RTX Telecom A/S

Annual report 2003/04

RTX Telecom A/S
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Contents

Financial highlights and key ratios of the Group

DKKm	1999/00	2000/01	2001/02	2002/03	2003/04
Profit and loss account					
Net turnover	**160.0**	**186.3**	**214.0**	**178.9**	**222.0**
Cost of sales	45.4	49.8	35.2	30.2	77.8
Gross profit	**114.6**	**136.5**	**178.8**	**148.7**	**144.2**
Staff costs	57.1	95.0	103.0	109.9	100.7
Other external expenses	25.1	45.6	48.2	40.1	54.3
Depreciation, amortisation and write-down	4.5	7.4	10.0	10.8	19.9
Profit/loss before financial income and expenses (EBIT)	**27.9**	**-11.5**	**17.6**	**-12.1**	**-30.7**
Net financials	4.9	15.8	8.8	7.8	5.9
Profit/loss before tax and extraordinary items	**32.8**	**4.3**	**26.4**	**-4.3**	**-24.8**
Income taxes	10.5	1.6	8.4	-0.8	-7.5
Profit/loss for the year [1)]	**22.3**	**2.7**	**18.0**	**-3.5**	**-17.3**
Balance sheet					
Land and buildings	39.2	56.6	94.2	92.4	90.6
Other fixed assets	10.9	31.1	44.2	37.4	32.8
Fixed assets	**50.1**	**87.7**	**138.4**	**129.8**	**123.4**
Trade receivables	50.4	51.2	42.7	35.9	51.3
Other current assets	17.4	27.1	27.8	36.6	41.2
Cash and current asset investments	307.0	265.6	263.1	291.3	231.2
Current assets	**374.8**	**343.9**	**333.6**	**363.8**	**323.7**
Assets	**424.9**	**431.6**	**472.0**	**493.6**	**447.1**
Equity	**361.4**	**365.7**	**384.9**	**392.4**	**374.9**
Provisions	0.0	0.4	2.9	0.3	6.0
Interest-bearing liabilities	15.1	29.5	47.6	45.7	30.0
Trade payables	15.0	10.8	14.0	7.1	13.3
Other short-term liabilities other than provisions	33.4	25.2	22.6	48.1	22.9
Provisions and liabilities	**63.5**	**65.9**	**87.1**	**101.2**	**72.2**
Equity and liabilities	**424.9**	**431.6**	**472.0**	**493.6**	**447.1**
Cash flow					
Changes in cash for the year	281.2	-41.4	-2.5	28.2	-60.1
Cash from operations	5.6	-18.3	40.5	26.4	-30.5
Capital investments	19.2	44.9	60.7	2.2	-13.6
Paid by shareholders	323.8	0.7	0.7	6.0	0.0

Financial highlights and key ratios of the Group

Key ratios	1999/00	2000/01	2001/02	2002/03	2003/04
Growth in net turnover (percentage)	32.0	16.5	14.8	-16.4	24.1
Profit margin (percentage)	17.4	-6.2	8.2	-6.8	-13.8
Return on net assets (percentage)	31.9	-8.1	9.4	-5.9	-14.7
Return on equity (percentage)	15.7	0.7	4.8	-0.9	-4.5
Equity ratio (percentage)	85.0	84.7	81.6	79.5	83.8
Average number of shares [2)] (‘000)	7,827	9,105	9,260	9,384	9,580
Employment					
Number of employees, end of period	158	237	246	219	248
Average number of employees	127	207	236	244	225
Net turnover per employee (DKK ‘000)	1,260	900	907	733	987
Profit/loss before financial income and expenses per employee (DKK ‘000)	220	-55	74	-50	-136
Share data, DKK per share at DKK 5					
Profit/loss for the year (EPS)	2.9	0.3	1.9	-0.4	-1.8
Cash from operations	0.7	-2.0	4.4	2.8	-3.2
Equity value	46.2	40.2	41.6	41.8	39.1
Dividends	0.0	0.0	0.0	0.0	0.0
Payout ratio (percentage)	0.0	0.0	0.0	0.0	0.0

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 1997” issued by the Danish Association of Financial Analysts.

1) The Group’s extraordinary items amounted to DKK 0 in the stated financial statements.

2) Including all outstanding warrants. A total of 170,000 warrants at DKK 5 have been issued in the years 2000 - 2004 (including) to key employees which, upon full conversion, can be converted into 170,000 shares at DKK 5 in the period 20 January 2005 to 4 February 2009.

Company details

Company

RTX Telecom A/S
Strømmen 6
DK-9400 Nørresundby
Denmark

Central Business Registration No.: 17 00 21 47
Domiciled in: Aalborg

Supervisory Board	Occupation
Poul Lind, Chairman	Managing Director of Nesa A/S Member of the Group Executive Board of Elsam A/S Chairman of the Supervisory Board of Nesa Net A/S Chairman of the Supervisory Board of Nesa Forsyning A/S Chairman of the Supervisory Board of Nesa Produktion A/S Chairman of the Supervisory Board of Nesa Varme A/S Chairman of the Supervisory Board of Nesa El A/S Member of the Supervisory Board of Nesa A/S Member of the Supervisory Board of Elsam Kraft A/S Member of the Supervisory Board of Elsam Engineering A/S Member of the Supervisory Board of MT Højgaard A/S
Per Møller, Deputy Chairman	Managing Director of Højgaard Holding A/S Chairman of the Supervisory Board of MT Højgaard A/S Chairman of the Supervisory Board of Atrium Partners A/S Chairman of the Supervisory Board of Glunz & Jensen Fonden Member of the Supervisory Board of Glunz & Jensen A/S Member of the Supervisory Board of Superfos Industries A/S Member of the Supervisory Board of Det Danske Klasselotteri A/S
Jørgen Dalby-Jakobsen, Elected by the employees	Project Manager and Acoustics Coordinator, M.Sc.E.E. of RTX Telecom A/S
Dennis Elgaard, Elected by the employees	Sales Manager of RTX Telecom A/S, Cordless & Home Networking
Jens Hansen	Member of Strategic Technology Group of RTX Telecom A/S Managing director and Member of the Supervisory Board of JH Venture A/S Member of the Supervisory Board of Futarque A/S
Jens Toftgaard Petersen	Head of Strategic Technology Group of RTX Telecom A/S
John R. Phelps	Vice President and General Manager Europe of National Semiconductor, Germany
Mogens Westeraa	Consultant

