfer and appoint engineers to technological areas which are creating activity and need qualified staff. The project management is still being strengthened, and the technical competences within software, baseband and RF are currently updated.

Through visits to educational institutions and based on the Group's generally positive reputation among engineers within the industry, RTX Telecom aims at maintaining the reputation as an attractive workplace for employees with the best professional skills and human qualifications.

## Responsibility for environment and social conditions

For a number of years, RTX Telecom has worked systematically on maintaining satisfactory environmental and working environmental conditions. The Group is constantly striving to obtain continuous improvements, also more than is required by the authorities.

The Group’s activities include development and sale of advanced and high-technological wireless development projects and products. In-house RTX Telecom only has a small physical production as the majority of the Group’s production is outsourced to cooperative partners in the Far East. Therefore, the Group’s impact on environment is in all materiality indirect, and in-house it is restricted to electricity and heating as well as insignificant chemical consumption.

The Group encourages its sub-suppliers to use environmentally acceptable raw materials and products and to observe directives governing the environmental production and handling of electronic equipment (the RoHS and WEEE directives).

# MANAGEMENT'S REVIEW

## Research and development activities

RTX Telecom does not perform any basic research of importance.

The RTX Telecom Group's costs of in-house development activities have shown a declining trend over the most recent financial years. In the past financial year, the Group has not incurred any significant costs for the development of new own-distributed products, whereas targeted development activities to ODM customers have shown an increasing trend. In the financial year 2007/08, development costs incurred at the Group's own account have affected the profit and loss account by DKK 11.2 million on last year's DKK 26.5 million. Development costs contain salaries and expenses directly related to the Group's internal development projects less any project income. The development costs are fully expensed as costs in the profit and loss account.

The newly developed products for ODM customers have contributed significantly to turnover and earnings in the financial year 2007/08.

## Prospects for the financial year 2008/09

As a result of the focus strategy and turn-around process implemented, RTX Telecom has recorded a significant increase in financial performance from 2006/07 to 2007/08. The Group has also carried out a number of activities with a view to obtaining positive operating profits in the years ahead. Over the past few years, the Group has built up and sourced out production in China through the subsidiary in Hong Kong, among other things, and a competence development of sales and marketing activities has been made in the Group as a whole. These activities were implemented at the same time as the focus strategy process and the adjustment of the Group's organisation were carried out.

The initiatives were all carried out for the purpose of preparing the RTX Telecom Group for renewed growth and for recovering the Group's financial strength and stability. It is assessed that the preconditions for growth exist as the Group has strong competitive power and competitive advantages as a result of flexible, considerable Danish competences and knowhow combined with the Group's presence in Hong Kong, Latin American and USA.

The Group's activities in 2008/09 comprise three business units.

In the financial year 2007/08, the business unit RTX Technology realised a satisfactory improvement in its activities and in income from customer development projects as well as supplies of test instruments and test equipment. Royalty income, however, has decreased considerably compared to last year. The Group expects RTX Technology to maintain income at an unchanged level as a whole compared to 2007/08.

# MANAGEMENT'S REVIEW

Over the past two years, RTX Products has built up a relatively strong position as a supplier of professional telephony equipment on the OEM/ODM market, and the business unit is well prepared in the organisational and sales area for the coming year's challenges. At present, the business unit has entered into a considerable number of agreements with major OEM/ODM customers for the financial year 2008/09. The agreements primarily cover production and supply of professional telephony products. The positive development in activities, net turnover and earnings is expected to continue in 2008/09.

As RTX Network Systems has expanded and reorganised the activities in the business unit in the second half of 2007/08, an increasing share of the resources are used for forward-looking sales work. Intensive sales efforts are currently made in Mexico and Brazil, and both countries are assessed to have a considerable market potential for the business unit. At the same time, the Group entered into a strategic sales and marketing cooperation with local Brazilian partners to strengthen the sales efforts on the Latin American market. In connection with this cooperation, the Group set up a subsidiary in Brazil.

On this basis Management expects for the financial year 2008/09 a moderate increase in net turnover compared to the financial year 2007/08 and an operating profit/loss (EBIT) around break-even.

The described expectations to the future development are subject to uncertainty and risks. The most important activities in the Group are customer-paid development tasks and sales on the OEM/ODM market, and both areas are characterised by operating with relatively short order horizons. Because of these and other factors, e.g. the present turbulence on the financial markets and the global slowdown in the financial activity, the actual development may differ substantially from expectations.

## Corporate Governance

The Stock Exchange NASDAQ OMX Copenhagen A/S published on 25 February 2008 revised recommendations for good corporate governance in Denmark. RTX Telecom's Supervisory Board has assessed the individual recommendations and found that RTX Telecom observes most of the recommendations. Based on the Company's size and organisation, in a few areas, however, RTX Telecom has decided to organise differently than prescribed by the recommendations.

*Shareholders' role and interaction with Management*

As from the Annual General Meeting in January 2008, RTX Telecom has followed the recommendation to give shareholders the possibility of granting proxy for each item on the agenda, and not as previously, a general proxy.

# MANAGEMENT'S REVIEW

*Openness and transparency*

From the financial year 2007/08 and onward, RTX Telecom has followed the recommendation to publish a quarterly report.

*Composition of the Supervisory Board*

At the moment, RTX Telecom's Supervisory Board consists of five members elected by the Annual General Meeting as well as two members elected by the employees.

A member elected by the Annual General Meeting is up for election every year and can be re-elected until and including the year when the member turns the age of 70.

Two of the Supervisory Board's five members elected by the Annual General Meeting are considered not independent. Jens Hansen and Jens Toftgaard Petersen, who are both part of the Company's original group of founders and at the same time large shareholders, are both employed in the Company. The historical background of RTX Telecom is the reason for the present composition of the Supervisory Board as the founders of the Company continue to hold significant competences in respect of the business activities and also hold approx. 16% of the Company´s share capital.

The employee representatives are up for election every four years in accordance with current Danish legislation. The employee representatives in the Supervisory Board have the same rights, duties and responsibility as the members elected by the Annual General Meeting.

Based on the Group's size and complexity, the Supervisory Board has decided not to use fixed committees, nor systematic evaluations of the Supervisory Board and Executive Board and of the mutual cooperation.

The published description of the composition of the Supervisory Board does not comprise any information on the members' special competences, if any.

Formal recruiting criteria have so far not been used internally in the Supervisory Board. However, the Supervisory Board sees to it that the Supervisory Board has members with wide international experience meeting the Group's requirements.

*Remuneration to the Supervisory Board and Executive Board*

Members of the Company's Supervisory Board are remunerated with a fixed fee adopted once a year. None of the members of the Supervisory Board elected by the Annual General Meeting have so far participated in incentive programmes.

# MANAGEMENT'S REVIEW

The Executive Board has a common executive service agreement. The remuneration consists of a basic salary, pension, non-monetary contributions as well as a long-term incentive programme which is to ensure that the Executive Board and shareholders have coincident interests (see also notes 6 and 34). Upon dismissal by the Company, the Executive Board is entitled to salary and severance pay, etc for up to 24 months.

In its annual report RTX Telecom publishes disclosures on the Executive Board's remuneration and the total remuneration paid to the Supervisory Board.

The Supervisory Board will make a proposal on 28 January 2009 on the Annual General Meeting that the Annual General Meeting should approve overall guidelines for incentive programmes for the Executive Board of RTX Telecom A/S.

*Auditing*

So far, the Supervisory Board has assessed that the Group's size and complexity has not required any set-up of an audit committee and an in-house audit department. On this basis it has primarily been the Executive Board who enters into agreements with the external auditor on the audit planning and delivery of non-audit services. The Supervisory Board is, for instance, informed about work performed through the auditor’s audit book comments prepared by the auditor.

On the basis of changes in legislation based on the 8th EU Directive on statutory audit of annual reports, the Supervisory Board has decided to set up an audit committee consisting of the entire Supervisory Board. The Audit Committee will handle the legislative tasks based on an agreed distribution of work among the Supervisory Board, Audit Committee and the Executive Board. The implementation of the Audit Committee’s tasks will be effective from the financial year 2008/09 and onward.

## Shareholder information

*Capital position*

At 30 September 2008, the share capital of RTX Telecom had a nominal value of DKK 47,170,255 consisting of 9,434,051 shares at DKK 5. All shares carry the same rights, and the shares are not divided into classes.

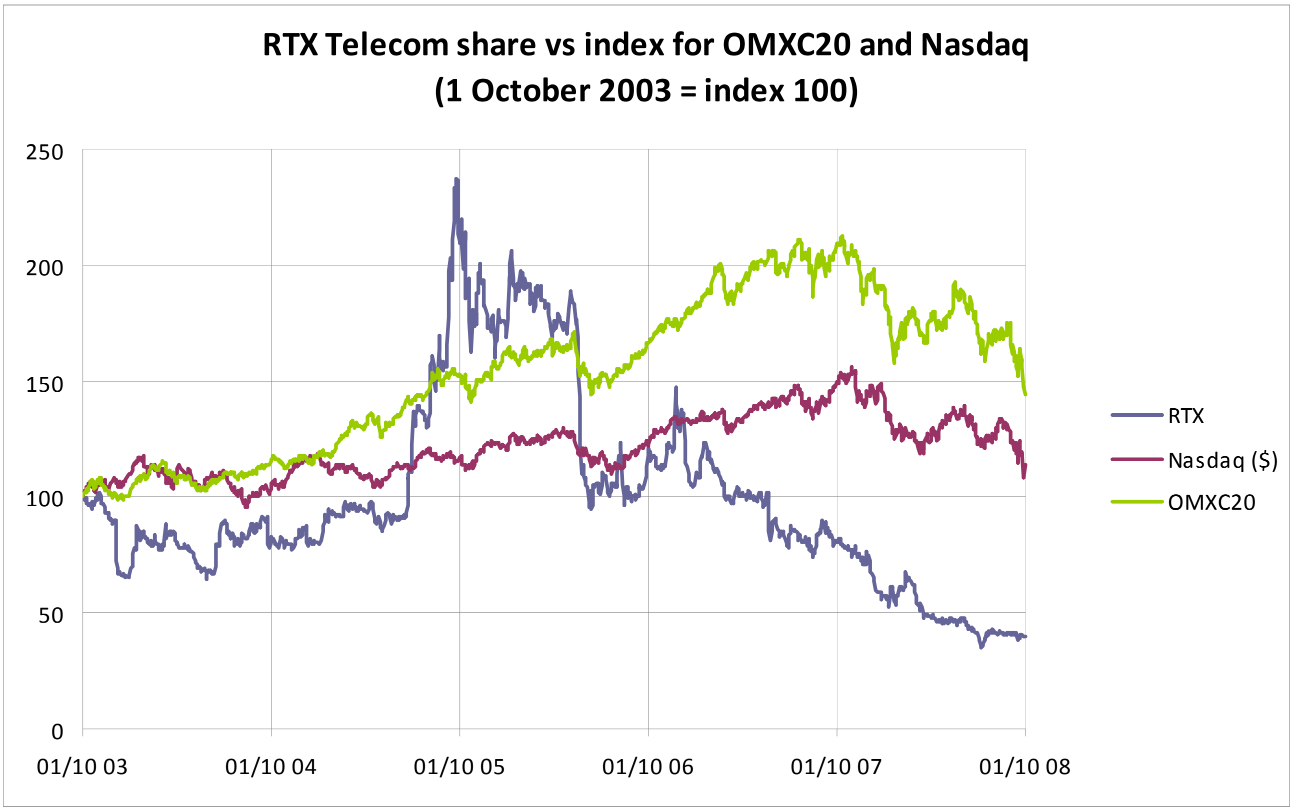
*Treasury shares*

RTX Telecom's holding of treasury shares amounts to nominally DKK 722,920, equivalent to 144,584 shares. The shares were acquired in previous financial years for DKK 8.9 million in connection with the share buy-back program which was launched to hedge issued share options.

# MANAGEMENT'S REVIEW

*Information to the Stock Exchange*

Since June 2000, the Company's shares have been listed on NASDAQ OMX Copenhagen A/S (ISIN DK0010267129).




The closing price was DKK 25.90 at 30 September 2008, which is a decline of 51% on the closing price at 30 September 2007. In the financial year 2007/08, the highest closing price was DKK 53.00 and the lowest DKK 22.50.

The market value of the Company's shares amounted to approx. DKK 244 million at 30 September 2008.

*Dividend conditions*

RTX Telecom does not expect to pay dividend until the Group has obtained stability in its earnings. Once the required stability in earnings has been ensured, the Supervisory Board will assess the capital base in relation to the business volume and the Group's investment plans. Based on this, the Supervisory Board recommends the next ordinary Annual General Meeting not to pay dividend for the financial year 2007/08.

# MANAGEMENT'S REVIEW

*Insider rules*

The Group's insider rules have been updated in accordance with amendments to the Danish Securities Trading Act at 1 July 2008. The Executive Board, the Supervisory Board and executives as well as their close family are obliged to inform the Company about their transactions with the Company's shares for the purpose of subsequent reporting to NASDAQ OMX Copenhagen A/S.

In the internal rules, the Company has also chosen to operate with an insider list containing almost 200 persons who may possess internal, price-sensitive knowledge of the Group's situation qua their relation to the Company. Persons included on this insider list are only allowed to trade in the Company's shares for a period of four weeks after the Company's announcement of interim annual reports and annual reports.

*IR policy and investor information*

RTX Telecom's objective is to ensure a high and consistent information level to the stock market's players for the purpose of creating a basis for fair pricing of the Company's shares - a pricing which constantly reflects the Group's strategy, financial ability and expectations for the future. The flow of information is to contribute to reducing the company-specific risk related to investments in the Company's shares so that the Group's cost of capital can be reduced as much as possible.

The Company strives to meet its objective by giving relevant, correct and adequate information in the Company's announcements to NASDAQ OMX Copenhagen A/S. Moreover, the Group has an active and open dialogue with analysts as well as current and potential investors. Regular meetings and telephone conferences are held with shareholders, investors and analysts in Denmark and abroad. The Executive Board of RTX Telecom participates in the meetings as far as possible.

It is RTX Telecom’s policy that the Executive Board does not participate in meetings with investors and analysts or makes comments to the daily press for a period of three weeks before the issue of financial reports.

The Group also uses its web-site www.rtx.dk as a tool for communicating with the stock market. The web-site contains further information about the Group and its business areas.

# MANAGEMENT'S REVIEW

## Proposals for the Annual General Meeting

*Treasury shares*

It is recommended to the Annual General Meeting that the Supervisory Board, until the next Annual General Meeting, is authorised to allow the Company to acquire treasury shares within 10% of the share capital at the current listed price "all trades" at the time of acquisition with a deviation of up to 10%.

*Incentive programmes for the Executive Board*

The Supervisory Board will make a proposal for approval by the Annual General Meeting of overall guidelines in pursuance of S. 69b of the Danish Public Companies Act relating to incentive programmes for the Executive Board of RTX Telecom A/S. On adoption by the Annual General Meeting, a provision will be included in the Company' Articles of Association, stating that the mentioned overall guidelines have been presented and adopted by the Annual General Meeting on 28 January 2009.

# ANNOUNCEMENTS AND FINANCIAL CALENDAR

## Announcements to the Stock Exchange in 2008 (up to and including 9 December 2008)

| | | |
|---|---|---|
| **8 January 2008** | No. 01 | Annual General Meeting of RTX Telecom held on 21 January 2008 |
| **21 January 2008** | No. 02 | Annual General Meeting of RTX Telecom |
| **27 February 2008** | No. 03 | Interim report for the first quarter of 2007/08 |
| **30 April 2008** | No. 04 | RTX Telecom holds a meeting for financial analysts and the press on 23 May 2008 |
| **22 May 2008** | No. 05 | Interim annual report for the first six months of 2007/08 |
| **27 June 2008** | No. 06 | RTX Telecom sells wholly-owned subsidiary RTX Healthcare |
| **26 August 2008** | No. 07 | Interim report for the third quarter of 2007/08 |
| **19 September 2008** | No. 08 | RTX Telecom enters into a strategic sales and marketing collaboration with Brazilian partners and sets up a subsidiary in São Paulo, Brazil |
| **24 September 2008** | No. 09 | Financial calendar 2008/09 for RTX Telecom |
| **9 December 2008** | No. 10 | Summary of annual report 2007/08 |
| **9 December 2008** | No. 11 | Annual report for 2007/08 |

# ANNOUNCEMENTS AND FINANCIAL CALENDAR

## Financial calendar 2009

Expected dates for publication of financial information until 31 January 2010:

| | |
|---|---|
| **Mid-January 2009** | Publication of the printed annual report for 2007/08 |
| **28 January 2009** | Annual General Meeting |
| **26 February 2009** | Interim report for the first quarter of 2008/09 |
| **28 May 2009** | Interim report for the first six months of 2008/09 |
| **26 August 2009** | Interim report for the third quarter of 2008/09 |
| **December 2009** | Annual report for 2008/09 |
| **January 2010** | Annual General Meeting |

## News on the internet

Announcements to the Stock Exchange, news and financial reports can be found on the website www.rtx.dk.

# CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENTS

# PROFIT AND LOSS ACCOUNT FOR 2007/08

| Amounts in DKK '000 | Note | Group 2007/08 | Group 2006/07 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|---|---|---|
| **Net turnover** | 3,4 | **250,313** | **207,315** | **195,162** | **189,581** |
| Cost of sales, etc | 5 | (103,616) | (114,219) | (72,592) | (99,091) |
| Other external expenses | 8,9 | (57,094) | (74,038) | (54,444) | (72,828) |
| Staff costs | 6,8 | (104,128) | (104,059) | (92,351) | (94,617) |
| Depreciation, amortisation and impairment | 7,8 | (6,464) | (10,691) | (3,665) | (7,452) |
| **Operating profit/loss (EBIT)** | | **(20,989)** | **(95,692)** | **(27,890)** | **(84,407)** |
| Financial income | 10 | 9,064 | 76,959 | 10,416 | 77,336 |
| Financial expenses | 11 | (6,307) | (8,157) | (6,665) | (7,818) |
| Reversal of impairment of investments in subsidiaries | 16 | - | - | 0 | 118 |
| **Profit/loss before tax from continuing operations** | | **(18,232)** | **(26,890)** | **(24,139)** | **(14,771)** |
| Tax on profit/loss from continuing operations | 12 | (49) | (14,513) | (49) | (14,674) |
| **Profit/loss from continuing operations** | | **(18,281)** | **(41,403)** | **(24,188)** | **(29,445)** |
| Profit/loss from discontinued operations | 36 | (7,417) | (5,854) | (21,526) | (5,082) |
| **Profit/loss for the year** | | **(25,698)** | **(47,257)** | **(45,714)** | **(34,527)** |
| **Proposed distribution of profit/loss** | | | | | |
| Parent’s shareholders | | | | (45,714) | (34,527) |
| Minority shareholders | | | | 0 | 0 |
| | | | | **(45,714)** | **(34,527)** |
| **Earnings per share** | | | | | |
| Continuing and discontinued operations (DKK) | 13 | (2,8) | (5,1) | | |
| Continuing and discontinued operations, diluted (DKK) | 13 | (2,8) | (5,1) | | |
| Continuing operations (DKK) | 13 | (2,0) | (4,5) | | |
| Continuing operations, diluted (DKK) | 13 | (2,0) | (4,5) | | |
| **Distribution of profit for the year** | | | | | |
| Parent’s shareholders | | (25,698) | (47,257) | | |
| Minority shareholders | | 0 | 0 | | |
| | | **(25,698)** | **(47,257)** | | |

# BALANCE SHEET AT 30 SEPTEMBER 2008

| | | Group | | Parent | |
|---|---|---|---|---|---|
| **Amounts in DKK '000** | **Note** | **2008** | **2007** | **2008** | **2007** |
| **Assets** | | | | | |
| Completed development projects at the Group's own account | 14 | 0 | 0 | 0 | 0 |
| Licences | 14 | 1,239 | 1,859 | 1,239 | 1,859 |
| Goodwill | 14 | 7,797 | 7,884 | 0 | 0 |
| **Intangible assets** | | **9,036** | **9,743** | **1,239** | **1,859** |
| Land and buildings | 15 | 81,619 | 85,040 | 81,619 | 85,040 |
| Plant and machinery | 15 | 2,725 | 6,887 | 656 | 1,762 |
| Other fixtures and fittings, tools and equipment, etc | 15 | 2,894 | 3,678 | 2,483 | 3,126 |
| Leasehold improvements | 15 | 225 | 208 | 0 | 0 |
| **Tangible assets** | | **87,463** | **95,813** | **84,758** | **89,928** |
| Investments in subsidiaries | 16 | 0 | 0 | 33,253 | 45,036 |
| Other investments | 17 | 422 | 7,014 | 422 | 7,014 |
| Subordinated convertible loan | 17 | 0 | 4,117 | 0 | 4,117 |
| Deposits | 17 | 1,284 | 195 | 0 | 108 |
| Deferred tax assets | 18 | 689 | 689 | 723 | 723 |
| **Other long-term assets** | | **2,395** | **12,015** | **34,398** | **56,998** |
| **Total long-term assets** | | **98,894** | **117,571** | **120,395** | **148,785** |
| **Inventories** | 19 | **29,548** | **41,574** | **26,157** | **35,012** |
| Trade receivables | 20 | 73,627 | 61,342 | 62,585 | 55,277 |
| Contract development projects in progress | 21 | 3,084 | 443 | 3,084 | 443 |
| Receivables from subsidiaries | 16 | 0 | 0 | 4,358 | 12,311 |
| Income taxes | 12 | 112 | 113 | 0 | 0 |
| Other receivables | | 4,379 | 4,407 | 2,684 | 3,932 |
| Accruals | | 2,005 | 2,033 | 1,635 | 1,247 |
| **Receivables** | | **83,207** | **68,338** | **74,346** | **73,210** |
| **Short-term current asset investments** | 22 | **66,672** | **67,369** | **65,732** | **66,421** |
| **Cash at bank and in hand** | 23 | **32,801** | **48,359** | **24,164** | **40,978** |
| **Total short-term assets** | | **212,228** | **225,640** | **190,399** | **215,621** |
| **Total assets** | | **311,122** | **343,211** | **310,794** | **364,406** |

# BALANCE SHEET AT 30 SEPTEMBER 2008

| Amounts in DKK '000 | Note | Group 2008 | Group 2007 | Parent 2008 | Parent 2007 |
|---|---|---|---|---|---|
| **Equity and liabilities** | | | | | |
| Share capital | 24 | 47,170 | 47,170 | 47,170 | 47,170 |
| Share premium account | | 301,166 | 301,166 | 301,166 | 301,166 |
| Retained earnings | | (127,731) | (91,362) | (115,114) | (58,626) |
| Equity belonging to the Parent's shareholders | | 220,605 | 256,974 | 233,222 | 289,710 |
| Minority interests | | 542 | 0 | - | - |
| **Equity** | | **221,147** | **256,974** | **233,222** | **289,710** |
| Mortgage debt | 26 | 20,826 | 22,738 | 20,826 | 22,738 |
| Deferred tax liabilities | 18 | 723 | 723 | 723 | 723 |
| Provisions | 27 | 608 | 849 | 608 | 849 |
| **Long-term liabilities** | | **22,157** | **24,310** | **22,157** | **24,310** |
| Current portion of long-term mortgage debt | 26 | 1,955 | 1,927 | 1,955 | 1,927 |
| Bank debt | 23 | 7,121 | 4,994 | 3,999 | 0 |
| Prepayments received from customers | | 10,341 | 3,691 | 7,512 | 1,878 |
| Trade payables | 28 | 17,325 | 24,839 | 11,112 | 21,505 |
| Contract development projects in progress | 21 | 1,264 | 1,370 | 1,264 | 1,370 |
| Payables to subsidiaries | 16 | 0 | 0 | 249 | 0 |
| Income taxes | 12 | 31 | 225 | 31 | 225 |
| Provisions | 27 | 5,383 | 3,068 | 5,383 | 3,068 |
| Other payables | 29 | 24,398 | 21,773 | 23,910 | 20,413 |
| Accruals | | 0 | 40 | 0 | 0 |
| **Short-term liabilities** | | **67,818** | **61,927** | **55,415** | **50,386** |
| **Total liabilities** | | **89,975** | **86,237** | **77,572** | **74,696** |
| **Total equity and liabilities** | | **311,122** | **343,211** | **310,794** | **364,406** |

Notes without references - see overall note summary on page 50.

# EQUITY STATEMENT FOR THE GROUP

| Amounts in DKK '000 | Share capital | Share premium account | Retained earnings | Minority interests | Total |
|---|---|---|---|---|---|
| **Equity at 1 October 2006** | **47,170** | **301,166** | **(43,731)** | **0** | **304,605** |
| Foreign exchange rate adjustment of foreign subsidiaries | 0 | 0 | 547 | 0 | 547 |
| Income and expenses recognised directly on equity | 0 | 0 | 547 | 0 | 547 |
| Profit/loss for the year | 0 | 0 | (47,257) | 0 | (47,257) |
| **Total income for the year** | **0** | **0** | **(46,710)** | **0** | **(46,710)** |
| Share-based remuneration including tax effect | 0 | 0 | 558 | 0 | 558 |
| Acquisition of treasury shares | 0 | 0 | (1,830) | 0 | (1,830) |
| Sale of treasury shares | 0 | 0 | 351 | 0 | 351 |
| **Other transactions** | **0** | **0** | **(921)** | **0** | **(921)** |
| **Equity at 30 September 2007** | **47,170** | **301,166** | **(91,362)** | **0** | **256,974** |
| Foreign exchange rate adjustments of foreign subsidiaries | 0 | 0 | 103 | 0 | 103 |
| Fair value adjustment of long-term investments | 0 | 0 | (10,898) | 0 | (10,898) |
| Fair value adjustment of short-term current asset investments | 0 | 0 | (91) | 0 | (91) |
| Income and expenses recognised directly on equity | 0 | 0 | (10,886) | 0 | (10,886) |
| Transfer to profit and loss account relating to short-term current asset investments sold | 0 | 0 | (280) | 0 | (280) |
| Profit/loss for the year | 0 | 0 | (25,698) | 0 | (25,698) |
| **Total income for the year** | **0** | **0** | **(36,864)** | **0** | **(36,864)** |
| Share-based remuneration including tax effect | 0 | 0 | 495 | 0 | 495 |
| Minority interests' share of equity in subsidiary | 0 | 0 | 0 | 542 | 542 |
| **Other transactions** | **0** | **0** | **495** | **542** | **1,037** |
| **Equity at 30 September 2008** | **47,170** | **301,166** | **(127,731)** | **542** | **221,147** |

# EQUITY STATEMENT FOR THE PARENT

| Amounts in DKK '000 | Share capital | Share premium account | Retained earnings | Total |
|---|---|---|---|---|
| **Equity at 1 October 2006** | **47,170** | **301,166** | **(3,248)** | **345,088** |
| Additions by merger with subsidiary | 0 | 0 | (19,930) | (19,930) |
| **Adjusted equity at 1 October 2006** | **47,170** | **301,166** | **(23,178)** | **325,158** |
| Profit/loss for the year | 0 | 0 | (34,527) | (34,527) |
| **Total income for the year** | **0** | **0** | **(34,527)** | **(34,527)** |
| Share-based remuneration including tax effect | 0 | 0 | 558 | 558 |
| Acquisition of treasury shares | 0 | 0 | (1,830) | (1,830) |
| Sale of treasury shares | 0 | 0 | 351 | 351 |
| **Other transactions** | **0** | **0** | **(921)** | **(921)** |
| **Equity at 30 September 2007** | **47,170** | **301,166** | **(58,626)** | **289,710** |
| Fair value adjustment of long-term investments | 0 | 0 | (10,898) | (10,898) |
| Fair value adjustment of short-term current asset investments | 0 | 0 | (91) | (91) |
| Income and expenses recognised directly on equity | 0 | 0 | (10,989) | (10,989) |
| Transfer to profit and loss account relating to short-term current asset investments sold | 0 | 0 | (280) | (280) |
| Profit/loss for the year | 0 | 0 | (45,714) | (45,714) |
| **Total income for the year** | **0** | **0** | **(56,983)** | **(56,983)** |
| Share-based remuneration including tax effect | 0 | 0 | 495 | 495 |
| **Other transactions** | **0** | **0** | **495** | **495** |
| **Equity at 30 September 2008** | **47,170** | **301,166** | **(115,114)** | **233,222** |

The share capital of DKK 47,170,255 consists of 9,434,051 shares of DKK 5.

The Group holds 144,584 treasury shares at 30 September 2008 (144,584 shares at 30 September 2007). There are no shares with special rights.

# CASH FLOW STATEMENT FOR 2007/08

| Amounts in DKK '000 | Note | Group 2007/08 | Group 2006/07 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|---|---|---|
| Operating profit/loss (EBIT) from continuing operations | | (20,989) | (95,692) | (27,890) | (84,407) |
| *Reversal of items with no effects on cash flow* | | | | | |
| Depreciation, amortisation and impairment | | 6,464 | 10,691 | 3,665 | 7,452 |
| Other items with no effects on cash flow | 32 | 11,410 | 39,764 | 10,304 | 39,712 |
| *Working capital changes* | | | | | |
| Change in inventories | | 9,868 | (7,541) | 6,986 | (8,411) |
| Change in receivables | | (17,339) | 5,544 | (7,003) | (10,647) |
| Change in trade payables, etc | | (4,301) | (997) | (3,639) | 27,865 |
| **Cash flows from operating activities** | | **(14,887)** | **(48,231)** | **(17,577)** | **(28,436)** |
| Financial income received | 10 | 8,874 | 3,582 | 9,577 | 3,995 |
| Financial expenses paid | 11 | (6,307) | (8,122) | (6,359) | (7,818) |
| Income taxes paid | 12 | (196) | (544) | (196) | 603 |
| **Cash flows from operations** | | **(12,516)** | **(53,315)** | **(14,555)** | **(31,656)** |
| Acquisition of enterprises and activities (adjustment of acquisition price) | 16 | 87 | 0 | 87 | 0 |
| Acquisition of tangible assets | | (1,541) | (1,943) | (1,395) | (815) |
| Sale of tangible assets | | 3,519 | 55 | 3,519 | 54 |
| Capital increase in subsidiaries | 16 | - | - | (2,700) | (20,472) |
| Sale of equity investments | | 0 | 83,727 | 0 | 83,727 |
| Acquisition of other long-term assets | | (1,284) | (36) | 0 | (36) |
| Sale of other long-term assets | | 213 | 795 | 108 | 766 |
| Acquisition of short-term current asset investments (over 3 months) | | (54,314) | 0 | (54,314) | 0 |
| Proceeds from sale of short-term current asset investments (over 3 months) | | 54,939 | 18,320 | 54,939 | 17,494 |
| **Cash flows from investments** | | **1,619** | **100,918** | **244** | **80,718** |
| Instalment on and repayment of long-term liabilities | | (1,891) | (1,881) | (1,891) | (1,881) |
| Acquisition of treasury shares | | 0 | (1,830) | 0 | (1,830) |
| Sale of treasury shares | | 0 | 351 | 0 | 351 |
| **Cash flows from financing activities** | | **(1,891)** | **(3,360)** | **(1,891)** | **(3,360)** |
| **Cash flows from discontinued operations** | 36 | **(4,897)** | **(2,185)** | **(4,611)** | **0** |
| **Increase/decrease in cash and cash equivalents** | | **(17,685)** | **42,058** | **(20,813)** | **45,702** |
| Cash and cash equivalents at 1 October, net | | 43,365 | 1,307 | 40,978 | (4,724) |
| **Cash and cash equivalents at 30 September, net** | 23 | **25,680** | **43,365** | **20,165** | **40,978** |

# CASH FLOW STATEMENT FOR 2007/08

| Amounts in DKK '000 | Note | Group 2007/08 | Group 2006/07 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|---|---|---|
| Cash and cash equivalents at 30 September, net are composed as follows: | | | | | |
| Cash at bank and in hand | | 32,801 | 48,359 | 24,164 | 40,978 |
| Bank debt | | (7,121) | (4,994) | (3,999) | 0 |
| **Cash and cash equivalents at 30 September, net** | | **25,680** | **43,365** | **20,165** | **40,978** |

# NOTES

## Note summary

1. Accounting policies
2. Material accounting estimates, assumptions and uncertainties
3. Segment information
4. Net turnover
5. Cost of sales, etc
6. Staff costs
7. Depreciation, amortisation and impairment
8. Development costs
9. Fee to auditor
10. Financial income
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12. Tax on profit/loss for the year
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30. Operating lease commitments
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32. Other items with no effects on cash flow
33. Related parties
34. Share-based remuneration
35. Ownership
36. Discontinued operations
37. Financial risks and financial instruments

# NOTES

## 1. Accounting policies

**Basis of preparation**

The annual report of RTX Telecom A/S for 2007/08, which includes both the annual report of the Group and the Parent, is presented in accordance with the provisions of the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies, see the disclosure requirements from NASDAQ OMX Copenhagen A/S for annual reports of listed companies and the Danish Executive Order on IFRS Adoption issued in accordance with the Danish Financial Statements Act.

This annual report also complies with International Financial Reporting Standards (IFRS) issued by IASB.

The annual report is presented in Danish kroner (DKK), which is the primary currency of the Group's activities and the functional currency of the Parent.

The annual report is presented based on historical cost prices, except items where IFRS require measurement at fair market value. Otherwise the accounting policies applied are as described below.

Figures in brackets indicate a negative amount or an amount which must be deducted or amounts with a negative sign.

With effect from 1 October 2007 the Parent RTX Telecom A/S merged with the wholly-owned subsidiary RTX Products A/S with RTX Telecom A/S as the surviving company. The merger was carried through by applying the uniting-of-interests method, and in pursuance of s. 123 of the Danish Financial Statements Act, the Parent's comparative figures for the financial year 2006/07 have been changed so that the annual report of the surviving company is presented as if the merged companies had been one enterprise.

**Standards and interpretations that became effective in the financial year 2007/08**

In the financial year 2007/08 the Group has used all the new and changed standards and interpretation contributions which are relevant to RTX Telecom A/S and which came into force with effect for financial years from 1 October 2007.

The implementation of IFRS 7, Financial instruments, has resulted in additional disclosures to the notes, but apart from this the new and changed standards and interpretations have been implemented without impact on the annual report for 2007/08 or previous years.

# NOTES

## 1. Accounting policies (continued)

**Standards and interpretations that have not become effective**

RTX Telecom has implemented IFRS 8, Operating Segments with effect from 1 October 2007. The official effective date of the standard is for financial years commencing on 1 January 2009 or later, but RTX Telecom has chosen to implement the standard earlier.

The new accounting standard has not affected recognition and measurement, and the accounting policies applied are thus consistent with last year.

According to IFRS 8 the Group's segment reporting is based on operating segments where activities are broken down by product and services. Operating segments are the segments reflected in the management reporting used by the top operational management for resource allocation and follow-up on the financial performance. Contrary to this, IFRS 14 required a distribution by business and geographical segment.

Other changed standards and interpretations which were issued though had not become effective at the time when this annual report was made public are not incorporated in this annual report.

In Management's opinion, the future implementation of other standards and interpretations which have not become effective can be performed without any significant influence on the annual report.

**Consolidated financial statements**

The consolidated financial statements include the Parent RTX Telecom A/S and the enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

RTX Telecom A/S together with its subsidiaries is referred to as the Group.

*Basis of consolidation*

The consolidated financial statements are prepared on the basis of the financial statements of RTX Telecom A/S and its subsidiaries. The consolidated financial statements are prepared by combining financial statement items of a uniform nature. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated.

# NOTES

## 1. Accounting policies (continued)

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata share of profit/loss forms part of the Group's profit or loss for the year and is a separate element of the Group's equity.

*Business combinations*

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Time of acquisition is the date on which control of the enterprise is actually acquired. Divested or wound-up enterprises are recognised in the consolidated profit and loss account up to the time of their divestment or winding-up. Time of divestment is the date on which control of the enterprise actually passes to a third party. Comparative figures are not restated for newly acquired undertakings. Discontinued operations are presented separately, see reference in a subsequent paragraph.

The purchase method is applied in the acquisition of new enterprises, under which identifiable assets, liabilities and contingent liabilities of these enterprises are measured at fair market value at the acquisition date. Non-current assets acquired for the purpose of resale, however, are measured at fair market value less anticipated selling costs. Restructuring costs are only recognised in the pre-acquisition balance sheet if they, at the time of acquisition, constitute a liability to the assuming company. Allowance is made for the tax effect of the restatements.

The cost of an enterprise consists of the fair market value of the consideration paid plus costs which are directly attributable to the acquisition of enterprise. If the final assessment of the consideration is conditioned upon one or several future events, these adjustments are only included in cost if the relevant event is probable and the effect on cost can be calculated reliably.

Positive differences (goodwill) between cost of the enterprise acquired and the fair market value of the assets, liabilities and contingent liabilities acquired are recognised as an asset under intangible assets and tested for impairment at least once a year. If the asset's carrying amount is higher than its recoverable amount, impairment is made to this lower recoverable amount.

For negative differences (negative goodwill), the calculated fair market values and the calculated cost of the enterprise are reassessed. If the fair market value of the assets, liabilities and contingent liabilities acquired still exceeds cost after the reassessment, the difference is recognised as income in the profit and loss account.

# NOTES

## 1. Accounting policies (continued)

When accounting for intercompany business combinations the uniting-of-interests method shall be applied, see s. 123 of the Danish Financial Statements Act. The difference between the amount paid as contributed capital and any premium plus any cash consideration and the equity value of the subsidiary must in a clear manner be added to or deducted from the reserves that may be used to cover losses.

*Profits or losses from divestment of subsidiaries*

Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and carrying amount of the net assets at the time of divestment or winding-up, inclusive of goodwill, accumulated exchange rate adjustments taken directly to equity, and estimated divestment or winding-up expenses. The selling price is measured at fair market value of the consideration received.

**Foreign currency translation**

On initial recognition, transactions in currencies different from the enterprises' functional currency are translated applying the transaction date exchange rate.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date or the rate at the balance sheet date are recognised in the profit and loss account as financial income or financial expenses. Tangible assets, intangible assets, inventories and other non-monetary assets purchased in foreign currencies and measured on the basis of historical cost are translated applying the transaction date exchange rate. Non-monetary items that are restated at fair market value are translated using the exchange rate at the date of restatement.

On recognition in the consolidated financial statements of enterprises presenting their financial statements in a functional currency different from DKK, the profit and loss accounts are translated at the average exchange rates on a monthly basis unless such rates vary significantly from the actual exchange rates at the transaction dates. In the latter case, the actual exchange rates are used. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the relevant entity acquired and is translated using the exchange rate at the balance sheet date.

# NOTES

## 1. Accounting policies (continued)

Exchange differences arising out of the translation of foreign enterprises' balance sheet items at the beginning of the year using the balance sheet date exchange rates as well as upon the translation of profit and loss accounts from average rates to the exchange rates at the balance sheet date are recognised directly on equity. Similarly, exchange differences arising out of changes made directly in the foreign enterprise's equity are also taken directly to equity.

Exchange rate adjustments of receivables from or payables to subsidiaries which are considered part of the Parent's total investment in the subsidiary in question are classified directly as equity in the consolidated financial statements, whereas they are recognised in the profit or loss account in the Parent's financial statements.

Upon recognition in the consolidated financial statements of foreign subsidiaries which present their financial statements in a functional currency different from DKK, monetary assets and monetary liabilities are translated at the balance sheet date exchange rate. Non-monetary assets and liabilities which are measured based on historical cost are translated at the transaction date exchange rate. Non-monetary items measured at fair market value are translated using the exchange rate at the date of the latest fair market value adjustment.

The items of the profit and loss account are translated at the average exchange rates of the months, however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary assets and liabilities.

**Derivative financial instruments**

On initial recognition, derivative financial instruments are measured at fair market value at the date of settlement normally corresponding to remuneration paid or received. Directly attributable expenses related to the purchase or issue of a financial instrument are added to derivative financial instruments for which subsequent fair market value adjustments are taken to equity (hedging instruments).

After initial recognition, derivative financial instruments are measured at fair market value at the balance sheet date.

Changes in the fair market value of derivative financial instruments classified as and complying with the requirements for hedging of the fair market value of a recognised asset or a recognised liability are recorded in the profit and loss account together with changes in the value of the hedged asset or the hedged liability.

# NOTES

## 1. Accounting policies (continued)

Changes in the fair market value of derivative financial instruments classified as and complying with the requirements for effectively hedging future cash flows are recognised directly in equity. When the hedged cash flows are realised, the accumulated changes are recognised as part of cost of the relevant transactions.

Changes in the fair market value of derivative financial instruments used for hedging of net investments in foreign subsidiaries are recognised directly in equity in the consolidated financial statements to the extent the hedging is effective.

If the relevant foreign enterprise is divested, the accumulated changes in value are taken to the profit and loss account.

Derivative financial instruments that do not qualify to be recognised as hedging instruments are regarded as trading portfolios and measured at fair market value with current recognition of fair market value adjustments in the profit and loss account as financial income or financial expenses.

**Share-based incentive schemes**

Share-based incentive schemes in the form of share options and warrants where the employees may only choose to buy and subscribe for shares in the Parent, at an agreed rate (equity-settled share-based payment scheme), the fair market value of the rights is measured at the time of issue and are recognised in the profit and loss account under staff costs for the period during which the employees achieve final right to the share options and warrants, respectively. The set-off entry is recognised directly in equity.

Share-based incentive schemes, where the employees may choose between acquiring the shares at an agreed price or receiving cash payment of the difference between the agreed price and the actual share price, are measured at fair market value at the time of issue and recognised in the profit and loss account under staff costs during the period where final right is obtained to acquiring the shares or receiving cash payment, respectively. Subsequently, the incentive schemes are measured at every balance sheet date and upon final payment, and changes in the fair market value of the schemes are recognised in the profit and loss account under staff costs proportionately relative to the past period during which the employees have achieved final right to acquire the shares or receive cash payment. The set-off entry is recognised under liabilities.

On initial recognition of the share options and warrants an estimate is made regarding the number of rights for which the employees are expected to acquire final right. Subsequently, adjustments are made for changes to this estimate whereby final recognition of the cost corresponds to the actual number of acquired rights to share options and warrants.

# NOTES

## 1. Accounting policies (continued)

The fair market value of the share options and the warrants is computed by using the Black & Scholes model for valuation of European call options with the parameters included in note 34.

**Income taxes**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the profit and loss account by the portion attributable to the profit or loss for the year and classified directly as equity by the portion attributable to entries directly in equity. Exchange rate adjustments of deferred tax are recognised as part of the year's adjustments of deferred tax.

The current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

When calculating the current tax for the year, the tax rates in effect at the balance sheet date are used.

Deferred tax is recognised applying the liability method on all temporary differences between the carrying amount and tax-based value of assets and liabilities, apart from deferred tax on temporary differences arisen either upon initial recognition of goodwill or upon initial recognition of transaction which is not a business combination and where the temporary difference noted at the time of initial recognition neither affects the accounting profit/loss nor the taxable income.

Deferred tax is recognised on all temporary differences related to investments in subsidiaries and associates unless the Parent is able to control when deferred tax is realised and it is probable that deferred tax will not create current tax in a foreseeable future.

The deferred tax is calculated based on the planned use of each asset or the planned winding-up of each liability, respectively.

Deferred tax is measured by using the tax rates and tax rules of the respective countries which - based on adopted or in reality adopted regulations at the balance sheet date - are expected to apply when deferred tax is expected to create current tax. Changes in deferred tax resulting from changed tax rates or tax rules are recognised in the profit and loss account.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets for set-off in future positive taxable income. On each balance sheet date, it is reassessed whether sufficient taxable income is likely to occur in the future for the deferred tax asset to be used.

# NOTES

## 1. Accounting policies (continued)

The Parent is jointly taxed with all of its Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed Danish enterprises proportionally to their taxable income, i.e. full allocation with a refund concerning tax losses.

**Profit and loss account**

*Net turnover*

Net turnover from the sale of manufactured goods and goods for resale is recognised in the profit and loss account when delivery is made and risk has passed to the buyer.

Contract development projects and delivery of services are recognised as net turnover when the project is performed or when the agreed services are delivered so that net turnover corresponds to the selling price of the work performed in the financial year (the percentage-of completion method), see below.

Net turnover is measured at fair market value of the consideration received or receivable. If an interest-free credit has been arranged for payment of the consideration receivable which is longer than the usual credit period, the fair market value of the consideration is determined by discounting future payments receivable. The difference between fair market value and nominal value of the consideration is recognised as financial income in the profit and loss account by using the effective interest method.

Net turnover is calculated net of VAT, duties, etc which are charged on behalf of a third party.

*Contract development projects*

If the outcome of a contract development project can be estimated reliably, net turnover and cost of sales are recognised in the profit and loss account based on the contract's stage of completion at the balance sheet date (the percentage-of-completion method).

If the outcome of a contract development project cannot be estimated with sufficient reliability, net turnover is recognised at the project costs incurred in the period to the extent these costs are likely to be recovered.

Costs relating to sales work and conclusion of contracts as well as financing costs are recognised in the profit and loss account as incurred.

# NOTES

## 1. Accounting policies (continued)

*Royalty*

Income from royalty is often conditional on future events. Royalty income particularly depends on the customer's sale of products containing technology developed by RTX Telecom, and therefore royalty is not recognised in the profit and loss account until these future events have occurred.

*Cost of sales, etc*

Cost of sales, etc comprises raw materials, consumables, cost of sales, freight, customs and other direct external expenses incurred to achieve net turnover.

*Other external expenses*

Other external expenses comprise costs for premises, marketing and sale, administration, bad debts, etc.

Other external expenses also include costs for development projects at own expense which do not meet the criteria for recognition in the balance sheet. In addition, provisions for loss on contract development projects in progress are included.

*Staff costs*

Staff costs comprise wages and salaries, share-based remuneration as well as social security costs, pension contributions, etc for the Company’s management and staff.

Staff costs also include wages and salaries, etc relating to development projects at own expense which do not meet the criteria for recognition in the balance sheet.

*Financial income and expenses*

These items comprise interest income and interest expenses, the interest portion of finance lease payments, capital gains and losses on payables and transactions in foreign currencies, amortisation premium/allowance on financial assets and liabilities, etc as well as tax surcharge and repayment under the Danish Tax Prepayment Scheme. The items also include realised and unrealised capital gains and losses on derivative financial instruments which cannot be classified as hedging transactions.

Interest income and interest expenses are accrued based on the principal sum and the effective interest rate.

Dividends on investments in other securities and equity investments are recognised once final right to the dividend is obtained, which is typically at the time of the general meeting's approval of the distribution from the company in question.

# NOTES

## 1. Accounting policies (continued)

**Balance sheet**

*Completed development projects at own expense*

Development projects on clearly defined and identifiable products and processes are recognised as intangible assets to the extent the product or the process is likely to generate future financial benefits to the Group, and the development costs related to each asset can be measured reliably. Other development costs are recognised as costs in the profit and loss account as incurred.

On initial recognition, development costs are measured at cost. The cost of development projects comprises costs, including salaries, amortisation and depreciation directly attributable to the development projects and necessary to complete the project is calculated from the time at which the development project meets the criteria for recognition as an asset for the first time.

Completed development projects are amortised on a straight-line basis over the estimated useful lives. The period of amortisation is usually 3-5 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights.

Development projects are written down to any lower recoverable amount. Development projects in progress recognised in the balance sheet are tested for impairment at least once a year.

The Group's services are primarily sold on markets with frequent changes or upgrading of technologies. Consequently, the Group's commercial sales conditions may change at short notice, and in particular cases, the market may be lost due to a specific technological development. Therefore, it is expected that only in special cases will incurred costs relating to the Group’s own development projects meet the requirements for capitalisation.

*Patents and licences*

Acquired intellectual property rights in the form of patents and licences are measured at cost less accumulated amortisation. Patents are amortised over the remaining duration, and licences are amortised over the term of the agreement, but no more than 20 years. If the actual useful life is shorter than the remaining life and the term of the agreement, respectively, amortisation is performed over the shorter useful life.

Acquired intellectual property rights are written down to recoverable amount, if lower.

Intangible assets with indefinite useful lives are not amortised but tested for impairment at least once a year. If the assets' carrying amounts exceed their recoverable amounts, the assets are written down to this lower value.

# NOTES

## 1. Accounting policies (continued)

*Goodwill*

On initial recognition, goodwill is recognised and measured as the difference between cost of the enterprise acquired and the fair market value of the assets, liabilities and contingent liabilities acquired, see description under consolidated financial statements.

When goodwill is recognised, the amount is allocated to the activities of the Group generating separate payments (cash-generating units). Determination of cash-generating units follows the management structure and internal finance management and reporting of the Group.

Goodwill is not amortised but tested for impairment at least once a year. To the extent that the recoverable amount for each cash-generating unit is less than the carrying amounts of the tangible assets and intangible assets, including goodwill related to the cash-generating unit, the assets in question are written down.

*Tangible assets*

Land and buildings, plant and machinery, other fixtures and fittings, tools and equipment as well as leasehold improvements are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation. For own-manufactured assets, cost comprises costs directly attributable to the manufacture of the asset, including materials, components, subsuppliers and wages. For assets held under finance leases, cost is the lower of the asset's fair market value and present value of future lease payments.

Interest expenses on loans for financing the manufacture of tangible fixed assets are included in cost if they relate to the manufacturing period. Other borrowing costs are recognised in the profit and loss account.

If acquisition or the use of the asset commits the Group to incur costs of demolition or reestablishment of the asset, the estimated related costs are recognised as provisions or cost of the relevant asset, respectively. If the liability occurs in relation to production of inventories, the liability is recognised as part of the cost of the products in question, see below.

# NOTES

## 1. Accounting policies (continued)

The basis of depreciation is cost less estimated residual value after the end of useful life.

Cost of a total asset is divided into small parts which are depreciated separately if the useful lives are different.

Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

| | |
|---|---|
| Buildings | 25 to 50 years |
| Plant and machinery | 4 to 10 years |
| Other fixtures and fittings, tools and equipment, including computer equipment | 3 to 7 years |
| Leasehold improvements | 5 years |

Depreciation methods, useful lives and residual amounts are reassessed annually.

Tangible assets are written down to the lower of recoverable amount and carrying amount.

*Investments in subsidiaries in the Parent's annual report*

Investments in subsidiaries are measured at cost.

If cost exceeds the recoverable amount of the investments, they are written down to such lower amount.

Cost is also adjusted if more dividends are distributed than total profit in the enterprise since the acquisition of this.

*Impairment of tangible assets, intangible assets and investments in subsidiaries*

The carrying amounts of tangible assets and intangible assets with determinable useful lives as well as the Parent's investments in subsidiaries are tested on the balance sheet date to determine whether there are indications of impairment. If there are indications of impairment, the recoverable amount of the asset is estimated to establish the need for impairment losses as well as the extent of the impairment losses, if any. For development projects in progress, intangible assets with indeterminable useful lives and goodwill, the recoverable amount is estimated annually, irrespective of whether there are indications of impairment.

# NOTES

## 1. Accounting policies (continued)

If the individual asset does not generate cash independently of other assets, the recoverable amount is estimated for of the smallest cash-generating unit in which the asset is included.

The recoverable amount is calculated as the highest value of the asset's or the cash-generating unit's fair market value less selling costs and net present value. On calculation of net present value, the estimated future cash flows are discounted to present value by using a discount rate reflecting actual market assessments of the timing value of money as well as the particular risks related to the asset or the cash-generating unit, and for which no adjustment has been made in the estimated future cash flows.

If the recoverable amount of the asset or the cash-generating unit is estimated to be lower than carrying amount, carrying amount is written down to recoverable amount. For cash-generating units, the write-down is allocated so that goodwill is impaired first, and secondly, any remaining impairment need is allocated on the other assets in the unit, as each asset, however, is not impaired to a lower value than the fair market value of the asset less estimated selling costs.

Impairment losses are recognised in the profit and loss account. In case of any subsequent reversals of impairment losses resulting from change in assumptions of the calculated recoverable amount, the carrying amount of the asset or the cash-generating unit is increased to the adjusted estimate of the recoverable amount, however not exceeding the carrying amount of the asset or the cash-generating unit if the impairment loss had not been made. Impairment of goodwill is, however, not reversed.

*Other investments*

Other investments are classified partly as ”Financial assets measured at fair market value through the profit and loss account” and partly as "Financial assets available for sale" and, on initial recognition, these are measured at fair market value corresponding to cost on the trading day plus any transaction costs. Listed shares and bonds are subsequently measured at fair market values on the balance sheet date (listed price). Other investments are measured at an approximate computed fair market value or at cost if an approximate fair market value cannot be computed reliably. If the carrying amount of other investments exceeds the recoverable amount, writedown is made to the lower value.

Fair market value adjustments of financial assets measured at fair market value through the profit and loss account are recognised in the profit and loss account as financial income and financial expenses.

# NOTES

## 1. Accounting policies (continued)

Fair market value adjustments of financial assets available for sale are recognised directly on equity until the time of sale of the assets. Upon sale of the assets, accumulated profits and losses recognised on equity are transferred to the profit and loss account. Interest and dividends on financial assets available for sale are recognised in the profit and loss account under financial income.

*Inventories*

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost of goods for resale, raw materials and consumables consists of purchase price plus landing costs. Cost of manufactured goods and work in progress comprise costs for raw materials, consumables and direct wages for production staff as well as distributed fixed and variable indirect production costs incurred to bring inventories to their current condition and location. This includes liabilities incurred for demolition or reestablishment of tangible assets if these liabilities have resulted from the production of goods.

Variable indirect production costs include indirect materials and wages and are allocated based on precalculations of the goods actually manufactured. Fixed indirect production costs comprise costs of maintenance of and depreciation on machinery, factory buildings and equipment applied for the manufacturing process as well as costs of factory administration and management. Fixed production costs are allocated on the basis of the normal capacity of production plant.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

*Receivables*

Receivables comprise trade receivables, receivables from project contracts as well as other receivables. Receivables are financial assets with fixed or determinable payments which are not listed at an active market and which are not derivatives.

On initial recognition, receivables are measured at fair market value and subsequently at amortised cost usually equalling nominal value less write-down for bad debts. Write-down is made at an individual level using a provisions account.

*Contract development projects in progress*

When the outcome of a contract development project is deemed reliable, the development project is measured at selling price of the work performed at the balance sheet date (percentage-of-completion) less on account invoicing and write-down for estimated loss.

# NOTES

## 1. Accounting policies (continued)

The selling price is measured based on the stage of completion on the balance sheet date and the total estimated income from each development project.

Usually, the stage of completion of each project is determined as the ratio between actual and total budgeted consumption of resources.

If the outcome of a development project cannot be estimated reliably, the development project is measured at costs incurred to the extent these can be recovered.

When total project costs are likely to exceed total project income for a development project, the expected loss is immediately recognised as costs.

The individual development project in progress is recognised in the balance sheet under receivables or liabilities, depending on whether net value is a receivable or a liability.

Costs of sales work and of conclusion of contracts on development projects as well as financing costs are recognised in the profit and loss account as incurred.

For further description, see above under net turnover.

*Accruals*
Accruals recognised under assets comprise incurred costs relating to subsequent financial years. Accruals are measured at cost.

*Short-term current asset investments*
The Group's portfolio of current asset investments recognised under short-term assets primarily comprises listed bonds. The item includes both financial assets measured at fair market value through the profit and loss account and financial assets available for sale.

Financial assets measured at fair market value are recognised at the trading date, and changes in the fair market value are recognised currently in the profit and loss account under financial income and financial expenses.

# NOTES

## 1. Accounting policies (continued)

On initial recognition the financial assets classified as available for sale are measured at fair market value corresponding to cost on the trading date. Subsequently the current asset investments are measured at fair market value at the balance sheet date corresponding to the listed price. Unrealised capital gains and losses are recognised in equity until the time of divestment. On realisation the accumulated value adjustment recognised in equity is transferred to financial income and financial expenses in the profit and loss account.

*Treasury shares*

Acquisition and selling prices of as well as dividends on treasury shares are classified directly as equity under retained earnings.

*Dividends*

Dividends are recognised as a liability at the time of adoption at the general meeting.

*Pension liabilities, etc*

The Group has made pension schemes and similar contracts with a significant number of its employees.

Upon defined contribution schemes, the Group continuously pays fixed contributions to independent pension providers, etc which hereby assume the pension liabilities. The contributions are recognised in the profit and loss account during the period in which the employees have performed the work entitling the pension contribution. Contributions payable are recognised in the balance sheet as a liability.

The Group has not entered into defined benefit pension plans.

*Provisions*

Provisions are recognised when the Group has a legal or constructive obligation as a result of events in this or previous financial years and repayment of the liability is likely to result in a drain on the Group's financial resources.

Provisions are measured as the best estimate of costs necessary to settle the obligation on the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their present value.

Upon sale of goods with right of return, provisions are made for hedging profit on the goods which are expected to be returned as well as any expenses related to the returns.

# NOTES

## 1. Accounting policies (continued)

Guarantee commitments comprise commitments to remedy defects and deficiencies on goods sold within the guarantee period. The liabilities are computed based on historical experiences.

When total costs are likely to exceed total income from a contract development project, a provision is made for the total loss estimated to result from the relevant project.

In connection with planned restructurings of the Group, provisions are only made for obligations relating to restructurings that were decided and commenced at the balance sheet date according to a specific plan, and where the parties involved have been informed about the overall plan.

*Mortgage debt*

At the time of borrowing, mortgage debt is measured at cost which corresponds to the proceeds received less transaction costs incurred. Subsequently, mortgage debt is measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the amount to be repaid is recognised in the profit and loss account as a financial expense over the term of the loan applying the effective interest method.

*Lease commitments*

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities and, at the time of inception of the lease, measured at the lower of fair market value of the leased asset and the present value of the future minimum lease payments.

Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the profit and loss account as a financial expense over the term of the leases.

Lease payments on operating leases are recognised on a straight-line basis in the profit and loss account over the term of the lease. The effective interest method is used for recognition.

*Other financial liabilities*

On initial recognition, other financial liabilities, including bank loans, trade payables, prepayments received from customers and debt to public authorities, etc are measured at fair market value corresponding to received proceed less any incurred transaction costs. Subsequently, these liabilities are measured at amortised cost applying the effective interest method to the effect that the difference between proceeds and nominal amount is recognised in the profit and loss account as a financial expense over the term of the loan.

# NOTES

## 1. Accounting policies (continued)

*Accruals*

Accruals recognised under liabilities comprise amounts received relating to subsequent financial years. Accruals are measured at cost.

**Presenting discontinued operations**

Discontinued operations are enterprises, business areas or geographical areas the activities and cash flows of which can clearly be separated for operating and accounting purposes from other activities, and where the element has been divested or separated designated for sale, and the sale is expected to be effected within 12 months according to a formal plan. Discontinued operations also include enterprises or activities which upon acquisition are classified as held for sale.

Profit/loss after tax from discontinued operations, value adjustments after tax of related assets and liabilities as well as profit/loss from sale are presented in a separate line in the profit and loss account with comparative figures. Net turnover, other external expenses, staff costs, value adjustments, financial income and expenses as well as tax on discontinued operations are disclosed in the notes.