Company details

Executive Board	Occupation
Jørgen Elbæk	Managing Director of RTX Telecom A/S
	Member of the Supervisory Board of Danware A/S
	Member of the Supervisory Board of Danware Data A/S
	Member of the Supervisory Board of Aalborg Universitet
	Member of the Supervisory Board of Nordjyske Holding A/S
	Member of the Supervisory Board of Futarque A/S
	Member of the Supervisory Board of LitePoint Corporation, USA

Auditors

Deloitte Statsautoriseret Revisionsaktieselskab

Mortensen & Beierholm Statsautoriseret Revisionsaktieselskab

Management's review

During the financial year 2003/04, considerable resources were invested in own development, in this process development of wireless niche products for own account has been an area which has had high priority in the Group during the entire financial year. The development efforts within wireless products have burdened the profit and loss account of 2003/04, however, in return the revenue basis from these products is expected to be strengthened in the following financial years as a result of these efforts.

During the financial year 2003/04, the wireless telephone line extender (TLE) was introduced on the Australian market and RTX Telecom is making considerable sales efforts to introduce modified TLE units to other geographical markets. This sales effort has entailed that, at the beginning of the financial year 2004/05, the Group has commenced production and delivery of a variation of the wireless telephone line extender to a large European telecommunications customer.

The financial year 2003/04 has been difficult due to the actual market conditions for development projects for customers, for instance characterised by the fact that the main part of customer negotiations is rather long and requires considerable resources. Not until late in the negotiation process does the Group have a realistic opportunity to estimate the outcome of these negotiations.

The following main points relating to the Group appear from the annual report for 2003/04:

- Net turnover amounts to DKK 222.0 million compared to DKK 178.9 million last year.
- Profit/loss before financial income and expenses (EBIT) amounts to a negative DKK 30.7 million compared to a negative DKK 12.1 million last year.
- Profit/loss before financial income and expenses (EBIT) is affected positively with approx. DKK 23.5 million net concerning compensation etc. from lawsuit and is affected negatively by write-down of goodwill with DKK 8.7 million.
- The profit/loss after tax amounts to a negative DKK 17.3 million compared to a negative DKK 3.5 million in 2002/03.
- RTX Telecom has entered into an agreement with a large international group on development of a dedicated wireless product within the 2.4GHz ISM band.
- In the financial year 2004/05 the Group will continue to invest a considerable amount in development of own products. The investment is expected to burden the profit and loss account in all essentials.
- The management expects a net turnover of DKK 270 - 310 million and a profit/loss before financial income and expenses (EBIT) in the interval a negative DKK 10 million to a positive DKK 10 million for the financial year 2004/05.

Market development

Market trends

According to RTX Telecom, the market trends are in general still difficult. At the same time, there is a very intense competition among the various suppliers.

Management's Review

The customers' focus on reducing cost prices during the last year has had an effect on RTX Telecom's contract negotiations. During the year, it has been necessary to operate with different business models, and the management expects this trend to continue. Negotiations with potential customers on new projects are still characterised by uncertainty among the customers, both regarding specifications of the products and expectations to the market.

Therefore, the customers still make cautious decisions regarding start-up of products and though at the end of the financial year, when an increased activity was detected in customer negotiations on new development projects, the financial year as a whole has been characterised by customers' cautious and rather long decision-making process.

During the past financial year, RTX Telecom has focused extensively on reducing the Group's dependence on customer-based development projects. Primarily, the strategy has been that the Group's earnings from customer-based development projects must be maintained and supplemented with development, production and delivery of a number of own ODM products (finished brand products) marketed by RTX Telecom's customers. This part of the Group's business development is mentioned below under the section "Own products".

Competition

The difficult market trends have forced a number of competitors to reduce prices of development services and chips considerably. This development has also affected RTX Telecom's competitive conditions, therefore RTX Telecom must constantly enhance the efficiency of its output and performance in order to stay competitive regarding quality and efficiency - also in relation to competitors from lower-paid countries.

RTX Telecom aims to maintain its overall objective that all projects are to generate profits. To meet this objective, the Group has together with its technological partners, e.g. National Semiconductor, taken initiatives during recent years to make it more attractive to potential customers to enter into development contracts with RTX Telecom. Despite the favourable price, the customers obtain high-quality supplies.

New market trends

The delay in the use of the 3G network has become even more visible during the financial year 2003/04. It is noted that there are still a number of challenges related to the technology. Setting up of network is slower than expected and the end-user only hesitantly adopts the new technology. This has resulted in renewed interest in using the existing GPRS and EDGE technologies to full extent. Moreover, there is an increased interest in using various W-LAN technologies in 3G similar systems. Teleoperators therefore feel compelled to offer news and new products directed towards different end-user segments. Applications and services using the facility of packet data transmission are gaining ground at the same time as the occurrence of increasingly complex terminals.

Management's Review

After a period in which large producers outsourced parts of the product lines, it now seems that the producers extend the development capacity significantly, this in particular is the case in China. This has for instance lead to problems in selling products, primarily among the Taiwanese OEM/ODM suppliers. The trend has also intensified competition within the development of mobile telephony significantly and at the moment there is a substantial over-capacity of design houses. Thereby, RTX Telecom has experienced a very intense competition regarding development contracts within the cellular field.