Cash flows from operations, investments and financing activities of discontinued operations are disclosed in a note.

**Cash flow statement**

The cash flow statement is presented using the indirect method and shows cash flows from operations, investments and financing activities as well as the cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from acquisition and divestment of enterprises are shown separately under cash flows from investments. Cash flows from acquired enterprises are recognised in the cash flow statement from the time of their acquisition, and cash flows from divested enterprises are recognised up to the time of sale.

Cash flows from operations are calculated as the operating profit adjusted for non-cash operating items and changes in working capital less the income tax paid in the financial year which is attributable to the operating activities.

Cash flows from investments comprise payments in connection with acquisition and divestment of enterprises and financial assets as well as acquisition, development, improvement and sale of intangible assets and tangible assets. Furthermore, cash flows from assets held under finance leases are recognised in the form of lease payments.

# NOTES

## 1. Accounting policies (continued)

Cash flows from financing activities comprise changes in the Parent's share capital and related costs as well as the raising and repayment of loans, instalments on interest-bearing debt, purchase and sale of treasury shares, and payment of dividends.

Cash flows in other currencies than the Group's functional currency are recognised in the cash flow statement by using the average exchange rates for the months, unless they deviate significantly from the actual exchange rates at the transaction dates. In the latter case, the actual exchange rates of each day are applied.

Cash and cash equivalents comprise cash and short-term current asset investments with insignificant price risk less overdraft facilities in bank included as an integral part of the Group's cash management.

**Segment information**

Disclosures are provided for business segments, which are the Group's primary segment. The segmentation complies with the Group's risks and the managerial and internal financial management reports. The segment information is prepared in compliance with the Group's accounting policies.

RTX Telecom's reportable segments consist of strategic business units selling different products and services. Each business unit is operating relatively independently of the other units and makes use of separate marketing strategies.

RTX Telecom has three reportable segments: RTX Technology, RTX Products and RTX Network Systems. The business units are further described in the Management's review.

The segment RTX Healthcare was sold with effect from 27 June 2008. See note 36 on discontinued operations.

Segment income and expenses comprise items directly attributable to each segment and items which can be allocated to each segment at a reliable basis. Unallocated items primarily concern income and expenses relating to the Group's administrative functions, financing income and expenses as well as income taxes. Except for tangible assets, the Group's balance sheet items are not broken down by segment.

# NOTES

## 1. Accounting policies (continued)

**Ratio definitions and calculation formulas**

Earnings per Share (EPS) and Diluted Earnings per Share are calculated in accordance with IAS 33.

The other ratios have been calculated in accordance with "Recommendations & Financial Ratios 2005" issued by the Danish Society of Financial Analysts, unless otherwise indicated.

| | |
|---|---|
| ***Operating profit/loss*** | Profit/loss before financial income and expenses |
| ***Growth in net turnover*** [1] | (Net turnover in year n - net turnover in year n - 1) * 100 / Net turnover in year n - 1 |
| ***Profit margin*** | Operating profit/loss * 100 / Net turnover |
| ***Return on invested capital (ROIC including goodwill)*** | Operating profit/loss before amortisation (EBITA) * 100 / Average invested capital including goodwill |
| ***Return on equity*** | Profit/loss from ordinary activities after tax and minority interests * 100 / Average equity |
| ***Equity ratio*** [1] | Equity at year-end * 100 / Total equity and liabilities at year-end |
| ***Earnings per share (EPS)*** | Profit/loss from ordinary activities after tax and minority interests / Average number of shares in circulation each at a nominal value of DKK 5 |
| ***Diluted earnings per share (DEPS)*** | Profit/loss from ordinary activities after tax and minority interests / Average number of diluted shares each at a nominal value of DKK 5 |
| ***Cash flow from operations per share*** [1] | Cash flow from operations / Average number of shares in circulation each at a nominal value of DKK 5 |
| ***Equity value per share*** [1] | Equity excluding minority interests at year-end / Number of shares in circulation at year-end |
| ***Dividends per share*** | Total dividends paid / Average number of issued shares each at a nominal value of DKK 5 |

1) Not defined by the Danish Association of Financial Analysts.

Computation of earnings per share and diluted earnings per share is specified in note 13.

# NOTES

## 2. Material accounting estimates, assumptions and uncertainties

Several financial statement items cannot be measured with certainty but only be estimated. Such estimates comprise assessments made on the basis of the latest information available at the time of the financial reporting. It may be necessary to change previous estimates due to changes in the matters on which the estimates were based or due to additional information, further experience or subsequent events.

**Material accounting estimates**

In relation to the practical application of the accounting policies described, Management has made the following material accounting estimates and assessments which may have a significant impact on the annual report's assets and liabilities at the balance sheet date. Management bases its estimates on historical experiences as well as a number of assumptions which are assessed as being reasonable under the given circumstances. The result thereof forms the basis for the reported carrying amounts of assets and liabilities as well as the reported income and expenses which are not directly disclosed in other documentation. The actually realised results may deviate from these estimated recognised at the balance sheet date. Management has performed the following material accounting estimates which have had significant influence on the annual report.

*Deferred tax assets*

RTX Telecom recognises deferred tax assets if it is probable that sufficient taxable income exists in future to use the temporary differences between the tax values and the carrying amounts of assets and liabilities and unused tax loss carryforwards. Management has made a five-year estimate over the future taxable income in the Group. This estimate is included in the assessment as to whether the deferred tax assets may be recognised at the balance sheet date.

At 30 September 2008 the total tax value of deferred tax assets is calculated at a net amount of DKK 58,730 thousand. Due to uncertainty relating to the use of the deferred tax assets in the Group, the amount has been recognised in the balance sheet as a net liability of DKK 34 thousand. The corresponding amounts at the end of the previous financial year totalled DKK 55,672 thousand and DKK 34 thousand.

In the financial year 2007/08 the above uncertainty and estimate have resulted in a negative impact on profit/loss for the year of DKK 3,059 thousand. In the previous financial year, the corresponding negative amount was DKK 35,502 thousand.

# NOTES

## 2. Material accounting estimates, assumptions and uncertainties (continued)

*Impairment of other investments*

Other investments which are not listed shares and bonds are measured at an approximate computed fair market value or at cost if an approximate fair market value cannot be computed reliably. If the carrying amount exceeds the recoverable amount, the investments are written down to this lower value. Management has made an estimate of the valuation of the investments in ilochip A/S. Based on adopted strategies and the expected development in a foreseeable number of year, this estimate has resulted in a negative fair market value adjustment of the investment of DKK 10,898 thousand in the financial year 2007/08. The fair market value adjustment is recognised directly on equity.

*Measurement of investments in subsidiaries in the Parent's balance sheet*

Investments in subsidiaries are measured at cost. If cost exceeds the recoverable amount, it is written down to such lower amount. The carrying amounts of investments in subsidiaries are reviewed on the balance sheet date in order to determine whether there are indications of impairment. Management has performed an estimate of the expected development in the subsidiaries within a foreseeable number of years. Management's estimate is based on adopted strategies, expected activities and plans as well as existing budgets and estimates, etc. This estimate is included when assessing at which value investments in subsidiaries could be recognised at the balance sheet date. At 30 September 2008 the carrying amount of investments in subsidiaries is recognised at a net value of DKK 33,253 thousand. At 30 September 2007 the corresponding net value amounted to DKK 45,036 thousand. In the financial year 2007/08 the Company has made capital increases by cash contributions and debt conversion of DKK 2,700 thousand compared to DKK 20,472 thousand in the previous financial year.

Net impairment for the year amounts to DKK 0 thousand compared with DKK 4,964 thousand in the previous financial year. The impairment is recognised in the Parent's profit and loss account.

# NOTES

## 3. Segment information
## Segment information relating to business segments in the Group

### 2007/08

| Amounts in DKK '000 | RTX Technology | RTX Products | RTX Network Systems | Other activities | Eliminations | Total |
|---|---|---|---|---|---|---|
| Net turnover to external customers | 114,508 | 105,349 | 21,985 | 8,471 | 0 | 250,313 |
| Internal net turnover between segments | 634 | 1,278 | 52 | 78,004 | (79,968) | 0 |
| **Segment turnover** | **115,142** | **106,627** | **22,037** | **86,475** | **(79,968)** | **250,313** |
| Cost of sales, etc | (15,080) | (67,889) | (10,493) | (14,181) | 4,027 | (103,616) |
| Other external expenses | (57,494) | (24,430) | (19,974) | (31,136) | 75,940 | (57,094) |
| Staff costs | (5,623) | (10,770) | (7,454) | (80,282) | 1 | (104,128) |
| Depreciation, amortisation and impairment | (19) | (3,365) | (424) | (2,656) | 0 | (6,464) |
| **Operating profit/loss (EBIT)** | **36,926** | **173** | **(16,308)** | **(41,780)** | **0** | **(20,989)** |
| Financial income | - | - | - | 9,064 | 0 | 9,064 |
| Financial expenses | - | - | - | (6,307) | 0 | (6,307) |
| **Profit/loss before tax from continuing operations** | **36,926** | **173** | **(16,308)** | **(39,023)** | **0** | **(18,232)** |
| Tax on profit/loss for the year from continuing operations | - | - | - | (49) | 0 | (49) |
| **Profit/loss from continuing operations** | **36,926** | **173** | **(16,308)** | **(39,072)** | **0** | **(18,281)** |
| Profit/loss from discontinued operations | - | - | - | (7,417) | 0 | (7,417) |
| **Profit/loss for the year** | **36,926** | **173** | **(16,308)** | **(46,489)** | **0** | **(25,698)** |
| Tangible assets | 468 | 2,763 | 149 | 84,083 | 0 | 87,463 |
| **Segment assets** | **468** | **2,763** | **149** | **84,083** | **0** | **87,463** |

Transactions between segments are conducted on an arm's length basis.

# NOTES

## 3. Segment information (continued)
## Segment information relating to business segments in the Group

### 2006/07

| Amounts in DKK '000 | RTX Tech-nology | RTX Pro-ducts | RTX Network Systems | Other activi-ties | Elimi-nations | Total |
|---|---|---|---|---|---|---|
| Net turnover to external customers | 75,374 | 85,901 | 22,745 | 23,295 | 0 | 207,315 |
| Internal net turnover between segments | 4,322 | 4,535 | 478 | 61,909 | (71,244) | 0 |
| **Segment turnover** | **79,696** | **90,436** | **23,223** | **85,204** | **(71,244)** | **207,315** |
| Cost of sales, etc | (5,800) | (69,786) | (20,571) | (22,511) | 4,449 | (114,219) |
| Other external expenses | (24,734) | (35,336) | (45,340) | (30,964) | 62,336 | (74,038) |
| Staff costs | (4,957) | (12,684) | (3,946) | (86,090) | 3,618 | (104,059) |
| Depreciation, amortisation and impairment | (69) | (6,050) | (370) | (5,043) | 841 | (10,691) |
| **Operating profit/loss (EBIT)** | **44,136** | **(33,420)** | **(47,004)** | **(59,404)** | **0** | **(95,692)** |
| Financial income | - | - | - | 76,959 | 0 | 76,959 |
| Financial expenses | - | - | - | (8,157) | 0 | (8,157) |
| **Profit/loss before tax from continuing operations** | **44,136** | **(33,420)** | **(47,004)** | **9,398** | **0** | **(26,890)** |
| Tax on profit/loss for the year from continuing operations | - | - | - | (14,513) | 0 | (14,513) |
| **Profit/loss from continuing operations** | **44,136** | **(33,420)** | **(47,004)** | **(5,115)** | **0** | **(41,403)** |
| Profit/loss from discontinued operations | - | - | - | (5,854) | 0 | (5,854) |
| **Profit/loss for the year** | **44,136** | **(33,420)** | **(47,004)** | **(10,969)** | **0** | **(47,257)** |
| Tangible assets | 134 | 6,168 | 1,003 | 88,508 | 0 | 95,813 |
| **Segment assets** | **134** | **6,168** | **1,003** | **88,508** | **0** | **95,813** |

Transactions between segments are conducted on an arm's length basis.

# NOTES

| Amounts in DKK '000 | Group 2007/08 | Group 2006/07 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|---|---|
| **4. Net turnover** | | | | |
| **Net turnover by geographic area** | | | | |
| Denmark | 44,222 | 43,920 | 35,697 | 36,967 |
| Other Europe | 130,728 | 99,222 | 77,102 | 88,484 |
| Asia and Australia | 17,367 | 21,896 | 24,957 | 26,057 |
| North and South America | 54,356 | 42,110 | 53,836 | 37,906 |
| Africa | 3,640 | 167 | 3,570 | 167 |
| **Total** | **250,313** | **207,315** | **195,162** | **189,581** |

Net turnover is broken down by geographic area according to the customer's geographical location.

| Amounts in DKK '000 | Group 2007/08 | Group 2006/07 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|---|---|
| **Net turnover by type of income** | | | | |
| Development projects | 65,271 | 31,441 | 66,069 | 27,299 |
| Royalty | 10,653 | 27,483 | 10,653 | 27,441 |
| Sale of products, etc | 174,389 | 148,391 | 118,440 | 134,841 |
| **Total** | **250,313** | **207,315** | **195,162** | **189,581** |

## 5. Cost of sales, etc

| Amounts in DKK '000 | Group 2007/08 | Group 2006/07 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|---|---|
| Cost of sales | 97,314 | 100,251 | 67,339 | 85,437 |
| Write-down of inventories | 7,196 | 10,169 | 6,396 | 10,169 |
| Reversed write-downs of inventories | (4,526) | (2,200) | (4,526) | (2,200) |
| Other unit costs | 3,632 | 5,999 | 3,383 | 5,685 |
| **Total** | **103,616** | **114,219** | **72,592** | **99,091** |

# NOTES

| | Group | | Parent | |
|---|---|---|---|---|
| **Amounts in DKK '000** | **2007/08** | **2006/07** | **2007/08** | **2006/07** |
| **6. Staff costs** | | | | |
| Supervisory Board's remuneration | 965 | 999 | 965 | 999 |
| Wages and salaries | 102,941 | 100,517 | 91,474 | 91,221 |
| Transferred to "Profit/loss from discontinued operations" | (2,520) | 0 | (2,520) | 0 |
| Defined contribution pension plans | 1,916 | 976 | 1,642 | 880 |
| Other social security costs, etc | 936 | 1,694 | 900 | 1,644 |
| Share-based remuneration, see note 34 | 495 | 558 | 495 | 558 |
| Public grants related to staff costs | (605) | (685) | (605) | (685) |
| **Total** | **104,128** | **104,059** | **92,351** | **94,617** |
| Of this remuneration for the Parent's management amounts to: | | | | |
| *Supervisory Board* | | | | |
| Supervisory Board's remuneration | 965 | 999 | 965 | 999 |
| Share-based remuneration | 0 | 7 | 0 | 7 |
| *Executive Board* | | | | |
| Salaries | 2,544 | 2,509 | 2,544 | 2,509 |
| Transaction bonus | 2,520 | 0 | 2,520 | 0 |
| Pension | 53 | 26 | 53 | 26 |
| Share-based remuneration | 118 | 118 | 118 | 118 |
| **Total** | **6,200** | **3,659** | **6,200** | **3,659** |

Transaction bonus for the financial year 2007/08 is recognised in the annual report on condition that the Annual General Meeting adopts the proposal from the Supervisory Board for overall guidelines relating to incentive programmes for the Executive Board.

In addition to the above remuneration, the Company provides a company car for the Executive Board.
On dismissal by the Company the Executive Board shall be entitled to a salary in the period of notice and severance pay totalling up to 24 months' salary, etc equal to approx. DKK 5.3 million.

| | | | | |
|---|---|---|---|---|
| Number of full-time employees at 30 September, converted | 216 | 205 | 163 | 160 |
| Average number of full-time employees, converted | 205 | 221 | 159 | 187 |

# NOTES

## 6. Staff costs (continued)

The Group has entered into defined contribution pension plans with a significant number of the Group's employees. The Group has not entered into defined benefit pension plans.

Defined contribution pension plans require the employer to pay a certain amount to a pension provider or the like, though the company bears no risk as regards future development in interest, inflation, mortality, disability, etc regarding the amount to be paid to the employee.

Payment to executives and key staff employed in foreign subsidiaries may in special cases differ from the general payment as regards other benefits and bonus schemes, which reflects an adjustment of the remuneration to local conditions.

| | Group | | Parent | |
|---|---|---|---|---|
| **Amounts in DKK '000** | **2007/08** | **2006/07** | **2007/08** | **2006/07** |
| **7. Depreciation, amortisation and impairment** | | | | |
| Amortisation of intangible assets | 620 | 1,902 | 620 | 1,902 |
| Depreciation of tangible assets | 7,555 | 8,844 | 4,756 | 5,604 |
| Profit from sale of tangible assets, net | (1,711) | (55) | (1,711) | (54) |
| **Total** | **6,464** | **10,691** | **3,665** | **7,452** |

| | | | | |
|---|---|---|---|---|
| **8. Development costs** | | | | |
| Paid development costs | 11,234 | 26,534 | 11,234 | 26,534 |
| | | | | |
| Development costs are recognised as follows: | | | | |
| Other external expenses | 2,485 | 3,401 | 2,485 | 3,401 |
| Staff costs | 8,749 | 23,133 | 8,749 | 23,133 |
| **Total** | **11,234** | **26,534** | **11,234** | **26,534** |

Impairment of intangible assets
is taken to depreciation, amortisation and impairment.