On the contrary the interest in Wireless Multimedia and IP telephony is increasing which is reflected in various specific inquiries and customer orders placed with RTX Telecom for integration of the Group's technology within these new product solutions. RTX Telecom's extensive experience in development of wireless telephones has proven great competitiveness within this technology area.

RTX Telecom is still in a position to handle projects within all these different markets and technologies.

Important events in the financial year

RTX Telecom has entered into an agreement with a large international group on development of a dedicated wireless product. The selected frequency area for the product is the 2.4GHz ISM band which can be used all over the world and with this task RTX Telecom gains the opportunity of bringing many years of wireless experience to use. Due to confidentiality it is not possible to disclose the name of the customer or the product type. The development contract represents an amount over DKK 10 million.

RTX Telecom has established a wholly-owned subsidiary in San Jose, USA called RTX America, Inc., and the Group thereby extends the sales and marketing efforts in North America. The establishment is located in the centre of Silicon Valley as a part of the Group's strategy to continue the extension of the sales and marketing efforts and to be more sales and customer-oriented on the American market. RTX Telecom already has a number of well-established customer relations in USA.

In a lawsuit which RTX Telecom filed against a French customer, RTX Telecom has also been favoured at the court of second instance, the Court of Appeal in Paris. RTX Telecom has been awarded a compensation of approx. DKK 28 million which is approx. DKK 4 million more than the compensation awarded at the court of first instance. At present, it is uncertain whether the French customer will appeal the ruling to the French Supreme Court. The management does, however, consider it to be most likely that the dispute with the French customer essentially is settled in favour of RTX Telecom. Therefore, the Company has decided to recognise the awarded compensation as income in this financial year, 2003/04.

Management's Review

Business strategy and business development

Development projects

The Group's efforts to enter into new customer-financed development contracts have also been intensive during the past financial year. The sales department assisted by the individual development departments has carried out intense sales efforts and cultivation of customers. During the financial year as a whole, the sales department has noted that the negotiation process and the customers' decision time are rather lengthy, sometime more than 6 months. The lengthy negotiating time requires substantial sales and development resources.

Potential customers may be large international companies which either requires to use their development resources on other tasks or which seeks a special technology solution from RTX Telecom. Moreover RTX Telecom has potential customers among small market actors which seek wireless solutions, however they do not have the necessary internal development competences themselves.

The marketing efforts have been adjusted to the individual technology and market areas.

Royalty

As mentioned, RTX Telecom experiences continued intense competition and growing pressure in the market for steady lower costs. In order to help potential customers through a difficult decision-making process, the Company has deliberately offered selected customers a lower payment for execution of the development projects in return for a royalty increase. The change in payment profile naturally involves a risk that total payments for these development projects will be lower if the products are not successful on the market.

After two financial years with relatively high royalty income, some products with large success in terms of sales have gradually been phased out. The Group's royalty income in the financial year 2003/04 amounts to DKK 23.1 million which is more than a 50% reduction compared to the financial year 2002/03. The registered decline in royalty income was expected.

Own products

The strategy for this business area is that the Group develops and supplies high-quality products with a large technological content created by the competences already present within the Group. New knowledge which is obtained through development of own products can be used to increase RTX Telecom's competitive power within customer-financed development contracts.

Strategically the Group has chosen to increase focus on this area partly to obtain a large financial independence from customer-based development contracts and partly to prove new product ideas for the customers.

Within this business area the Group develops, produces and supplies products based on OEM and ODM supply agreements. Typically, the customers select the brand name of the products, however, in isolated cases the RTX Telecom Group may license a brand for a product.

Management's Review

In order to increase the sales efforts and to enable the Group to deliver complete product solutions to the market (ODM), strategic cooperation agreements have been entered with some of the world's largest EMS producers (Electronic Manufacturing Services), including Solectron, BB Electronics and Flextronics. With these agreements, the Group will be able to offer very competitive products within different technologies.

The Group intends to extend the programme with own products and the organisation will be strengthened by the required special qualifications to the necessary extent. As part of the efforts to fulfil the outlined turnover and earnings targets for own products, new managerial and systemised management systems have been implemented during the financial year 2003/04 and certain organisational adjustments have been implemented. The adjustment has for instance been carried out though the establishment of a wholly-owned subsidiary, RTX Products A/S which handles production, sale and distribution of own products within the RTX Telecom Group. For further description of RTX Products A/S see section on "Subsidiaries".

Below is given an overview of the most important products in the Group's present product portfolio which have been introduced into the market.

DECT Repeater
This product has been marketed and sold throughout the 5 recent financial years and sale is at a relatively stable level. Continued sales and marketing measurements are addressed towards new customers, however this is a niche product which only has the interest of few individual DECT producers in Europe.

Wireless telephone line extender (TLE)
The wireless telephone line extender makes it possible for "pay-per-view" television suppliers to establish a backward channel from the customers' satellite set-top boxes. Isolated the satellite signal will not make it possible to establish a backward channel to the operator, however via the wireless telephone line extender a modem connection is established and thereby it is possible to establish the required backward channel. The backward channel is a necessary facility enabling the customers to order "pay-per-view" services or to participate in provided interactive games, etc.

The wireless telephone line extender is optimized in a way so V.34 and V.90 modem signals (up to 56 kbps) can be transferred, whereas standard DECT products are only able to transfer modem signals up to 9.6 kbps.

Originally, the product was specified in cooperation with the Australian "pay-per-view" television supplier Foxtel, and the product has been produced and sold since the spring of 2004. So far, sale of the wireless telephone line extender has exceeded the expectations. The Group is negotiating with several European and American customers on the same product, however adjusted for the local markets. At the beginning of the financial year 2004/05, the Group has commenced production and delivery of a variation of the wireless telephone line extender to a large European telecommunications customer.

Management's Review

USB/PSTN wireless DUALphone
A cooperation with Skype (supplier of Internet telephony) has been established on the development of a wireless DUALphone which connected to a computer's USB port establishes a telephone connection via the Internet or uses the wired telephone network (PSTN), in case VoIP is impossible. This product excels with a number of advanced facilities and sale of the product started in late November 2004. It is expected that the technology will be licensed to other producers in order to enlarge distribution to the majority of the potential global market. At the moment it may be free of charge to place telephone calls via the Internet.

The wireless DUALphone can be adjusted to so-called "softphones", for instance MSN, Yahoo, SIP, etc. and thereby it can also be adapted to the market penetration within IP telephony. RTX Telecom expects a continued expansion of the product line within VoIP and IP telephony.

Bluetooth testers/2G4 and 5G8 testers
The portfolio of testers will still be produced and enlarged to the extend this is considered to be necessary and appropriate. With the exception of the ODM agreement with Agilent Technologies for the Bluetooth tester, other testers are primarily developed to support the Group customers' production of products containing technological solutions developed by the Group.

Cooperation with other companies
Besides the wholly-owned subsidiaries RTX Products A/S, RTX Healthcare A/S and RTX America, Inc., RTX Telecom has minority holdings in LitePoint Corporation in San José, California and in Thomsen Bioscience A/S, Nørresundby.

The cooperation with LitePoint Corporation has partly been at a technological level and partly at a marketing level.

Thomsen Bioscience has rented premises in RTX Telecom's head office in Nørresundby. The two companies cooperate on the development of a mobile detector of biological substances. Thomsen Bioscience concentrates on collection and detection principles whereas RTX Telecom concentrates on general project management, management electronics, software and communications in initiated projects.

Technological development
In the past financial year, the Group has, besides the basic development of VoIP technology, mainly focused on maintaining its position within the technological areas developed so far. As a result of this the Group has placed relatively less attention on the development of new technological areas during the year.

The Group's management believes that there are still good possibilities for a positive development in sales as wireless technology will become part of more and more products during the next decade. In the Group's opinion, almost all products which communicate with other products may take advantage of wireless communications technology.

Management's Review

Wireless telecommunications in general

The market situation of the Group's traditional markets has not changed materially over the past financial year. It still varies from area to area, geographically as well as technologically.

Engineer skills in many third world countries are being upgraded these years. This has resulted in an intensive price competition of development of standard products within wireless technology. The management sees this development as a challenge and intends to take action to secure the Group's continued competitiveness, for instance by paying special attention to the development of speciality products with high knowledge content.

DECT

DECT is a standard for digital wireless telephony which is widely used in Europe, the Middle East, parts of the Far East and in South America.

The DECT market primarily comprises products for private households and is still dominated by few but large producers such as Siemens, Philips and Panasonic. RTX Telecom has maintained a close strategic cooperation with National Semiconductor based on this producer's baseband chip.

Globally, RTX Telecom is probably the only development company which masters all facets of the DECT technology. RTX Telecom has maintained its strong position within development of advanced products and special solutions for the DECT market with advanced high-end features, for instance including improved audio quality and support of V.90 modem signals whereas competition on the simple product market has been further intensified during the year.

The DECT technology has proven to be a viable technology with its suitability within new applications, for instance games and monitoring/alarm. RTX Telecom's growth within the DECT technology can thereby be strengthened through diffusion to these new applications. Today, RTX Telecom does for instance have active projects within Residential Security and Gaming. The wireless telephone line extender is also an example of a product in which the DECT technology is used for another purpose than the classic wireless telephone.

WDCT (Wireless Cordless Telephony)/ 2.4 GHz/ 5.8GHz

WDCT is a DECT similar digital technology based on 2.4 GHz or 5.8 GHz for the North American market.

Competition on the WDCT market has also sharpened considerably, primarily due to Far Eastern actors. However, in the past financial year, RTX Telecom has succeeded in maintaining its position as a leading supplier of product development and technology for WDCT.

Furthermore, RTX Telecom and National Semiconductor can offer flexible module solutions under the same concept as the DECT solutions.

Management's Review

On the US market an increasing demand for products operating in the 5.8 GHz frequency band has been noted. The reason for this demand is that the 2.4 GHz band offers a number of products, such as microwave ovens, Bluetooth™ based solutions, WLAN (802.11b/g) solutions etc. There is a risk that these many different products will result in radio frequency disturbance (interference). In order to meet the new market requirements, RTX Telecom has in cooperation with National Semiconductor developed a solution for this new frequency band and the first customer-based products are on their way to the market.

Bluetooth™
Bluetooth is the name of a technology standard for short-distance wireless data transmission between different types of intelligent products.

RTX Telecom is still regarded as one of the leading companies within development of Bluetooth™ headsets, and the Group still sees a large potential within the area, although competition has been further intensified.

During the past financial year, RTX Telecom has continued the cooperation with National Semiconductor on the supply of Intellectual Property for National Semiconductors Bluetooth™-chips and for various module solutions. The Group still expects that the common chip solution will contribute with royalty income for RTX Telecom.

Today, the Group has complete knowledge of all areas of the Bluetooth™ technology which means that the Group is able to adapt its solutions precisely to the customers' requests. RTX Telecom has demonstrated several times at the various Bluetooth™ conferences and workshops that RTX Telecom is among the leaders within Bluetooth™.

GSM/GPRS
GSM is a second generation (2G) digital mobile phone standard. GPRS and EDGE are 2.5 generation (2.5G) standards for handling packet data.

RTX Telecom estimates that the coming years' plans on the handset area will be dominated by GPRS-derived products. To RTX Telecom it is obvious that the use of WCDMA mobile communication (UMTS) will be postponed compared to the initial expectations. RTX Telecom does not intend by itself to initiate developing the WCDMA technology.

There is still a considerable over-capacity within production and development of mobile telephones. Therefore, RTX Telecom is cautious as regards entering into development contracts on mobile telephones. However, focus is directed towards the vertical markets where GSM/GPRS can form part of a product.