# NOTES

| Amounts in DKK '000 | Group 2007/08 | Group 2006/07 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|---|---|
| **9. Fees to auditor appointed by the general meeting** | | | | |
| Fees for audit services: | | | | |
| Deloitte | 469 | 522 | 450 | 492 |
| **Total** | **469** | **522** | **450** | **492** |
| Fees for non-audit services: | | | | |
| Deloitte | 1,339 | 322 | 1,339 | 322 |
| **Total** | **1,339** | **322** | **1,339** | **322** |

## 10. Financial income

| | | | | |
|---|---|---|---|---|
| Interest, etc | 8,757 | 4,223 | 9,791 | 4,012 |
| Interest from group enterprises | - | - | 318 | 588 |
| Interest income from financial assets which are not measured at fair market value | 8,757 | 4,223 | 10,109 | 4,600 |
| Profit from sale of other investments and equity investments | 0 | 72,556 | 0 | 72,556 |
| Price adjustment of short-term current asset investments measured at fair market value through the profit and loss account | 27 | 180 | 27 | 180 |
| Fair market value adjustment transferred from equity relating to sold short-term current asset investments availabe for sale | 280 | 0 | 280 | 0 |
| **Total** | **9,064** | **76,959** | **10,416** | **77,336** |

## 11. Financial expenses

| | | | | |
|---|---|---|---|---|
| Interest, etc | 2,119 | 3,267 | 1,617 | 2,804 |
| Interest expenses on financial liabilities not measured at fair market value | 2,119 | 3,267 | 1,617 | 2,804 |
| Loss on foreign currency (net) | 4,188 | 4,890 | 5,048 | 5,014 |
| Price adjustment of short-term current asset investments | 0 | 0 | 0 | 0 |
| **Total** | **6,307** | **8,157** | **6,665** | **7,818** |

# NOTES

| Amounts in DKK '000 | Group 2007/08 | Group 2006/07 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|---|---|
| **12. Tax on profit/loss for the year** | | | | |
| Current tax on profit/loss for the year | 0 | (495) | 0 | (2,789) |
| Change in deferred tax | 3,018 | 21,116 | 6,589 | 19,181 |
| Adjustment concerning income from abroad | 0 | 150 | 0 | 150 |
| Change resulting from valuation of deferred tax assets at recoverable amount | (3,059) | (32,701) | (6,630) | (27,904) |
| *Adjustment concerning previous years* | | | | |
| Current tax | 269 | 113 | 269 | 0 |
| Deferred tax | (277) | 616 | (277) | 0 |
| *Reduction of tax rate* | | | | |
| Change in deferred tax as a result of change in the income tax rate from 28% to 25% | 0 | (3,312) | 0 | (3,312) |
| **Total** | **(49)** | **(14,513)** | **(49)** | **(14,674)** |
| *Tax on profit/loss for the year can be specified as follows:* | | | | |
| Income tax rate in Denmark | 25 | 25 | 25 | 25 |
| Disallowable expenses less non-taxable income and other adjustments | (42) | (84) | (52) | (137) |
| Adjustment concerning previous years | 0 | (2) | 0 | 0 |
| Adjustment resulting from valuation of deferred tax assets at recoverable amount | 17 | 115 | 27 | 189 |
| **Effective tax rate, exclusive of adjustments as a result of change in the income tax rate** | **0** | **54** | **0** | **77** |

Tax on profit/loss for the year and the effective tax rate are materially affected by the profit on the sale of shares held for more than three years (tax-free) and the valuation of deferred tax assets at recoverable amount.

| | | | | |
|---|---|---|---|---|
| *Tax on changes in equity* | | | | |
| Current tax | 0 | 0 | 0 | 0 |
| Deferred tax | 0 | 0 | 0 | 0 |
| **Total** | **0** | **0** | **0** | **0** |
| Taxes paid/received during the year | (196) | (544) | (196) | 603 |

# NOTES

| Amounts in DKK '000 | Group 2007/08 | Group 2006/07 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|---|---|
| **12. Tax on profit/loss for the year (continued)** | | | | |
| **Income taxes, net** | | | | |
| Income taxes on 1 October, net | (112) | (207) | (225) | (193) |
| Additions by merger with subsidiary | 0 | 0 | 0 | 829 |
| Additions relating to acquisition of enterprises | 0 | 0 | 0 | 0 |
| Current tax on profit/loss for the year | 0 | (576) | 0 | (1,405) |
| *Tax paid during the year* | | | | |
| Current year | 271 | 271 | 271 | 271 |
| Previous years, net | (77) | 273 | (77) | 273 |
| Adjustment of current tax concerning previous years, net | (1) | 127 | 0 | 0 |
| Current tax of changes in equity | 0 | 0 | 0 | 0 |
| **Income taxes at 30 September, net** | **81** | **(112)** | **(31)** | **(225)** |
| which can be specified as follows: | | | | |
| Income tax receivable | 112 | 113 | 0 | 0 |
| Income tax payable | (31) | (225) | (31) | (225) |
| **Total** | **81** | **(112)** | **(31)** | **(225)** |

Amounts at 30 September stated in brackets are liabilities.

# NOTES

## 13. Earnings per share

| | Group 2007/08 | Group 2006/07 |
|---|---|---|
| **1,000 shares** | | |
| Average number of shares | 9,434 | 9,434 |
| Average number of treasury shares | (145) | (145) |
| **Average number of shares in circulation** | **9,289** | **9,289** |
| Average dilution effect on outstanding warrants | 3 | 10 |
| **Average diluted number of shares** | **9,292** | **9,299** |
| | | |
| Profit/loss for the year from continuing and discontinued operations, DKK '000 | (25,698) | (47,257) |
| Profit/loss for the year from continuing operations, DKK '000 | (18,281) | (41,403) |
| Profit/loss for the year from discontinued operations, DKK '000 | (7,417) | (5,854) |
| | | |
| Earnings per share from continuing and discontinued operations (DKK) | (2.8) | (5.1) |
| Diluted earnings per share from continuing and discontinued operations (DKK) | (2.8) | (5.1) |
| Earnings per share from continuing operations (DKK) | (2.0) | (4.5) |
| Diluted earnings per share from continuing operations (DKK) | (2.0) | (4.5) |
| Earnings per share from discontinued operations (DKK) | (0.8) | (0.6) |
| Diluted earnings per share from discontinued operations (DKK) | (0.8) | (0.6) |

# NOTES

| Amounts in DKK '000 | Group: Completed develop-ment projects | Group: Acquired licence rights | Group: Goodwill | Parent: Completed develop-ment projects | Parent: Acquired licence rights |
|---|---|---|---|---|---|
| **14. Intangible assets** | | | | | |
| Cost at 1 October 2006 | 7,692 | 3,598 | 11,687 | 7,692 | 3,598 |
| Additions | 0 | 0 | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| **Cost at 30 September 2007** | **7,692** | **3,598** | **11,687** | **7,692** | **3,598** |
| Amortisation and impairment at 1 October 2006 | (6,410) | (1,119) | (3,803) | (6,410) | (1,119) |
| Amortisation for the year | (1,282) | (620) | 0 | (1,282) | (620) |
| Impairment for the year | 0 | 0 | 0 | 0 | 0 |
| **Amortisation and impairment at 30 September 2007** | **(7,692)** | **(1,739)** | **(3,803)** | **(7,692)** | **(1,739)** |
| **Carrying amount at 30 September 2007** | **0** | **1,859** | **7,884** | **0** | **1,859** |
| Cost at 1 October 2007 | 7,692 | 3,598 | 11,687 | 7,692 | 3,598 |
| Additions | 0 | 0 | 0 | 0 | 0 |
| Disposals (adjustment of purchase price) | 0 | 0 | (87) | 0 | 0 |
| **Cost at 30 September 2008** | **7,692** | **3,598** | **11,600** | **7,692** | **3,598** |
| Amortisation and impairment at 1 October 2007 | (7,692) | (1,739) | (3,803) | (7,692) | (1,739) |
| Amortisation for the year | 0 | (620) | 0 | 0 | (620) |
| Impairment for the year | 0 | 0 | 0 | 0 | 0 |
| **Amortisation and impairment at 30 September 2008** | **(7,692)** | **(2,359)** | **(3,803)** | **(7,692)** | **(2,359)** |
| **Carrying amount at 30 September 2008** | **0** | **1,239** | **7,797** | **0** | **1,239** |

*Goodwill*

Goodwill arisen in relation to business combinations is distributed at the time of acquisition to the cash flow generating units which are expected to obtain financial advantages from the acquisition. The carrying amount of goodwill is distributed as follows on the respective cash flow generating units:

# NOTES

## 14. Intangible assets (continued)

| Amounts in DKK '000 | 2007/08 | 2006/07 |
|---|---|---|
| RTX Products Ltd., Hong Kong | 7,797 | 7,884 |
| **Total** | **7,797** | **7,884** |

Goodwill is as a minimum tested once a year for impairment and more frequently if there are indications of impairment.

The recoverable amount for the individual cash flow generating units to which the goodwill amounts have been distributed are stated based on computation of the units' present value of expected cash flows. The most material uncertainties are connected with the determination of the discount factors and growth rates as well as expected changes in sales prices and production costs in the budget and terminal periods.

The determined discount factors reflect market evaluations of the timing value of money, reflected in risk free interest and the specific risks connected to the individual cash flow generating unit. The discount factors are determined on a pre-tax basis.

The determined growth rates are based on internal strategy plans as well as industry forecasts.

Estimated changes in selling prices and production costs are based on historical experiences as well as expectations for future changes in the market. The prognoses are based on a specific business evaluation of the expected sales prices and production costs.

For the purpose of computing the cash flow generating units' present value of expected cash flows, the cash flows stated in the most recent management approved budgets for the next financial year are used as well as strategy plans and projection thereof. For financial years after the budget period 2008/09, cash flows have been extrapolated with a growth rate of up to 15% for the first two years and subsequently approx. 5% per year.

The applied discount factor is determined based on a current market rate of approx. 5% per annum increased by a usual risk premium of up to 10 percentage points per annum.

*Other intangible assets*
Apart from goodwill, all intangible assets are regarded as having determinable useful lives over which the assets are amortised, see description included under accounting policies.

# NOTES

| Amounts in DKK '000 | Land and buildings | Plant and machinery | Other fixtures and fittings, tools and equipment, etc | Leasehold improvements |
|---|---|---|---|---|
| | Group | | | |
| **15. Tangible assets** | | | | |
| Cost at 1 October 2006 | 97,323 | 32,628 | 19,452 | 386 |
| Foreign exchange adjustments | 0 | (859) | (146) | (40) |
| Additions | 0 | 954 | 990 | 0 |
| Additions relating to discontinued operations | 0 | 456 | 0 | 0 |
| Disposals | (100) | (3,887) | (2,801) | 0 |
| **Cost at 30 September 2007** | **97,223** | **29,292** | **17,495** | **346** |
| Depreciation and impairment at 1 October 2006 | (10,365) | (21,856) | (14,467) | (55) |
| Foreign exchange adjustments | 0 | 220 | 70 | 11 |
| Depreciation for the year | (1,918) | (4,611) | (2,221) | (94) |
| Depreciation for the year relating to discontinued operations | 0 | (45) | 0 | 0 |
| Reversal relating to disposals | 100 | 3,887 | 2,801 | 0 |
| **Depreciation and impairment at 30 September 2007** | **(12,183)** | **(22,405)** | **(13,817)** | **(138)** |
| **Carrying amount at 30 September 2007** | **85,040** | **6,887** | **3,678** | **208** |
| Cost at 1 October 2007 | 97,223 | 29,292 | 17,495 | 346 |
| Foreign exchange adjustments | 0 | (69) | (18) | 11 |
| Additions | 0 | 159 | 1,372 | 88 |
| Disposals | (1,591) | (961) | (3,542) | 0 |
| Disposals relating discontinued operations | 0 | (456) | 0 | 0 |
| **Cost at 30 September 2008** | **95,632** | **27,965** | **15,307** | **445** |
| Depreciation and impairment at 1 October 2007 | (12,183) | (22,405) | (13,817) | (138) |
| Foreign exchange adjustments | 0 | (106) | (2) | (11) |
| Depreciation for the year | (1,830) | (3,736) | (1,918) | (71) |
| Reversal relating to disposals | 0 | 962 | 3,324 | 0 |
| Disposals relating discontinued operations | 0 | 45 | 0 | 0 |
| **Depreciation and impairment at 30 September 2008** | **(14,013)** | **(25,240)** | **(12,413)** | **(220)** |
| **Carrying amount at 30 September 2008** | **81,619** | **2,725** | **2,894** | **225** |

The Group's land and buildings are situated in Denmark, and at 1 October 2007 the total value according to the public land assessment amounts to DKK 67.0 million (1 October 2006: DKK 67.0 million).

# NOTES

| Amounts in DKK '000 | Parent: Land and buildings | Parent: Plant and machinery | Parent: Other fixtures, and fittings, tools and equip-ment |
|---|---|---|---|
| **15. Tangible assets (continued)** | | | |
| Cost at 1 October 2006 | 97,323 | 19,325 | 17,569 |
| Additions by merger with subsidiary | 0 | 5,411 | 685 |
| Additions | 0 | 110 | 705 |
| Disposals | (100) | (3,887) | (2,801) |
| **Cost at 30 September 2007** | **97,223** | **20,959** | **16,158** |
| Depreciation and impairment at 1 October 2006 | (10,365) | (17,605) | (13,706) |
| Additions by merger with subsidiary | 0 | (3,587) | (333) |
| Depreciation for the year | (1,918) | (1,892) | (1,794) |
| Reversal relating to disposals | 100 | 3,887 | 2,801 |
| **Depreciation and impairment at 30 September 2007** | **(12,183)** | **(19,197)** | **(13,032)** |
| **Carrying amount at 30 September 2007** | **85,040** | **1,762** | **3,126** |
| Cost at 1 October 2007 | 97,223 | 20,959 | 16,158 |
| Additions | 0 | 159 | 1,235 |
| Disposals | (1,591) | (961) | (3,094) |
| **Cost at 30 September 2008** | **95,632** | **20,157** | **14,299** |
| Depreciation and impairment at 1 October 2007 | (12,183) | (19,197) | (13,032) |
| Depreciation for the year | (1,830) | (1,265) | (1,661) |
| Reversal relating to disposals | 0 | 961 | 2,877 |
| **Depreciation and impairment at 30 September 2008** | **(14,013)** | **(19,501)** | **(11,816)** |
| **Carrying amount at 30 September 2008** | **81,619** | **656** | **2,483** |

The Parent's land and buildings are situated in Denmark, and at 1 October 2007 the total value according to the public land assessment amounts to DKK 67.0 million (1 October 2006: DKK 67.0 million).

# NOTES

| Amounts in DKK '000 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|
| **16. Investments in subsidiaries** | | |
| Cost at 1 October | 58,265 | 72,075 |
| Disposals relating to merger with subsidiary | 0 | (34,282) |
| Disposals relating to sale of subsidiary | (27,625) | 0 |
| Adjustment of previous acquisition price | (87) | 0 |
| Capital increase upon cash investment and debt conversion | 2,700 | 20,472 |
| **Cost at 30 September** | **33,253** | **58,265** |
| | | |
| Value adjustment at 1 October | (13,229) | (39,193) |
| Disposals relating to merger with subsidiary | 0 | 30,928 |
| Disposals relating to sale of subsidiary | 13,229 | 0 |
| Reversal for the year relating to continuing operations | 0 | 118 |
| Impairment for the year relating to discontinued operations | 0 | (5,082) |
| **Value adjustment at 30 September** | **0** | **(13,229)** |
| | | |
| **Carrying amount at 30 September** | **33,253** | **45,036** |

On 27 June 2008, RTX Telecom closed sale of the shares in the wholly-owned subsidiary, RTX Healthcare A/S.

# NOTES

## 16. Investments in subsidiaries (continued)

With effect from 4 July 2008, the Parent set up a subsidiary in Brazil, RTX Telecom América Latina Ltda., with an ownership interest of 82% at 30 September 2008. The remaining 18% of the company is owned by two Danish citizens resident in Brazil.

Investments in subsidiaries comprise the following enterprises at 30 September 2008:

| Name and registered office | Nominal share capital '000 | Ownership interest | Payables to the Parent DKK '000 | Equity DKK '000 | Profit for the year DKK '000 |
|---|---|---|---|---|---|
| RTX America, Inc., USA | USD 500 | 100% | (249) | 2,466 | 88 |
| RTX Products Hong Kong Ltd., Hong Kong | HKD 1,110 | 100% | 4,140 | 7,962 | 5,819 |
| RTX Telecom América Latina Ltda., Brazil | BRL 1,146 | 82% | 218 | 2,413 | 0 |
| | | | 4,109 | 12,841 | 5,907 |
| Adjustment of added value and internal profit | | | - | 0 | 0 |
| | | | **4,109** | **12,841** | **5,907** |

| | |
|---|---|
| Which can be specified as follows: | |
| Receivables from subsidiaries | 4,358 |
| Payables to subsidiaries | (249) |
| **Total** | **4,109** |

*Subsidiaries' addresses:*

- RTX America, Inc., San Jose, California, USA
- RTX Products Hong Kong Ltd., Hong Kong
- RTX Telecom América Latina Ltda., São Paulo, Brazil

RTX Amercia Inc. was set up in March 2004.
RTX Products Hong Kong Ltd. was acquired in January 2006.
RTX Telecom América Latina Ltda. was set up in July 2008.

# NOTES

| Amounts in DKK '000 | Group 2007/08 | Group 2006/07 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|---|---|
| **17. Other long-term assets** | | | | |
| **Other equity investments** | | | | |
| Cost at 1 October | 7,014 | 18,186 | 7,014 | 18,186 |
| Additions for the year | 4,306 | 0 | 4,306 | 0 |
| Disposals for the year | 0 | (11,172) | 0 | (11,172) |
| **Cost at 30 September** | **11,320** | **7,014** | **11,320** | **7,014** |
| Value adjustment at 1 October | 0 | 0 | 0 | 0 |
| Additions for the year | (10,898) | 0 | (10,898) | 0 |
| Disposals for the year | 0 | 0 | 0 | 0 |
| **Value adjustment at 30 September** | **(10,898)** | **0** | **(10,898)** | **0** |
| **Carrying amount at 30 September** | **422** | **7,014** | **422** | **7,014** |

Other equity investments comprise investments in ilochip A/S, Nørresundby, Denmark

| | Group 2007/08 | Group 2006/07 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|---|---|
| **Subordinated convertible loan** | | | | |
| Cost at 1 October | 4,117 | 3,511 | 4,117 | 3,511 |
| Additions for the year | 189 | 606 | 189 | 606 |
| Disposals for the year | (4,306) | 0 | (4,306) | 0 |
| **Cost at 30 September** | **0** | **4,117** | **0** | **4,117** |
| **Carrying amount at 30 September** | **0** | **4,117** | **0** | **4,117** |

The subordinated convertible loan was converted into share capital in ilochip A/S at 2 January 2008.

# NOTES

| Amounts in DKK '000 | Group 2007/08 | Group 2006/07 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|---|---|
| **17. Other long-term assets (continued)** | | | | |
| **Deposits** | | | | |
| Cost at 1 October | 195 | 964 | 108 | 773 |
| Additions by merger with subsidiary | 0 | 0 | 0 | 64 |
| Value adjustment | 18 | 0 | 0 | 0 |
| Additions for the year | 1,284 | 49 | 0 | 49 |
| Disposals for the year | (213) | (818) | (108) | (778) |
| **Cost at 30 September** | **1,284** | **195** | **0** | **108** |
| **Carrying amount at 30 September** | **1,284** | **195** | **0** | **108** |

Deposits are not depreciated.

Other long-term assets, besides investments in unlisted shares, are measured at fair market value at the balance sheet date. Unlisted shares are measured at cost if fair market value cannot be stated reliably. If the carrying amounts of other long-term assets exceed their recoverable amount, the assets are written down to this lower value.

# NOTES

| Amounts in DKK '000 | Group 2007/08 | Group 2006/07 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|---|---|
| **18. Deferred tax** | | | | |
| Deferred tax, net asset at 1 October | (34) | 16,678 | 0 | 9,329 |
| Additions by merger with subsidiary | 0 | 0 | 0 | 5,000 |
| Foreign exchange adjustments | 0 | (44) | 0 | 0 |
| Change in deferred tax on profit/loss for the year, asset | 3,059 | 21,786 | 6,588 | 11,363 |
| Change in deferred tax as a result of change in the income tax rate from 28% to 25% | 0 | (3,568) | 0 | (3,312) |
| Adjustment of deferred tax concerning previous years | 0 | 616 | 42 | 0 |
| Write-down to recoverable amount | (3,059) | (35,502) | (6,630) | (22,380) |
| **Deferred tax, net asset at 30 September** | **(34)** | **(34)** | **0** | **0** |
| | | | | |
| **Specification of deferred tax:** | | | | |
| Intangible assets | 26,954 | 27,676 | 26,954 | 24,661 |
| Tangible assets | 7,815 | 6,330 | 8,030 | 6,857 |
| Inventories | 4,940 | 4,146 | 4,940 | 4,146 |
| Receivables | 10,367 | 8,901 | 10,367 | 8,901 |
| Other short-term assets, etc | 114 | 20 | 114 | 20 |
| Long-term liabilities | 1,325 | 807 | 1,325 | 807 |
| Tax loss carryforwards | 7,938 | 8,515 | 5,403 | 5,111 |
| Short-term liabilities | (723) | (723) | (723) | (723) |
| Non-recognised deferred tax assets | (58,764) | (55,706) | (56,410) | (49,780) |
| **Total** | **(34)** | **(34)** | **0** | **0** |
| | | | | |
| Which can be specified as follows: | | | | |
| Deferred tax assets | 689 | 689 | 723 | 723 |
| Deferred tax liabilities | (723) | (723) | (723) | (723) |
| **Total** | **(34)** | **(34)** | **0** | **0** |

Amounts at 30 September stated in brackets are liabilities.

The tax value of deferred tax assets, which are **not** recognised, amounts to DKK 58.8 million (DKK 55.7 million in 2006/07) and concerns tax losses and other timing differences. Due to significant uncertainty regarding the use of these tax assets, they are not recognised in the balance sheet.