Within the GSM/GPRS area, RTX Telecom has to a high degree adjusted to serve the demand for industrial special solutions. Demand is driven by several factors at the same time as more and more companies outside the telecom industry ask for wireless communication solutions to cover the requirement for monitoring, alarm and communication. These new customers do not have the necessary experience within telecommunication or within the production of telecom products.

Management's Review

CDMA

CDMA is a standard for mobile telephony which is mainly used in North and South America, Japan, Korea, China and India. Compared to GSM, CDMA has certain 'inherited' advantages because of improved utilisation of the frequency resources of the operator network and improved data transmission ability.

Activity and earnings in the CDMA area have not been up to the Group's expectations in 2003/04 and it has been decided to discontinue RTX Telecom's commitment to CDMA. There is considerable over-capacity of development houses within the CDMA technology and the new CDMA markets in Eastern Europe and Russia have not shown a satisfactory trend to RTX Telecom.

TD-SCDMA

TD-SCDMA is a 3G technology developed by the Chinese technology group Datang Telecom Technology and Industry Group in cooperation with Siemens for the use of the rapidly growing Chinese market. Today, China is the largest market for mobile phones.

During the year, the Group has developed a 2G TD-SCDMA test terminal. RTX Telecom is regarded as one of the leading TD-SCDMA terminal development houses in the world and the Group has gradually obtained good understanding of the key issues in connection with the development of TD-SCDMA products.

A complete chipset solution has been developed in cooperation with a leading chipset supplier. The solution is considered to be the cheapest on the marked and it has the lowest number of components.

On several occasions, the Chinese authorities have made a clear promise to support TD-SCDMA. Thereby the telecom industry has every reason to believe that the standard will be implemented in China. However, the authorities have not yet issued 3G licences to operators, and therefore the start-up of the Chinese TD-SCDMA market is still subject to considerable uncertainty. The licences will probably be issued in the course of 2005 but nothing has been settled at present.

RTX Telecom is ready to commence development of commercial technological solutions for TD-SCDMA or to enter into partnerships in relation to this. Until the market shows interest in the conclusion of contracts on development of technological solutions, the Company has decided to temporarily reduce the development activities within the technology. The reduction of activities is implemented in a way whereby RTX Telecom's key competences and knowledge within TD-SCDMA remain intact and these can subsequently be brought into use and supplemented rapidly into concrete projects.

RTX Telecom still regards TD-SCDMA as a technology with great potential as well as it is especially suitable for meeting the requirements made by the Chinese market as to capacity and low costs.

Management's Review

In the past financial year, RTX Telecom has examined the possibilities of entering into new business constellations in order to efficiently spread the TD-SCDMA technology in China. These examinations have in particular comprised the possibility which ensures that as many producers as possible will be able to benefit by RTX Telecom's TD-SCDMA technology. This work is expected to be continued next year.

WLAN (IEEE802.11)
IEEE802.11a/b/g are a number of standards for wireless data networks. These standards operate in the 2.4 and 5.8 GHz frequency and can be used in the US and by now in most countries, including Denmark. The standards offer the opportunity of transfer of up to 54 Mbit/s.

RTX Telecom is convinced that the IEEE802.11 standard will be an important factor in the wireless integration of the intelligent home and decisive for the users' mobility. The Group expects in the long term that full control of the technology will be decisive for RTX Telecom's development of wireless data communication for integration of household appliances, especially within AV equipment, telephony and data communication.

There has in particular been great interest in a potential for the combination of W-LAN technology and for RTX Telecom's technology for wireless telephones. During the past financial year, several initiatives have been made to strengthen RTX Telecom's position within wireless IP telephony. It is the management's conviction that the very WLAN technology in years ahead will hold a good potential for RTX Telecom in line with the introduction of IP telephony to the mass market.

Organisation and knowledge 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. This means that RTX Telecom is able to supply turn-key solutions and not only part solutions which require that the customers have to complete the project themselves.

The management believes that the challenges and opportunities for personal development which the Group provides to its employees are key parameters in attracting and retaining employees. Supporting this view is the rather low employee turnover rate and the fact that to date RTX Telecom has been able to successfully attract the necessary labour resources.

During 2003/04 a total of 45 employees joined the company, 6 of these are related to the establishment of RTX America, Inc. 16 employees have left the Group.

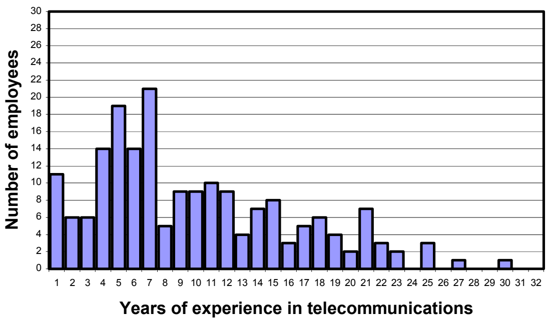
The average number of full-time employees has decreased by 7.8% to 225 in 2003/04. At 30 September 2004 the Group employed 248 people, 189 of them engineers and technical staff. Compared to the same time last year, the total number of employees has increased by 13.2%. After the number of employees was declining during the first half of the financial year, an organisational strengthening was performed during the second half of the financial year by employing persons with special knowledge of for instance purchase, logistics and markets. This has been done to adjust and raise the Group's competences within production and delivery of own products.

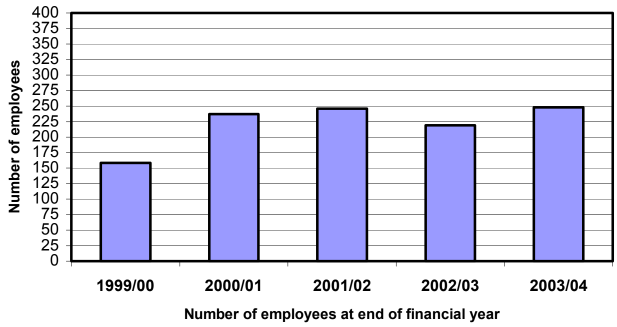
Management's Review

The Group intends to expand the product line and new managerial and systemised management systems have been introduced during the financial year 2003/04.

Through visits to educational establishments and as the Group generally has a positive reputation among engineers within the industry, RTX Telecom has succeeded in maintaining the position as an attractive workplace.

The Group is prepared for future growth as the structure of the organisation enables a prompt integration of more skilled employees. An organisation which is ready for change makes it possible with short notice to transfer and appoint engineers to technology areas which need activity and qualified staff. The project management is still being strengthened, and the technical competence within software, baseband and RF is currently updated. During the financial year, the competences have to a wide extent been supplemented with competences within product organisation. RTX Telecom will continue trying to attract and retain employees with the best professional skills and human qualifications, e.g. by means of incentive programmes. Through a share option programme introduced in 1999/2000, the Group can partly offer its key employees an incentive programme and partly issue employee shares for employees in RTX Telecom and its subsidiaries.





Environmental issues

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 Denmark and abroad. Therefore, the Group's impact on the environment is indirect and in-house it is restricted to electricity and heating as well as insignificant chemical consumption.

Subsidiaries

RTX Products A/S

During recent years, RTX Telecom has worked strategically on covering business activities within development, production and sale of own products, including ODM supplies (finished brand products) within the individual technological areas. This effort has now shown the first positive results. As a consequence, RTX Telecom's management has decided to establish a wholly-owned subsidiary, RTX Products A/S.

Management's Review

The purpose of this company's establishment has been to obtain increased focus on a business area which is growing within the Group. RTX Products A/S is handling production, sale and distribution of products within the RTX Telecom Group. With the establishment of the subsidiary, the management expects that there to a greater extent will be both continuous organisational as well as financial focus on the activities with own products.

RTX Products A/S was established on 23 September 2004 with an equity of DKK 34.3 million which is a result of the difference in value between transferred assets and liabilities as at 1 October 2003 (non-cash contribution). In return, RTX Telecom solely receives shares in RTX Products A/S. The Danish Tax Authorities have permitted that RTX Products A/S is established according to the rules of tax-free provision of assets with effect from 1 October 2003.

During the financial year 2003/04, the Company's activities for instance comprised production and delivery of DECT repeaters, Bluetooth testers and wireless telephone line extenders (TLE) as well as test equipment.

During the financial year 2003/04, the subsidiary has completed a number of important development projects in pointing forward wireless product solutions. The development of a wireless telephone line extender (TLE) has been completed for an Australian "pay-per-view" television supplier, Foxtel. This product is produced and sold as an ODM product. The development of a similar European product has been completed and production and sale to a large European telecommunications customer has commenced subsequent to end of the financial year, this is also on ODM basis. Moreover, resources have been used during the financial year on preparing TLE versions for use on the English and American markets.

Another important development project comprises a wireless DUALphone which connected to a computer's USB port establishes a telephone connection via the Internet or uses the wired telephone network (PSTN). At present, it may be free of charge to place telephone calls via the Internet. Sale of the product has commenced in late November 2004 under the brand name Olympia DUALphone.

The mentioned projects have burdened the subsidiary's profit and loss account with significant amounts during 2003/04 as the majority of the project costs have been charged to the profit and loss account. In the financial year 2003/04, development costs are overall recognised in the subsidiary's balance sheet by year-end with DKK 6.4 million on completed development projects at the company's own account. The part of the development costs which is capitalised in the company's balance sheet is amortised over the useful life, which is usually 3-5 years.

RTX Products A/S' turnover amounted to DKK 104.1 million in 2003/04. The loss before financial items (EBIT) amounted to DKK 13.9 million, and the loss after tax amounted to DKK 9.7 million. Equity in RTX Products A/S amounted to DKK 24.6 million at 30 September 2004.

At the end of the financial year, the Company employed 36 persons. The Company is a fully integrated Group company at all levels.

Management's Review

RTX Healthcare A/S

During the financial year 2003/04, RTX Healthcare has used considerable resources on development and marketing of OEM products which can perform remote monitoring of patients' weight and blood pressure. The product line is based on the Company's core competences within wireless transmission of critical and sensitive personal data.

An important element of this product line is RTX3320 PSTN Wireless Telehealth Gateway which is developed for wireless patient monitoring at the patient's home. In the past financial year, the American Food and Drug Administration (FDA) has approved the product. As far as it is known, the FDA approved Gateway is the first in the world of its kind and it gives the patients completely new advantages as it is based on an advanced wireless and Internet based technology which automatically and continuously monitors the patient's health. The Gateway simplifies the control of the patient's health and it is more comfortable for the patient as it may lead to improved quality of life. At the same time, the professional health monitoring becomes more efficient and safe.

The Company performs large sales efforts on the American market, the customers on this market are however characterised by rather slow and more cautious decision making than was expected. Therefore, the Company's management has decided to write down the book value of goodwill with DKK 8.7 million. Subsequently, book value of goodwill in RTX Healthcare A/S amounts to DKK 0.0 million.

RTX Healthcare A/S' turnover amounted to DKK 4.8 million in 2003/04. The loss before financial items (EBIT) amounted to DKK 15.6 million, and the loss after tax amounted to DKK 10.9 million. Equity in RTX Healthcare A/S amounted to DKK 4.4 million at 30 September 2004

RTX Healthcare A/S is a wholly-owned subsidiary which employed 11 persons at the end of the financial year. The Company is a fully integrated Group company at all levels.

The Company anticipates realising a small positive result of operations in the financial year 2004/05.

RTX America, Inc.

At the beginning of 2004, the management decided to establish a wholly-owned subsidiary in San Jose, California, USA called RTX America, Inc., in order to strengthen the Group's sales and marketing efforts on the important American market.