A potential sale of shares in group enterprises is not expected to create significant tax payments.

# NOTES

| Amounts in DKK '000 | Group 2007/08 | Group 2006/07 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|---|---|
| **19. Inventories** | | | | |
| Raw materials and consumables | 13,063 | 20,772 | 10,427 | 14,210 |
| Work in progress | 652 | 864 | 652 | 864 |
| Finished goods | 15,833 | 19,938 | 15,078 | 19,938 |
| **Total inventories** | **29,548** | **41,574** | **26,157** | **35,012** |
| Indirect production costs included in work in progress and finished goods amount to | 1,268 | 1,646 | 1,268 | 1,646 |
| Write-down of inventories for the year charged to the profit and loss account amounts to | 7,196 | 10,169 | 6,396 | 10,169 |
| Reversed write-down of inventories during the year amounts to | 4,526 | 2,200 | 4,526 | 2,200 |

Reversed write-down of inventories relates to inventories which are either sold in the financial year at a higher value than estimated realisable value or inventories of which it has been assessed that the previous valuation at net realisable value could not be maintained.

# NOTES

| Amounts in DKK '000 | Group 2007/08 | Group 2006/07 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|---|---|
| **20. Trade receivables** | | | | |
| Receivables, gross | 115,097 | 96,945 | 104,055 | 90,880 |
| Accumulated write-down to meet probable losses at year-end | (41,470) | (35,603) | (41,470) | (35,603) |
| **Carrying amount at 30 September** | **73,627** | **61,342** | **62,585** | **55,277** |
| Write-down for the year recognised under"other "external expenses" in the profit and loss account | 5,867 | 30,265 | 5,867 | 30,265 |

Provisions are made for bad debts based on an individual assessment of the risks of loss, and the carrying amounts of receivables are recognised at amortised cost.

Trade receivables are written down to net realisable value equal to the sum of future net payments expected to be generated by receivables. Claims in the Group with a face value of DKK 41.6 million (30 September 2007: DKK 39.4 million) have been written down to net realisable value based on an individual assessment.

A provisions account is used to reduce the carrying amount of receivables whose value is reduced due to risk of loss. Write-down is stated on an individual assessment basis based on realised losses in previous financial years as well as an assessment of the present financial environment.

| Amounts in DKK '000 | Group 2007/08 | Group 2006/07 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|---|---|
| Provisions account at 1 October | 35,603 | 5,338 | 35,603 | 4,325 |
| Additions by merger with subsidiary | 0 | 0 | 0 | 1,013 |
| Losses recorded for the year | 0 | 0 | 0 | 0 |
| Reversed provisions | (584) | 0 | (584) | 0 |
| Bad debt provisions for the year | 6,451 | 30,265 | 6,451 | 30,265 |
| **Provisions account at 30 September** | **41,470** | **35,603** | **41,470** | **35,603** |

The Group's credit risks related to trade receivables are assessed on an ongoing basis. By experience, a relatively large credit risk may occur from time to time as a large part of receivables is often related to a relatively small number of counterparties and customers.

# NOTES

| Amounts in DKK '000 | Group 2007/08 | Group 2006/07 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|---|---|
| **21. Contract development projects in progress** | | | | |
| Market value of development projects in progress | 86,642 | 28,668 | 86,642 | 27,268 |
| Invoiced on account | (89,914) | (31,473) | (89,914) | (30,073) |
| **Contract development projects in progress, net** | **(3,272)** | **(2,805)** | **(3,272)** | **(2,805)** |
| which are recognised in the balance sheet as follows: | | | | |
| *Contract development projects in progress* | | | | |
| Receivables | 3,084 | 443 | 3,084 | 443 |
| Short-term liabilities | (1,264) | (1,370) | (1,264) | (1,370) |
| Prepayments received from customers | (5,092) | (1,878) | (5,092) | (1,878) |
| **Contract development projects in progress, net** | **(3,272)** | **(2,805)** | **(3,272)** | **(2,805)** |
| Retained payments for work performed | 0 | 0 | 0 | 0 |
| **Development projects in progress and volume of orders at the balance sheet date** | | | | |
| Total volume of orders, etc | 103,107 | 41,801 | 103,107 | 41,802 |
| Of this market value of performed work is recognised as income | (86,642) | (28,669) | (86,642) | (28,668) |
| **Market value of non-performed work at the balance sheet date** | **16,465** | **13,132** | **16,465** | **13,134** |
| Market value of non-performed work at the balance sheet date in % of total volume of orders, etc | 16 | 31 | 16 | 31 |

Carrying amount of contract development projects in progress approximately equals fair market value.

The Group's credit risk on work in progress may be significant as a large part of the stated net value of development projects in progress can often be related to a relatively small number of counterparties and customers. Moreover, in special cases the customers' requests/requirements for specifications and delivery times may result in tasks being started before final agreements have been concluded. In these cases the market value of performed work and incurred costs are charged to the profit and loss account until a final agreement has been signed.

# NOTES

| Amounts in DKK '000 | Group 2007/08 | Group 2006/07 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|---|---|
| **22. Short-term current asset investments** | | | | |
| Cost at 1 October | 67,166 | 85,828 | 66,218 | 83,889 |
| Additions for the year | 54,314 | 0 | 54,314 | 0 |
| Disposals for the year | (54,522) | (18,662) | (54,522) | (17,671) |
| **Cost at 30 September** | **66,958** | **67,166** | **66,010** | **66,218** |
| Value adjustment at 1 October | 203 | (154) | 203 | (154) |
| Value adjustments for the year | (489) | 357 | (481) | 357 |
| **Value adjustment at 30 September** | **(286)** | **203** | **(278)** | **203** |
| **Carrying amount at 30 September** | **66,672** | **67,369** | **65,732** | **66,421** |

Fair value adjustments until the time of disposal of the assets are recognised directly in equity.

| Short-term current asset investments consist of listed Danish mortgage bonds and bonds issued by the Ship Credit Fund with an: | Group 2007/08 | Group 2006/07 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|---|---|
| Average maturity of | 7.4 years | 3.2 years | 7.4 years | 3.2 years |
| Average effective rate of interest of | 4.2% | 4.6% | 4.2% | 4.6% |

| Bonds terminate within the following periods from the balance sheet date: | Group 2007/08 | Group 2006/07 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|---|---|
| Less than one year | 0 | 0 | 0 | 0 |
| Between one and two years | 16,965 | 0 | 16,965 | 0 |
| Between two and three years | 14,619 | 51,564 | 14,619 | 51,564 |
| Between three and four years | 0 | 14,857 | 0 | 14,857 |
| Between four and five years | 0 | 0 | 0 | 0 |
| After five years | 35,088 | 948 | 34,148 | 0 |
| **Total** | **66,672** | **67,369** | **65,732** | **66,421** |

# NOTES

| Amounts in DKK '000 | Group 2007/08 | Group 2006/07 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|---|---|
| **23. Cash at bank and in hand** | | | | |
| Cash and bank deposits | 32,801 | 48,359 | 24,164 | 40,978 |
| Short-term bank debt (overdraft account) | (7,121) | (4,994) | (3,999) | 0 |
| | **25,680** | **43,365** | **20,165** | **40,978** |

| Amounts in DKK '000 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|
| **24. Share capital** | | |
| Development in share capital: | | |
| Share capital at 1 October | 47,170 | 47,170 |
| **Share capital at 30 September** | **47,170** | **47,170** |
| | | |
| Number of shares at DKK 5 at 30 September amounts to | 9,434,051 | 9,434,051 |

# NOTES

| | Parent | | | |
|---|---|---|---|---|
| | 2007/08 | | 2006/07 | |
| | Number of shares at DKK 5 | % of share capital | Number of shares at DKK 5 | % of share capital |
| **25. Treasury shares** | | | | |
| Shareholding at 1 October | 144,584 | 1.5% | 125,000 | 1.3% |
| Purchase during the year | 0 | - | 25,000 | 0.3% |
| Sale during the year | 0 | - | (5,416) | (0.1%) |
| **Shareholding at 30 September** | **144,584** | **1.5%** | **144,584** | **1.5%** |
| The market price of treasury shares at 30 September, DKK '000 | 3,745 | | 7,591 | |

The Supervisory Board is authorised to acquire treasury shares of a total face value of 10% of the Company's share capital up to 28 January 2009. The Company's holding of 144,584 shares was acquired for the purpose of partial hedging of the liabilities relating to the share options granted by the Company to the Executive Board and a limited number of key employees, see note 34.

| | Group | | Parent | |
|---|---|---|---|---|
| **Amounts in DKK '000** | **2007/08** | **2006/07** | **2007/08** | **2006/07** |
| **26. Long-term liabilities** | | | | |
| Mortgage loans as well as other hedged loans maturing 2012 – 2025 and a weighted average interest rate of 4.4% | 22,781 | 24,665 | 22,781 | 24,665 |
| **Total** | **22,781** | **24,665** | **22,781** | **24,665** |

# NOTES

| Amounts in DKK '000 | Group 2007/08 | Group 2006/07 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|---|---|
| **26. Long-term liabilities (continued)** | | | | |
| The debt must be paid within the following periods from the balance sheet date: | | | | |
| Less than one year | 1,955 | 1,927 | 1,955 | 1,927 |
| Between one and two years | 2,052 | 2,015 | 2,052 | 2,015 |
| Between two and three years | 2,154 | 2,107 | 2,154 | 2,107 |
| Between three and four years | 1,146 | 2,203 | 1,146 | 2,203 |
| Between four and five years | 1,043 | 1,189 | 1,043 | 1,189 |
| After five years | 14,431 | 15,224 | 14,431 | 15,224 |
| **Total** | **22,781** | **24,665** | **22,781** | **24,665** |
| Long-term liabilities are recognised in the balance sheet as follows: | | | | |
| Short-term liabilities | 1,955 | 1,927 | 1,955 | 1,927 |
| Long-term liabilities | 20,826 | 22,738 | 20,826 | 22,738 |
| **Total** | **22,781** | **24,665** | **22,781** | **24,665** |
| Debt is broken down by currency as follows: | | | | |
| DKK | 15,418 | 16,912 | 15,418 | 16,912 |
| EUR | 7,363 | 7,753 | 7,363 | 7,753 |
| **Total** | **22,781** | **24,665** | **22,781** | **24,665** |
| Of the long-term liabilities there are: | | | | |
| Debt with fluctuating interest rate | 19,148 | 19,975 | 19,148 | 19,975 |
| Debt with fixed interest rate | 3,633 | 4,690 | 3,633 | 4,690 |
| **Total** | **22,781** | **24,665** | **22,781** | **24,665** |
| Effective rate of interest per annum in local currency: | | | | |
| Under 4% | 0 | 0 | 0 | 0 |
| Between 4% and 6% | 22,781 | 24,665 | 22,781 | 24,665 |
| **Total** | **22,781** | **24,665** | **22,781** | **24,665** |

Adjustment of above loans to market value at 30 September 2008 would result in a cost of DKK 0.4 million (a cost of DKK 0.3 million at 30 September 2007).

Of long-term liabilities, DKK 0.0 million relates to assets held under finance lease (DKK 0.0 million at 30 September 2007).

# NOTES

| Amounts in DKK '000 | Group 2007/08 | Group 2006/07 | Parent 2007/08 | Parent 2006/07 |
|---|---|---|---|---|
| **27. Provisions** | | | | |
| **Provision for losses on projects in progress and completed projects** | | | | |
| Provisions at 1 October | 2,000 | 3,120 | 2,000 | 3,120 |
| Reversed during the year | 0 | (1,120) | 0 | (1,120) |
| **Provisions at 30 September** | **2,000** | **2,000** | **2,000** | **2,000** |
| **Provision for guarantee obligations** | | | | |
| Provisions at 1 October | 690 | 690 | 690 | 0 |
| Additions by merger with subsidiary | 0 | 0 | 0 | 690 |
| Provisions made during the year | 398 | 450 | 398 | 450 |
| Employed during the year | (398) | (450) | (398) | (450) |
| Reversed during the year | 0 | 0 | 0 | 0 |
| **Provisions at 30 September** | **690** | **690** | **690** | **690** |
| **Provisions for other liabilities** | | | | |
| Provisions at 1 October | 1,227 | 630 | 1,227 | 0 |
| Additions by merger with subsidiary | 0 | 0 | 0 | 630 |
| Provisions made during the year | 2,074 | 597 | 2,074 | 597 |
| Employed during the year | 0 | 0 | 0 | 0 |
| Reversed during the year | 0 | 0 | 0 | 0 |
| **Provisions at 30 September** | **3,301** | **1,227** | **3,301** | **1,227** |
| **Total provisions at 30 September** | **5,991** | **3,917** | **5,991** | **3,917** |
| Provisions are recognised in the balance sheet as follows: | | | | |
| Short-term liabilities (less than 1 year) | 5,383 | 3,068 | 5,383 | 3,068 |
| Long-term liabilities (between 1 and 2 years) | 608 | 849 | 608 | 849 |
| **Total** | **5,991** | **3,917** | **5,991** | **3,917** |

Loss on work in progress relates to likely losses on contract development projects in progress of which the agreed market values do not exceed the expected cost price of the total contract expenses. The loss-making development projects are expected to be terminated during 2008 and 2009.

# NOTES

## 27. Provisions (continued)

Guarantee obligations concern products sold which are delivered with up to two years' guarantee. The guarantee obligations are prepared based on previous years' experiences. The expenses are expected to be paid in the period 1 October 2008 - 30 September 2010.

Other obligations relate to obligations for employees dismissed and disemployed, obligations in connection with potential patent actions, etc. The costs are expected to be incurred in the course of 2008/09.

| | Group | | Parent | |
|---|---|---|---|---|
| **Amounts in DKK '000** | **2007/08** | **2006/07** | **2007/08** | **2006/07** |

## 28. Trade payables

| | | | | |
|---|---|---|---|---|
| Trade payables | 17,325 | 24,839 | 11,112 | 21,505 |

The carrying amount is equal to the fair market value of the liabilities.

| | Group | | Parent | |
|---|---|---|---|---|
| **Amounts in DKK '000** | **2007/08** | **2006/07** | **2007/08** | **2006/07** |

## 29. Other payables

| | | | | |
|---|---|---|---|---|
| Wages and salaries, personal income taxes, social security costs, holiday pay, etc payable | 5,982 | 2,044 | 5,982 | 1,739 |
| Holiday pay obligations, etc | 11,155 | 13,135 | 11,155 | 13,836 |
| VAT and taxes due | 0 | 791 | 0 | 791 |
| Other costs payable, etc | 7,261 | 5,803 | 6,773 | 4,047 |
| **Total** | **24,398** | **21,773** | **23,910** | **20,413** |

Carrying amount of due items concerning wages and salaries, personal income taxes, social security costs, holiday pay, etc, VAT and taxes as well as other expenses due, etc equals the fair market value of the liabilities.

The holiday pay obligation represents the Group's obligation to pay salary during holiday periods which at the balance sheet date the employees have earned the right to hold in subsequent financial years.

# NOTES

## 30. Operating lease commitments

For the years 2008-2013, operating leases have been concluded for lease of premises, etc. The Group's rental obligations of the leasehold amount to DKK 2.0 million in the period of interminability (DKK 1.8 million at 30 September 2007).

Rent and lease payments (minimum lease payments) relating to operating lease contracts, including rental obligations, fall due as follows:

| | Group | | Parent | |
|---|---|---|---|---|
| **Amounts in DKK '000** | **2007/08** | **2006/07** | **2007/08** | **2006/07** |
| Less than 1 year | 1,229 | 1,033 | 209 | 275 |
| Between 1 and 5 years | 1,709 | 1,212 | 707 | 478 |
| More than 5 years | 0 | 0 | 0 | 0 |
| **Total** | **2,938** | **2,245** | **916** | **753** |

The Group’s costs of rent/leasing amounted to DKK 1.1 million in 2007/08 and DKK 3.0 million in 2006/07. The amounts are recognised in the profit and loss account.

# NOTES

## 31. Contingent liabilities, collateral and contractual obligations

**Contingent liabilities**

The Group's banks have provided bank guarantees and letters of credit at a total amount of DKK 18.4 million of which DKK 18.4 million relates to the Parent and DKK 0.0 million relates to group enterprises. At 30 September 2007 the corresponding amounts were DKK 10.2 million, DKK 10.2 million and DKK 0.0 million.

In addition to this, the Group has not incurred any guarantee commitments and has not undertaken any guarantees and supply obligations other than obligations and guarantees relating to the services and products developed and sold by the Group.

Claims for relatively small amounts in terms of value have been set up against the Group. It is Management's opinion that these claims will not have any significant impact on the Group's financial position. Provisions are made for disputes and legal actions based on best estimate.

| | Group | | Parent | |
|---|---|---|---|---|
| **Amounts in DKK '000** | **2007/08** | **2006/07** | **2007/08** | **2006/07** |
| **Collateral** | | | | |
| Mortgage debt with an outstanding debt of | 22,781 | 24,665 | 22,781 | 24,665 |
| is secured by mortgaged property with related plant and machinery (mortgage of ancillary equipment). | | | | |
| Carrying amount of mortgaged properties | 81,619 | 85,040 | 81,619 | 85,040 |
| As security for the subsidiaries' bank facilities RTX Telecom has deposited current asset investments with a carrying amount of | 11,918 | 12,435 | 11,918 | 12,435 |

RTX Telecom A/S has provided payment guarantees, etc of DKK 8.6 million to some of the subsidiaries’ cooperative partners. At 30 September 2007 the amount was DKK 10.2 million.

RTX Telecom A/S is liable for the total income taxes due in the jointly taxed companies.

# NOTES

## 31. Contingent liabilities, collateral and contractual obligations (continued)

**Contractual obligations**

As part of the Group's business the usual customer and supplier agreements etc have been concluded, letters of intent have been issued to cooperative partners, and moreover, agreements have been entered into on normal business terms.

| | Group | | Parent | |
|---|---|---|---|---|
| **Amounts in DKK '000** | **2007/08** | **2006/07** | **2007/08** | **2006/07** |
| **32. Other items with no effects on cash flow** | | | | |
| Change in write-down to net realisable value of short-term assets | 8,025 | 0 | 7,735 | 39,547 |
| Change in provisions | 2,074 | 37,711 | 2,074 | (395) |
| Foreign exchange adjustment | 816 | 1,495 | 0 | 0 |
| Share-based remuneration | 495 | 558 | 495 | 560 |
| **Total** | **11,410** | **39,764** | **10,304** | **39,712** |

# NOTES

## 33. Related parties

**Related party transactions**

Related parties with significant interest in RTX Telecom include the Company's Supervisory Board, Executive Board and executives as well as these persons' nearest family members. Related parties also comprise large shareholders in the Parent and companies in which the above group of persons have material interests.

In addition, related parties comprise group enterprises.

An overview of group enterprises is disclosed in note 16.

**Supervisory Board and Executive Board**

Management's remuneration and share-based remuneration are stated in note 6 and note 34.

**Subsidiaries**

Trade with subsidiaries has comprised the following:

- Sale of products to subsidiaries
- Purchase of products from subsidiaries
- Sale of services to subsidiaries
- Purchase of services from subsidiaries

In 2007/08 trade, etc between RTX Telecom A/S and related parties amounted to DKK 28.8 million (2006/07: DKK 15.9 million). All trade was conducted on an arm's length basis. The transactions for the Parent can be calculated as follows:

| Amounts in DKK '000 | Sale of products | Purchase of products | Sale of services | Purchase of services | Receiv-ables | Payables |
|---|---|---|---|---|---|---|
| **2007/08** | | | | | | |
| Subsidiaries | 5,510 | 16,785 | 1,224 | 5,315 | 4,358 | 249 |
| **2006/07** | | | | | | |
| Subsidiaries | 4,890 | 981 | 1,891 | 8,122 | 12,311 | 0 |

Transactions with subsidiaries are eliminated in the consolidated financial statements in accordance with the applied accounting policies.