The establishment has been located at the centre of Silicon Valley as a part of the Company's strategy to continue the extension of the sales and marketing efforts and to be more sales and customer-oriented on the American market. RTX Telecom already has a number of well-established customer relations in USA and with the establishment of the subsidiary, the Group is now also able to offer these American customers improved technical product support.

Besides the sales subsidiary in USA, RTX Telecom's international sales representation consists of a sales office / sales representation in South Korea.

Management's Review

RTX America, Inc.'s turnover amounted to DKK 4.7 million in 2003/04. The loss after tax amounted to DKK 0.1 million. Equity in RTX America, Inc. amounted to DKK 3.1 million at 30 September 2004.

At the end of the financial year, the Company employed 6 persons.

Investments

LitePoint Corporation, USA (www.litepoint.com)
RTX Telecom invested USD 1.5 million in LitePoint Corporation in 2001/02. The ownership amounts to 15.0%.

LitePoint Corporation is a wireless chip technology company domiciled in Silicon Valley, California. The company employs engineers who all have long and wide experience in development and supply of Intellectual Property within wireless technologies, e.g. Wideband Code Division Multiple-Access (WCDMA), GSM/GPRS, IEEE802.11 a/b/g and Bluetooth^{TM}. The company has expertise within component specifications and chip architecture.

The Company's present activities primarily include development, production and marketing of a WLAN tester. Tasks within RF architecture and RF chip designs are solved on a small scale.

Thomsen Bioscience A/S (www.thomsen-bioscience.com)
Thomsen Bioscience is a development company with focus on integration of advanced biological methods in biochips. Biochemical and biophysical processes and analyses are integrated in self-governing micro-labs by way of biochips, also called intelligent lab-on-chips. The technology can be used for detection of biological weapons, clinical diagnosing of infectious diseases and pharmaceutical drug development.

Thomsen Bioscience A/S' objective is to develop portable sensor units enabling efficient and early discovery of different types of air-borne spores, bacteria and viruses and subsequent transmission of the retrieved data to a centrally based data treatment.

According to the present plans, the first product prototypes are expected to be ready during the calendar year 2005.

Subsequent to end of the financial year, new and existing shareholders have made a capital increase at a total of DKK 11.0 million by issuing new shares in Thomsen Bioscience A/S. The capital increase has been carried out by new shareholders' cash payment of DKK 8.0 million and by existing shareholders' conversion of receivables at an amount of DKK 3.0 million into equity.

Previously, RTX Telecom has invested DKK 3.0 million in shares in Thomsen Bioscience A/S. Upon the capital increase just performed, RTX Telecom has subscribed newly issued shares in Thomsen Bioscience A/S at a market value of DKK 2.3 million.

RTX Telecom's ownership in Thomsen Bioscience A/S has so far represented 19.4% which has changed very little after the capital increase.

Management's Review

Special issues

In a lawsuit which RTX Telecom has filed against a French customer, RTX Telecom has been favoured at the court of second instance, the Court of Appeal in Paris. RTX Telecom has been awarded a compensation of approx. DKK 28 million which is approx. DKK 4 million more than the compensation awarded at the court of first instance.

At present, the Company's management is not able to comment whether the customer will appeal the ruling to the French Supreme Court. Meanwhile, the management assesses that it is most likely that the dispute with the French customer essentially is settled in favour of RTX Telecom after the court of second instance delivered its ruling. Therefore, the Company has decided to recognise the awarded compensation at the Court of Appeal in Paris (including the awarded compensation at the court of first instance) as income in the financial year 2003/04.

Events after the balance sheet date

RTX Telecom has entered into an agreement with Nesa in relation to delivery of 20,000 communication modules for remote reading of Smart Read™ electricity meters and for monitoring of voltage supply. With this module, Nesa can perform continuous and precise remote readings of electricity meters as well as compute the customers' actual power consumption. At the same time the customers obtain the advantage that they can continuously follow the development of the power consumption via detailed reports on an individual website. The communications module transfers the meter readings to Nesa via a GSM/GPRS unit. The modules are expected to be delivered in the spring of 2005.

As at 1 October 2004, RTX Telecom's subsidiary, RTX Products A/S, has acquired the activities of Knuisgaard Teknik ApS, Bredsten, Denmark. Knuisgaard Teknik ApS' activities primarily comprise ongoing development of a special radio communications system which uses the frequency band 112MHz - 137MHz. The system can for instance be used for communication and navigation between airplanes and based on GPS information via satellites as well as data communication between airplanes and ground, the position and placing of the plane in the air space can be mapped 3 dimensionally. With the system installed, the pilot of each individual plane can precisely see nearby planes' positions in the air space. Moreover, this system may contribute to improved security during transport on the airport areas in relation to take-off and landing. The activities in Knuisgaard Teknik ApS are relatively modest compared to the Group's current business volume.

Prospects

RTX Telecom has as an important objective to maintain its leading position as supplier of wireless turnkey designs. In the management's opinion, RTX Telecom still has a strong position on the market for advanced technological solutions with high knowledge content. However, there is noted a very intense competition among the various suppliers.

Management's Review

During the last financial year, RTX Telecom has focused significantly on reducing the Group's dependence on customer-based development projects. The Group's strategy is to extend the programme for own products in order to supplement the Group's earnings from customer-based development projects and royalty with earnings from own developed wireless niche products. At the same time, the new products can lead the way for customers if the product ideas prove to be sustainable. The development has already confirmed that new knowledge obtained through development of own products can be used to increase RTX Telecom's competitiveness within customer-financed development contracts. In the financial year 2004/05, the Group will mainly focus on maintaining the position within already established technologies as well as within the VoIP technology.

The Group intends also in the coming financial year to use considerable resources to extend the programme for own products. During the financial year 2004/05, RTX Telecom therefore expects to introduce new own products to the market. For instance the Group shows significant sales efforts in order to introduce modified TLE units to new markets, in particular in Europe and North America. Furthermore, important product development of GSM modules for installation in telephone systems, systems for monitoring and alarms etc. is performed at the Group's own account simultaneously with more innovative VoIP-products being on the way. Some of these products are not expected to contribute materially to turnover and earnings in the financial year 2004/05.