# NOTES

## 33. Related parties (continued)

Interest income and interest expenses concerning subsidiaries are disclosed in notes 10 and 11. The Parent's guarantees towards subsidiaries in relation to agreed credit lines are stated in note 31.

In addition, intra-group balances with subsidiaries comprise money lending as well as ordinary business balances regarding purchase and sale of goods and services.

The Parent has not received dividend from subsidiaries in 2007/08 or in 2006/07.

During the year no transactions were performed between RTX Telecom and the Supervisory Board, the Executive Board, executives, large shareholders or other related parties, apart from payment of normal management's remuneration, see note 6.

# NOTES

## 34. Share-based remuneration

### Employee shares

In 2006/07 and 2007/08 there were no employee share schemes.

### Warrants

RTX Telecom A/S has granted 2,040 warrants at DKK 5 to a limited number of executives. The unexercised granted warrants at 30 September 2008 can be specified as follows:

| Time of issue | Number of warrants at DKK 5 | Exercise price per share at DKK 5 | Exercise period |
|---|---|---|---|
| December 2003 | 2,040 | 43.6400 | 20 January – 4 February 2009 |
| | **2,040** | | |

The granted warrants account for 0.0% of the Company's share capital.

Changes for the year and unexercised warrants at 30 September 2007 and 30 September 2008 can be specified as follows:

| | Total | Super-visory Board | Exe-cutive Board | Execu-tives | Other staff |
|---|---|---|---|---|---|
| Unexercised warrants at 1 October 2006 | 64,300 | 2,040 | 0 | 18,090 | 44,170 |
| Expired warrants | (55,150) | (2,040) | 0 | (16,080) | (37,030) |
| **Unexercised warrants at 30 September 2007** | **9,150** | **0** | **0** | **2,010** | **7,140** |

# NOTES

## 34. Share-based remuneration (continued)

| | Total | Super-visory Board | Exe-cutive Board | Execu-tives | Other staff |
|---|---|---|---|---|---|
| Unexercised warrants at 1 October 2007 | 9,150 | 0 | 0 | 2,010 | 7,140 |
| Expired warrants | (7,110) | 0 | 0 | (990) | (6,120) |
| **Unexercised warrants 30.09.2008** | **2,040** | **0** | **0** | **1,020** | **1,020** |
| *Market value of unexercised warrants* | | | | | |
| 30 September 2008, DKK '000 | 0 | 0 | 0 | 0 | 0 |
| 30 September 2007, DKK '000 | 41 | 0 | 0 | 25 | 16 |

**Share options**

RTX Telecom A/S has granted a total of 145,000 share options at DKK 5 to the Executive Board and a limited number of executives. The unexercised granted share options can be specified as follows:

| Time of issue | Number of share options at DKK 5 | Exercise price per share at DKK 5 | Exercise period |
|---|---|---|---|
| May 2005 | 120,000 | 70.80 – 79.65 | 9 December 2008 – 24 May 2012 |
| September 2006 | 25,000 | 78.00 – 87.75 | 1 September 2009 – 31 August 2013 |
| | **145,000** | | |

The granted share options account for approx. 1.5% of the Company's share capital.

*Exercise price, exercise period and hedging*

The exercise price of share options is fixed as the average rate for a period of five trading days immediately up to the time of issue plus 5% per year commenced after the time of issue.

# NOTES

## 34. Share-based remuneration (continued)

In an ordinary process the share options can be exercised no earlier than 36 months after the time of issue and must be exercised no later than 84 months after the time of issue. Special conditions have been agreed regarding exercise if extraordinary conditions should occur in the period of agreement, for instance the employee's resignation.

RTX Telecom's holding of treasury shares is planned to be used to fulfil the Group's obligations related to the granted unexercised share options.

Changes for the year and unexercised share options at 30 September 2007 and 30 September 2008 can be specified as follows:

| | Total | Supervisory Board | Executive Board | Executives | Other staff |
|---|---|---|---|---|---|
| Unexercised share options at 1 October 2006 | 157,916 | 7,500 | 25,000 | 90,000 | 35,416 |
| Resigned from the Supervisory Board | 0 | 0 | 0 | 0 | 0 |
| Exercise of share options | (5,416) | 0 | 0 | 0 | (5,416) |
| Employees resigned | (7,500) | (7,500) | 0 | 0 | 0 |
| **Unexercised share options at 30 September 2007** | **145,000** | **0** | **25,000** | **90,000** | **30,000** |
| Unexercised share options 1 October 2007 | 145,000 | 0 | 25,000 | 90,000 | 30,000 |
| Changed categorisation | 0 | 0 | 0 | (37,500) | 37,500 |
| **Unexercised share options at 30 September 2008** | **145,000** | **0** | **25,000** | **52,500** | **67,500** |
| *Market value of unexercised share options* | | | | | |
| 30 September 2008, DKK '000 | 132 | 0 | 34 | 43 | 55 |
| 30 September 2007, DKK '000 | 1,827 | 0 | 345 | 1,111 | 371 |

At the time of issue the fair market value of the share options was stated as follows:

| | |
|---|---|
| Granted in May 2005, DKK '000 | 2,738 |
| Granted in September 2006, DKK '000 | 824 |

# NOTES

## 34. Share-based remuneration (continued)

**Warrants and share options**

The market value of all unexercised warrants and share options at 30 September 2008 is calculated at DKK 132 thousands on the basis of the Black-Scholes model for valuation of warrants and share options. The calculation is based on a volatility of 34.2%. Interest rates up to the expiry of the warrant and the share option are based on CIBOR and the Danish swap interest rates at 30 September 2008.

The fair market values for warrants and share options stated at the time of issue are recognised as staff costs proportionally in the profit and loss account over the period until the time of exercise. In the financial year 2007/08, DKK 495 thousand is taken to the profit and loss account (2006/07: DKK 558 thousand).

## 35. Ownership

**Shareholders**

At 30 September 2008, there were approximately 4,700 registered shareholders. These registered shareholders hold shares equivalent to approximately 69% of the share capital.

The following shareholders hold shares which either carry at least 5% of the voting rights of the share capital or have a nominal value of at least 5% of the share capital:

| | Ownership |
|---|---|
| Estate left by Jørgen Elbæk, Knepholtvej 22, 9430 Vadum, Denmark | 7.22% |
| Jens Hansen, Kronen 18, 9260 Gistrup, Denmark | 8.75% |
| Jens Toftgaard Petersen, Ravnhøj 82, 9000 Aalborg, Denmark | 7.22% |

At 30 September 2008, members of the Group's Supervisory Board and Executive Board had the following personal shareholding, warrants and share options in RTX Telecom:

| | Number of shares | | Number of warrants | | Number of share options | |
|---|---|---|---|---|---|---|
| | Year-end 2007/08 | Year-end 2006/07 | Year-end 2007/08 | Year-end 2006/07 | Year-end 2007/08 | Year-end 2006/07 |
| Supervisory Board | 1,513,771 | 2,195,021 | 0 | 0 | 0 | 0 |
| Executive Board | 5,500 | 5,500 | 0 | 0 | 25,000 | 25,000 |
| **Total** | **1,519,271** | **2,200,521** | **0** | **0** | **25,000** | **25,000** |

# NOTES

## 35. Ownership (continued)

**The Supervisory Board and the Executive Board hold the following shares in RTX Telecom A/S:**

| Number of shares at DKK 5 | 30 Sept. 2007 | Purchased during the year | Sold during the year | 30 Sept. 2008 | Market value 30 Sept. 2008 DKKm |
|---|---|---|---|---|---|
| **Supervisory Board**: | | | | | |
| Poul Lind | 0 | 0 | 0 | 0 | 0.0 |
| Per Møller | 2,000 | 0 | 0 | 2,000 | 0.0 |
| Jørgen Dalby-Jakobsen | 2,181 | 0 | 0 | 2,181 | 0.1 |
| Jørgen Elbæk* | 681,250 | 0 | 0 | - | - |
| Else B. Larsen | 2,715 | 0 | 0 | 2,715 | 0.1 |
| Jens Hansen | 825,625 | 0 | 0 | 825,625 | 21.4 |
| Christian Jørgensen | 0 | 0 | 0 | 0 | 0.0 |
| Jens Toftgaard Petersen | 681,250 | 0 | 0 | 681,250 | 17.6 |
| **Total** | **2,195,021** | **0** | **0** | **1,513,771** | **39.2** |
| **Executive Board:** | | | | | |
| Tage Rasmussen | 5,500 | 0 | 0 | 5,500 | 0.1 |
| **Total** | **5,500** | **0** | **0** | **5,500** | **0.1** |
| **Total shareholding of the Supervisory Board and the Executive Board** | **2,200,521** | **0** | **0** | **1,519,271** | **39.3** |

The calculated market value is based on the share prices listed at the end of the financial year.

* = passed away in 2007/08

# NOTES

## 35. Ownership (continued)

**The Supervisory Board and the Executive Board have the following unexercised warrants and share options:**

| Number at DKK 5 | Warrants 30 Sept. 2008 | Warrants 30 Sept. 2007 | Share options 30 Sept. 2008 | Share options 30 Sept. 2007 |
|---|---|---|---|---|
| **Supervisory Board**: | | | | |
| Poul Lind | 0 | 0 | 0 | 0 |
| Per Møller | 0 | 0 | 0 | 0 |
| Jørgen Dalby-Jakobsen | 0 | 0 | 0 | 0 |
| Else B. Larsen | 0 | 0 | 0 | 0 |
| Jens Hansen | 0 | 0 | 0 | 0 |
| Christian Jørgensen | 0 | 0 | 0 | 0 |
| Jens Toftgaard Petersen | 0 | 0 | 0 | 0 |
| **Total** | **0** | **0** | **0** | **0** |
| **Executive Board:** | | | | |
| Tage Rasmussen | 0 | 0 | 25,000 | 25,000 |
| **Total** | **0** | **0** | **25,000** | **25,000** |
| **Unexercised warrants and share options at DKK 5 granted to the Supervisory Board and the Executive Board amount to a total** | **0** | **0** | **25,000** | **25,000** |

# NOTES

## 36. Discontinued operations

On 27 June 2008, RTX Telecom closed sale of the shares in the wholly-owned subsidiary, RTX Healthcare A/S. The sale was performed in accordance with the Group's strategic plan contemplating focus on the business activities and concentrating the efforts on development and production of advanced solutions and products for the professional market for telecommunications. The sale was carried through with effect from 27 June 2008 after which the control of the company passed to the buyer. The sales price is a combination of a cash payment at the level of the carrying amount and an earn-out payment depending on the development in the company over the next 24 months.

The discontinued operations have affected the profit and loss account and the cash flow statement as stated below. The amounts for 2007/08 cover the period until transfer of control. The comparative figures for 2006/07 cover the period until 30 September 2007.

Operating profit/loss for the year can be specified as follows:

| **Amounts in DKK '000** | **2007/08** | **2006/07** |
|---|---|---|
| **Net turnover** | **8,473** | **10,397** |
| Cost of sales, etc | (4,375) | (3,567) |
| Other external expenses | (2,793) | (3,786) |
| Staff costs | (4,863) | (6,051) |
| Depreciation, amortisation and impairment | (76) | (45) |
| **Operating profit/loss (EBIT)** | **(3,634)** | **(3,052)** |
| Financial income | 23 | 22 |
| Financial expenses | (147) | (356) |
| **Profit/loss before tax** | **(3,758)** | **(3,386)** |
| Tax on profit/loss for the year | 47 | (2,468) |
| **Profit/loss for the year** | **(3,711)** | **(5,854)** |

# NOTES

## 36. Discontinued operations (continued)

The discontinued operation has affected the profit and loss account as follows in the financial year:

| Amounts in DKK '000 | 2007/08 | 2006/07 |
|---|---|---|
| Profit/loss for the year | (3,711) | (5,854) |
| Adjustment at fair market value less expected selling costs | (1,186) | 0 |
| Transaction bonus to the Executive Board | (2,520) | 0 |
| **Net impact on profit/loss for the year** | **(7,417)** | **(5,854)** |

The discontinued operation has affected the cash flow statement as follows in the financial year:

| | | |
|---|---|---|
| Cash flows from operations | (5,232) | (1,729) |
| Cash flows from investments | 335 | (456) |
| Cash flows from financing activities | 0 | 0 |
| | **(4,897)** | **(2,185)** |

| | Group | | Parent | |
|---|---|---|---|---|
| **Amounts in DKK '000** | **2007/08** | **2006/07** | **2007/08** | **2006/07** |
| **37. Financial risks and financial instruments** | | | | |
| Trade receivables | 73,627 | 61,342 | 62,585 | 55,277 |
| Receivables from subsidiaries | 0 | 0 | 4,358 | 12,311 |
| Other receivables | 4,379 | 4,407 | 2,684 | 3,932 |
| Cash at bank and in hand | 32,801 | 48,359 | 24,164 | 40,978 |
| **Loans and receivables** | **110,807** | **114,108** | **93,791** | **112,498** |
| Other equity investments | 422 | 7,014 | 422 | 7,014 |
| Subordinated convertible loan | 0 | 4,117 | 0 | 4,117 |
| Short-term current asset investments | 66,672 | 0 | 65,732 | 0 |
| Financial assets measured at fair market value through the profit and loss account | 0 | 67,369 | 0 | 66,421 |
| **Financial assets available for sale** | **67,094** | **78,500** | **66,154** | **77,552** |
| Payables to subsidiaries | 0 | 0 | 249 | 0 |
| Mortgage debt | 22,781 | 24,665 | 22,781 | 24,665 |
| Bank debt | 7,121 | 4,994 | 3,999 | 0 |
| Trade payables | 17,325 | 24,839 | 11,112 | 21,505 |
| Other payables | 13,243 | 8,638 | 12,755 | 6,577 |
| **Financial liabilities measured at amortised cost** | **60,470** | **63,136** | **50,896** | **52,747** |

# NOTES

## 37. Financial risks and financial instruments (continued)

***Financial risk management policy***

As a consequence of its operations, investments and financing, RTX Telecom is exposed to changes in the level of interest and exchange rates. The Parent manages the financial risks of the Group centrally and also coordinates the cash management of the Group, including financing and investment of surplus liquidity. The Group uses derivaties to some extent. It is the Group's policy not to conduct active speculation in financial risks.

The Group's financial management is directed towards management and reduction of financial risks which are a direct consequence of the Group's operations, investments and financing. The objective is that the Group's financial management will contribute to increasing the predictability of the financial performance, including reducing and delaying the impact of foreign exchange rate fluctuations on the profit and loss account.

*Currency risks*

The Group is exposed to exchange rate fluctuations as the individual group enterprises make investments, conduct purchase and sales transactions and have receivables and payables in foreign currencies. The Group's turnover to customers outside Denmark has been in the range of 80% of total turnover over the past few years. Moreover, the major part of the Group's purchase of products, etc from subsuppliers is settled in foreign currencies.

The Group conducts commercial hedging transactions, to the extent considered appropriate, to lower any currency exposure.

*Interest rate risks*

The Group is primarily exposed to interest rate risks through interest-bearing assets and liabilities. The overall objective of controlling the interest rate risk is to reduce the negative impacts of interest rate fluctuations on earnings and the balance sheet. Excess liquidity is primarily invested in short-term cash bonds with a sound credit rating and high liquidity in Danish kroner or in money market deposits. The interest rate risk of the investments is managed on the basis of duration in relation to a predefined benchmark.

# NOTES

## 37. Financial risks and financial instruments (continued)

*Liquidity risks*

The Group ensures sufficient cash resources by a combination of cash control, investment in short-term current asset investments and by the establishment of credit facilities.

The Group's cash at bank and in hand primarily consists of deposits in reputable banks and credit institutions. Bank deposits, bank debt and most of the Group's mortgage debt carry a floating rate.

*Credit risks*

The Group's credit risks related to trade receivables are assessed on an ongoing basis. By experience, a relatively large credit risk may occur from time to time as a large part of receivables often relates to a relatively small number of counterparties and customers.

The Group's credit risk on work in progress may be significant as a large part of the stated value of development projects in progress, net often relates to a relatively small number of counterparties and customers. Moreover, in special cases the customers' requests/requirements for specifications and delivery times may result in tasks being started before final agreements have been concluded.

With a view to reducing the Group's counterparty risks, the Group only makes contributions in reputable banks and highly secured investments in short-term current asset investments.

***Currency risks from assets and liabilities***

The Group uses hedging instruments from time to time such as forward contracts to hedge recognised and unrecognised transactions. Hedging of recognised assets and liabilities primarily includes short-term current asset investments, loans and receivables as well as financial liabilities. At the balance sheet date, the fair market value of the Group's derivatives entered into to hedge recognised financial assets and liabilities totals DKK 0 million (30 September 2007: DKK 0 million). The fair market value of the derivatives is recognised under other payables and set off in the profit and loss account against foreign exchange adjustments of the assets and liabilities hedged.

# NOTES

## 37. Financial risks and financial instruments (continued)

Outline of the Group's risks in foreign currencies:

| Amounts in DKK '000 | Group | | | |
|---|---|---|---|---|
| | Cash and current asset investments | Receiv-ables | Liabi-lities | Unsecured net position |
| EUR | 4,864 | 55,239 | 10,405 | 49,698 |
| USD | 23,021 | 32,432 | 11,621 | 43,832 |
| Other | 3,955 | 263 | 3,719 | 499 |
| **Total at 30 September 2008** | **31,840** | **87,934** | **25,745** | **94,029** |
| EUR | 2,318 | 49,597 | 8,725 | 43,190 |
| USD | 23,415 | 21,303 | 13,660 | 31,058 |
| Other | 3,020 | 45 | 5,036 | (1,971) |
| **Total at 30 September 2007** | **28,753** | **70,945** | **27,421** | **72,277** |

The Group's most important currency exposure relates to sale in EUR and USD. Due to Denmark's fixed-rate policy vis-à-vis EUR, currency risks in relation to EUR are not hedged. As for the Group's financial assets and liabilities recognised in the balance sheet, a change in the exchange rate of USD of 10% in upward direction would result in an increase in the Group's financial performance and equity of DKK 4.3 million (at 30 September 2007: DKK 3.1 million). A decline in the exchange rate of 10% would have the same impact with an opposite sign.

***Interest rate risks***

The Group is primarily exposed to interest rate risks through interest-bearing assets and liabilities. The overall objective of controlling the interest rate risk is to reduce the negative impacts of interest rate fluctuations on earnings and the balance sheet.

# NOTES

## 37. Financial risks and financial instruments (continued)

Outline of the maturity dates of the Group's financial assets and liabilities:

| **Amounts in DKK '000** | **Within one year** | **Between two and five years** | **After five years** | **Of this carrying a fixed rate** | **Average term years** |
|---|---|---|---|---|---|
| Bonds | 0 | 31,584 | 35,088 | 0 | 7.4 |
| Bank deposit | 32,801 | 0 | 0 | 0 | 0 |
| Mortgage debt | (1,955) | (6,395) | (14,431) | (3,633) | 13.5 |
| Bank debt | (7,121) | 0 | 0 | 0 | 0 |
| **Total at 30 September 2008** | **23,725** | **25,189** | **20,657** | **(3,633)** | |
| | | | | | |
| Bonds | 0 | 66,421 | 948 | 0 | 3.2 |
| Bank deposit | 48,359 | 0 | 0 | 0 | 0 |
| Mortgage debt | (1,927) | (7,514) | (15,224) | (4,690) | 14.1 |
| Bank debt | (4,994) | 0 | 0 | 0 | 0 |
| **Total at 30 September 2007** | **41,438** | **58,907** | **(14,276)** | **(4,690)** | |

The Group's bank deposit is deposited in accounts on demand terms or fixed-term deposit accounts with a term of up to nine months.

Fluctuations in the interest rate level affect the Group's bond portfolios, bank deposits, bank debt as well as mortgage debt. An increase in the interest rate level of 1 percentage point per annum compared to the interest rate level at the balance sheet date would have had a positive impact of DKK 0.7 million (30 September 2007: DKK 0.9 million) on the Group's financial performance and equity. A corresponding drop in the interest rate level will result in a corresponding negative effect on the profit and loss account and equity.

Moreover, an increase in the interest rate level of 1 percentage point per annum on the interest rate level at the balance sheet date will result in a negative fair market value adjustment of the Group's bond portfolios of DKK 4.9 million (30 September 2007: DKK 2.2 million), which is recognised directly on equity. A corresponding drop in the interest rate level will result in a corresponding positive fair market value adjustment, which is recognised directly on equity.

# NOTES

## 37. Financial risks and financial instruments (continued)

***Liquidity risks***

The maturity of financial liabilities is specified in the notes to each category of liabilities. The Group's cash reserve consists of cash funds, short-term current asset investments and undrawn credit facilities. The Group's cash reserve is composed as follows:

| **Amounts in DKK '000** | **2007/08** | **2006/07** |
|---|---|---|
| Short-term current asset investments | 66,672 | 67,369 |
| Cash at bank and in hand | 32,801 | 48,359 |
| Undrawn credit facilities | 15,936 | 48,675 |
| **Total** | **115,409** | **164,403** |

***Credit risks***

The Group's credit risks related to trade receivables and contract development projects in progress are assessed on an ongoing basis. The Group's customers are mainly large companies in Europe, America and Asia. By experience, a relatively large credit risk may occur from time to time as a large part of receivables often relates to a relatively small number of counterparties and customers.

With a view to reducing the Group's counterparty risks, the Group only makes deposits in reputable banks and investments in highly secured short-term current asset investments.

**Optimisation of capital structure**

The Group's capital structure is characterised by a considerable equity share. The business conditions of the Telecom industry are characterised by a high degree of uncertainty, which requires the presence of substantial equity, among other things to implement large and long-term development projects at the Group's own expense, for instance in connection with the set-up of technology platforms or by cultivating new business areas and markets.

The Group's equity share amounted to 71.1% at the end of the financial year 2007/08 compared to 74.9% at the end of the previous financial year.

# NOTES

## 37. Financial risks and financial instruments (continued)

**Financial gearing**

The Company's Supervisory Board reviews the Group's capital structure four times a year in connection with the presentation of interim reports and annual reports. As part of this review, the Supervisory Board reviews the Group's cost of capital and the risks related to the various types of capital.

The financial gearing in the Group, calculated as the ratio of interest bearing net debt to equity, can be calculated at the balance sheet date as follows:

| **Amounts in DKK '000** | **2007/08** | **2006/07** |
|---|---|---|
| Mortgage debt | 22,781 | 24,665 |
| Bank debt | 7,121 | 4,994 |
| Income taxes payable | 31 | 225 |
| Income taxes receivable | (112) | (113) |
| Short-term current asset investments | (66,672) | (67,369) |
| Cash at bank and in hand | (32,801) | (48,359) |
| **Interest-bearing net debt** | **(69,652)** | **(85,957)** |
| **Equity** | **221,147** | **256,974** |
| **Financial gearing** | **(0.3)** | **(0.3)** |

**Breach of loan agreement terms**

The Group has not neglected or been in breach of loan agreement terms in the financial year or the comparative year.

# STATEMENT BY THE MANAGEMENT ON THE ANNUAL REPORT

The Supervisory Board and the Executive Board have today considered and approved the annual report of RTX Telecom A/S for the financial year 2007/08.

The annual report of the Group and the Parent has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. We consider the applied accounting policies appropriate for the annual report to provide a true and fair view of the Group's and the Parent's assets, liabilities and financial position at 30 September 2008 and of their financial performance and cash flows for the financial year 1 October 2007 to 30 September 2008.

We also consider Management's review to give a true and fair view of the development in the Group's and the Parent's activities and finances, profit/loss for the year and of the Group's and the Parent's financial position as a whole as well as a description of the most material risks and uncertainties facing the Group and the Parent.

We recommend the annual report for adoption at the Annual General Meeting.

Nørresundby, 9 December 2008

**Executive Board**

Tage Rasmussen
CEO

**Supervisory Board**

| | | |
|---|---|---|
| Poul Lind<br>Chairman of the Board | Per Møller<br>Deputy Chairman | Jørgen Dalby-Jakobsen<br>Employee Representative |
| Jens Hansen | Christian Jørgensen | Else Baldvinsson Larsen<br>Employee Representative |
| Jens Toftgaard Petersen | | |

# INDEPENDENT AUDITOR'S REPORT

## To the shareholders of RTX Telecom A/S

We have audited the annual report of RTX Telecom A/S for the financial year 1 October 2007 to 30 September 2008, which comprises the statement by Management on the annual report, Management's review, profit and loss account, balance sheet, equity statement, cash flow statement and notes for the Group as well as the Parent. The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

### Management's responsibility for the annual report

Management is responsible for the preparation and fair presentation of an annual report in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility and basis of opinion

Our responsibility is to express an opinion on this annual report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of an annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

# INDEPENDENT AUDITOR'S REPORT

## To the shareholders of RTX Telecom A/S (continued)

**Opinion**

In our opinion, the annual report gives a true and fair view of the Group's and the Parent's assets, liabilities and financial position at 30 September 2008 as well as of their financial performance and cash flows for the financial year 1 October 2007 to 30 September 2008 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish annual disclosure requirements of listed companies.

Aalborg, 9 December 2008

**Deloitte**
Statsautoriseret Revisionsaktieselskab

| | |
|---|---|
| Poul Erik Wagner | Torben Toft Kristensen |
| State Authorised | State Authorised |
| Public Accountant | Public Accountant |

# TECHNICAL TERMS AND EXPLANATIONS

| Technical term | Explanation |
|---|---|
| ***ADSL*** | ADSL (Asymmetric Digital Subscriber Line) is a broadband technology from the xDSL family allowing for high-speed data transmission via an ordinary telephone network. ADSL can support a number of applications, including sound, video and data. Asymmetric transmission means that there are different speeds for downstream (direction towards the user – i.e. download) and for upstream (direction towards the operator – i.e. upload). Ordinary ADSL supports speeds of up to approximately 9 Mbit/s. |
| ***Baseband*** | Baseband is a general term for part of the physical components of a wireless communication product. Typically, this would include the control circuitry (microprocessor), the power supply, amplifiers, etc. |
| ***bit/s (bps)*** | Just as the speed of a car is measured in kilometres or miles per hour, so the speed of data transfer is measured as bits per second, abbreviated to bit/s or bps. 1 kbit/s = 1,024 bit/s; 1 Mbit/s = 1,048,976 bit/s. The data transmission speed of a GSM mobile telephone is 9.6 kbit/s, GPRS up to 171.2 kbit/s, and UMTS up to 2 Mbit/s. |
| ***Bluetooth™*** | Bluetooth is a technology primarily intended as replacement for cables over short distances (typically 10-100 metres). Bluetooth is mainly used for mobile telephones, so the user can, for example, speak through a mobile telephone via a wireless Bluetooth headset, and it will be easy to exchange business cards between the two mobile telephones. Bluetooth can also be used for a number of other applications, such as wireless connection between a mobile telephone and a laptop or connection between an MP3 music player and a stereo headset. The two most widely distributed versions of Bluetooth (versions 1.1 and 1.2) have a maximum transfer speed of 723.2 kbit/s. Enhanced Data Rates (EDR) are introduced in Bluetooth version 2.0, and the data transfer speed in this version reaches a maximum of 3 Mbit/s. |
| ***CAT-iq*** | CAT-iq is an abbreviation of Cordless Advanced Technology – internet and quality. The CAT-iq standard supports new and existing consumer products within wireless communication. CAT-iq is based on the already existing DECT technology and connects broadband and telephony. |
| ***CDMA, IS-95,<br>CDMA 2000 1x,<br>CDMA 450*** | CDMA is the North American answer to the GSM mobile telephone standard. It is a standard also used in a number of other countries, especially in Asia. After GSM, CDMA is the most commonly used mobile telephone standard in the world. CDMA stands for Code Division Multiple Access and refers to the various technologies used in second and third generation (2G and 3G) mobile telephones. One of the advantages provided by CDMA is a relatively good and cheap use of network capacity. IS-95 is a CDMA standard. CDMA 2000 1x is a further development of the CDMA IS-95 standard, with a voice and data capacity twice that of IS-95. CDMA 450 is a standard which is becoming widespread in Asia and Eastern Europe. |
| ***The cellular market*** | The cellular market is a term used to cover all mobile telephony technologies and consists mainly of mobile telephone customers and subscribers, manufacturers and operators. |

# TECHNICAL TERMS AND EXPLANATIONS

| Technical term | Explanation |
|---|---|
| ***DCT2.4 GHz / WDCT*** | DCT2.4 GHz (Digital Cordless Telecommunications) or WDCT (World Digital Cordless Telecommunication) is a licence-free technology that makes it possible to speak wirelessly via an ordinary telephone connection. Unlike DECT, DCT2.4 GHz can be used all over the world. DCT2.4 GHz has mainly been targeted to the North American market as the common DECT frequencies have not been allocated to DECT in this area until 2005 (see also US-DECT). |
| ***DECT*** | DECT (Digital Enhanced Cordless Telecommunications) is a technology that makes it possible to talk wirelessly via an ordinary telephone connection at a range of up to 300 metres. This was originally a European standard, developed by ETSI (European Telecommunications Standards Institute) but it has subsequently also been adopted in a number of non-European countries. Many predicted that DECT would die quickly after the introduction of Bluetooth and W-LAN at the end of the 90's, however, the truth is that today DECT is still a strong technology which is also used in other contexts than wireless telephones – an example is the wireless controller for Xbox 360 ™. |
| ***DPRS*** | DPRS stands for DECT Packet Radio Service. It is a wireless technology that can transmit and receive data based on DECT technology. DPRS allows the user to send and receive e-mails on a laptop PC wirelessly. The range is 50–300 metres, and the speed up to 552 kbit/s, giving sufficient bandwidth for most ADSL connections. DPRS is in many ways similar to GPRS which is used on the GSM network for package linked data. |
| ***ESD/EMC*** | ESD is an abbreviation of Electrostatic Discharge. A discharge of static electricity can be damaging for most integrated circuits.<br><br>EMC is an abbreviation of Electro Magnetic Compatibility and is a joint term for undesired generating, spread and reception of electromagnetic energy. Or in other words: The ability of appliances to work together without disturbing each other. |
| ***GPRS*** | General Packet Radio Service (GPRS) is a technology for sending and receiving package linked data. It runs over a GSM infrastructure, meaning that existing GSM operators can upgrade their infrastructure to carry GPRS data transmissions. GPRS enables surfing the Internet from a laptop PC via a GPRS mobile telephone. It is approximately 12 times as fast as GSM. GPRS is one of the 2.5 generation (2.5G) technologies. |
| ***GPS*** | GPS (Global Positioning System) is a system for determining the geographical location of an object, for instance a car or a person. The object is registered with an accuracy of between 10 and 100 metres. This location can be displayed on a map in a car, or on the display of a mobile telephone. GPS is owned by the American Ministry of Defence and operates via 21 satellites that orbit the Earth. |

# TECHNICAL TERMS AND EXPLANATIONS

| Technical term | Explanation |
|---|---|
| ***GSM*** | GSM (Global System for Mobile communication) is the most commonly used mobile telephone system throughout the world. It is primarily used for voice communication and is defined as a second generation technology (2G). GSM can, however, also transfer data and enable Internet use from a laptop via a GSM mobile telephone. Short text messages can also be sent and received with a mobile telephone, using SMS (Short Message Service), and now it is also possible to send images and video clips via MMS (Multimedia Messaging Service). |
| ***GSM/GPRS*** | GSM (Global System for Mobile communication) combined with GPRS (General Packet Radio Services) is known all over the world as 2.5 generation (2.5 G) GSM network. The GSM/GPRS network is one step towards the 3G network and is suitable for supporting multimedia facilities because of the high data transmission speed. |
| ***IEEE 802.11*** | IEEE 802.11, also known as Wi-Fi, is a group of Wireless LAN/WLAN standards developed by task force 11 in IEEE LAN/MAN Standards Committee (IEEE 802). The expression 802.11x is also used to indicate corrections to the standards. |
| ***Internet telephony*** | Internet telephony is in short telephony via the Internet and not via the conventional telephone connections. As opposed to conventional telephony where each connection occupies the entire connection, Internet telephony enables more users to share the same connection, just as lots of cars can use the same motorway. For instance this means that several households in an apartment block can use the same broadband connection and that each individual household can cancel their ordinary telephone subscription and use Internet telephony instead. Moreover, it is possible to be on the phone free of charge or very cheap via the Internet. |
| ***IP*** | Internet Protocol (IP) is a method or protocol for sending data over the Internet. IP networks are package linked networks where data is divided into packages of varying sizes. Voice can also be transferred via an IP network (Voice over IP) and an application using this is called IP Telephony.<br><br>IP is also used as an abbreviation for ownership of intellectually generated properties, ”Intellectual Property”. Is also abbreviated as IPR, "Intellectual Property Rights".<br><br>See also ”VoIP”. |
| ***LAN*** | A LAN or Local Area Network is constituted by a group of units (for instance routers, switches, PCs). A LAN, for instance, makes it possible to share the same Internet connection (through for instance a cable modem at the home), printers and/or servers. |
| ***ODM*** | Original Design Manufacturer (ODM) is a business model involving the development of a product according to the customer’s product requirement specification. In the typical ODM model, the ODM supplier designs, develops and manufactures the complete product. For instance, based on detailed product requirement specifications from a customer, RTX Telecom has designed a Wireless Telephone Line Extender, including the development and handling of the manufacturing of the product. |
| ***OEM*** | An Original Equipment Manufacturer (OEM) is a manufacturing company developing and manufacturing standardized products or modules, which are incorporated into end products using the reseller’s brand name. There is a low degree of customisation of the OEM product compared to an ODM offering. The customer only performs a few alterations to the final product, usually only a brand name and packaging. |

# TECHNICAL TERMS AND EXPLANATIONS

| Technical term | Explanation |
|---|---|
| ***PABX*** | Once upon a time, telephone calls had to be connected manually by the switchboard operator. Such a system was known as a PBX, or Private Branch Exchange. These days, such connections are established automatically, and so the term Private Automatic Branch Exchange (PABX), i.e. an automated switchboard, is used. |
| ***RF*** | Radio Frequency (RF) is a term for the part of the electromagnetic spectrum used to transfer wireless information (for instance between a mobile telephone and an antenna mast). |
| ***Repeater*** | A repeater is a unit which transmits the data it receives. A repeater is primarily used to extend on the coverage area for a wireless technology (for instance, a DECT repeater can extend the DECT telephones' coverage area). |
| ***SIP*** | SIP (Session Initial Protocol) is a protocol which enables telephone conversations via the Internet, among other things. Via a SIP based softphone it is possible to make calls free of charge to other SIP users as well as to ordinary telephone numbers and mobiles all over the world at a low rate. |
| ***Skype***™ | Skype™ is a programme allowing telephone conversations via the Internet. Calls to other Skype™ users are free of charge as well as calls to ordinary telephone numbers and mobiles all over the world are at a low rate (via SkypeOut and SkypeIn). |
| ***Softphone*** | A softphone is a programme allowing telephone conversations via the Internet. One of the best known softphones is Skype™. Calls to other softphone users are therefore free of charge as well as it is typically possible to make calls to ordinary telephone and mobile phone numbers all over the world at a low rate. |
| ***Software*** | Software is a general term for the part of the system which makes a piece of hardware do certain things (for instance it is software that controls the micro processor in the washing machine - it is a limited programme and it is written for a specific application). |
| ***TLE*** | TLE is the abbreviation of Telephone Line Extender which is a wireless telephone line extender. A TLE can facilitate the use of "Pay-Per-View" functions and proceed the use of other interactive services available for users of digital satellite receivers and set-top boxes. |
| ***Turnkey design*** | Turnkey design refers to a finished product ready to produce. As the word implies, the customer only needs to “turn a key” to launch the product. |
| ***UMTS*** | Universal Mobile Telecommunications System (UMTS) is a third generation (3G) standard with a data capacity of up to 2 Mbit/s. UMTS is a further development of GSM, one of the world's most used mobile telephony standards.<br><br>In various countries, several mobile operators have paid a great deal of money for UMTS licences. These operators hope that UMTS will enable them to launch a range of new interactive multimedia-based services, such as video conferencing, video on demand, and online route directions. |
| ***US-DECT (DECT 6.0)*** | US-DECT is the 1.9 GHz DECT band which is the American counterpart to the European DECT system. US-DECT is also called DECT 6.0. |
| ***USB*** | Universal Serial Bus (USB) is a communications link between a PC and other devices such as scanner, mouse and printer. The advantage of USB is that it makes the devices virtually self-configuring as USB is integrated into Windows. |

# TECHNICAL TERMS AND EXPLANATIONS

| Technical term | Explanation |
|---|---|
| ***VDSL*** | VDSL (Very high speed Digital Subscriber Line) is a technique allowing for broadband linkage to the Internet via the ordinary telephone network. VDSL can offer speeds of approximately 100 Mbits/s and is a technology in the xDSL family just as ADSL. |
| ***VoIP*** | VoIP or "Voice over Internet Protocol" is a method or protocol employed to transfer speech via the Internet. |
| ***W-LAN*** | A Wireless Local Area Network (W-LAN) is a wireless LAN allowing several mobile users access to connect to the same network of the company or at home (and thereby share the same resources on the network - for instance a printer).<br><br>The different W-LAN standards are mainly specified by the Institute of Electrical and Electronics Engineers (IEEE) and are therefore called IEEE802.11 (subsequently called 802.11). The technology was primarily developed as replacement of the wired network and is also primarily intended for transmission of data – just like the IP protocol. 802.11 is an open standard and consists of a number of different standards. Some of the best known are 802.11a, 802.11b and 802.11g, though 802.11n begins to arrive on the scene. 802.11a is located on the 5 GHz frequency area whereas 802.11b and 802.11g are located in the 2.4 GHz frequency area - 802.11n can be located within both frequency areas.<br><br>802.11a is four times faster than 802.11b and offers a speed at a maximum of 54 Mbit/s over approx. 20-100 metres.<br><br>802.11b is the most widespread standard today and can transfer data wirelessly with a speed of a maximum of 11 Mbit/s over a distance of approx. 50-100 metres.<br><br>802.11g is almost as widespread as 802.11b and offers a speed at a maximum of 54 Mbit/s over approx. 20-100 metres.<br><br>802.11n is the most recent version of W-LAN and offers a speed of up to 540 Mbit/s over short distances. |
| ***Wi-Fi*** | Wi-Fi is an abbreviation of Wireless-Fidelty and covers the same term as W-LAN. The name is typically used in connection with the official Wi-Fi logo and indicates that the product functions with other products which are also Wi-Fi certified. |
| ***Wireless IP Network*** | Wireless IP Network (formerly designated WLL) is the term for the connection between a household and the ordinary telephone network of the phone company. When using Wireless IP Network a wireless link is used instead of the traditional copper wiring. |

This annual report includes statements about the future. These statements include expectations or prognoses for events, such as introduction of new products, product approvals and financial results. These statements might be influenced by risks, uncertainty factors and inaccurate assumptions, and consequently the actual development might be different from the expectations indicated. These risk and uncertainty factors include – but are not limited to include - general business and financial conditions, dependence on co-operators, delivery time of components as well as exchange rate and interest rate fluctuations, etc. Risks and uncertainty factors are further described in this annual report. RTX Telecom is not obliged to update the statements about the future or to adjust such statements to the actual results unless required by law.

The Annual Report 2007/08 has been prepared in a Danish-language and an English-language version. The English-language version is a translation of the Danish-language version. In the event of any inconsistency between the Danish version and the English version, the Danish version shall prevail.