Based on this, the Group's turnover from selected OEM and ODM products etc. within the niche areas is expected to be at a higher level than realised during the financial year 2003/04. The majority of turnover within this business area is expected to comprise DECT repeaters, Bluetooth™ RF testers, wireless telephone line extenders (TLE) and the new USB/PSTN wireless DUALphone, which is introduced at the beginning of the financial year 2004/05.

At the end of the financial year, the volume of orders on development tasks in the Group which has not been taken to income accounts for DKK 32.1 million which is at the same level as the volume of orders at the same time last year. Since the expiry of the financial year 2003/04 and until 25 November 2004, the Group has entered into development contracts for a further DKK 8.7 million.

Royalty income in 2004/05 is expected to be at the same level as royalty income in the last financial year. The level of royalty income is determined by the number of delivered customer-based development projects and royalty payment is usually based on the number of produced units.

As an overall view, the financial year 2004/05 is expected to be characterised by a continued uncertainty in the market for development projects, royalty income at the same level as in 2003/04 and a turnover from OEM and ODM products, etc. at a higher level than in the last financial year. The Group's investments in own development projects will still be significant in the financial year 2004/05 and the development projects are expected as a whole to burden the profit and loss account. The mentioned projects are not expected to generate material turnover until at the earliest in the financial year 2005/06.

Management's Review

Based on this, the management expects that, during the financial year 2004/05, the RTX Telecom Group will realise a net turnover of DKK 270 - 310 million and a profit/loss before financial income and expenses (EBIT) in the interval a negative DKK 10 million to a positive DKK 10 million. The above-mentioned expectations express a significant increase in the level of as well net turnover as EBIT compared to the realised level in 2003/04.

Net turnover and EBIT in the financial year 2004/05 are not expected to be equally distributed between the first and second half years ending 30 September 2005. Management expects a relatively low net turnover in the first six months compared to the last six months of the financial year and expects a considerable negative EBIT in the first half-year. In the second half-year of the financial year there is expected a change, resulting in a higher level of activities with a positive development in both net turnover and EBIT.

Financial review

Net profit/loss for the year

In 2003/04, the Group realised a net turnover of DKK 222.0 million which represents an increase of 24.1% compared to last year's net turnover of DKK 178.9 million.

Thereby, turnover exceeded the original expectations which represented a net turnover of DKK 170 - 190 million. Meanwhile, in this financial year the Group has recognised an awarded compensation of DKK 27.8 million from a French customer as income. The compensation was awarded at the court of second instance, the Court of Appeal in Paris after a lawsuit which has been pending over 5 years. The lawsuit concerned a DECT development contract.

Income from contract development projects is computed to DKK 94.2 million which represents an increase of 19.4% compared to last year's income of DKK 78.9 million. If compensation from the French customer is disregarded, income from contract development projects has declined with 15.8%.

During the past financial year, further intensification of the competitive situation has occurred on some of the Group's markets, however this varies from area to area both regarding geography and technology. The intensified competitive situation on development projects has lead to declining turnover throughout the financial year compared to the year before.

During the financial year 2003/04, a number of important development projects in pointing forward wireless product solutions have been completed. The development of a wireless telephone line extender (TLE) has been completed for an Australian "pay-per-view" television supplier, Foxtel. The product is produced and sold as an ODM product. The development of a similar product has been completed and production and sale to a larger European telecommunications customer has commenced after the end of the financial year, this is also on ODM basis. Moreover, resources have been used in the financial year to improve the TLE versions for use on the English and American markets.

Another important development project comprises a wireless DUALphone which connected to a computer's USB port establishes a telephone connection via the Internet or uses the wired telephone network (PSTN). Sale of this product was commenced in late November 2004.

Furthermore, important and intense product development within the Group's technology platforms has been performed at the Group's own account, including development of the GSM/GPRS platform, development of GSM modules for installation in telephone systems as well as monitoring and alarm equipment etc.

Royalty income totals DKK 23.1 million which is a decline of 54.4% compared to last year's income of DKK 50.6 million. The decline is firstly due to the fact that some of the products which have contributed to royalty income during the financial year 2002/03 have been phased out and secondly due to the fact that there has not been completed sufficient development projects in previous financial years with a royalty structure which can compensate for this phase-out. Royalty payment is as a main rule based on the number of units produced. This declining royalty income was expected as it was mentioned already in the annual report for 2002/03.

Financial review

Sale of the Company's own products etc. amounts to DKK 104.8 million which is 112.1% above last year's sale of own products which amounted to DKK 49.4 million. The major part of the increase in turnover is due to the fact that the Group has been successful in completing a number of important development projects in pointing forward wireless product solutions during the financial year 2003/04.

In the first half of the financial year, the wireless telephone line extender (TLE) has successfully been introduced on the Australian market and production and sale of a European version has commenced after the expiry of the financial year, this is also on ODM basis.

Other external expenses increased from DKK 40.1 million in 2002/03 to DKK 54.2 million in 2003/04 which is an increase of 35.2%. The development of the Group's new own products at the Group's own account has engaged significant development resources and has resulted in increasing development costs. The selling costs have increased significantly due to the establishment of RTX America, Inc. and the Group has had to allocate a large amount for bad debt on a foreign debtor.

The mentioned development projects at the Group's own account have burdened the Group's profit and loss account with significant amounts during 2003/04 as the majority of the project expenses have been charged to the profit and loss account. Development costs have been recognised in the Group's balance sheet at year-end with a total of DKK 6.4 million on completed development project at the Group's own account. During the financial year 2003/04, the project has already generated significant earnings. The capitalised development costs are amortised over the estimated useful life, which is usually 3-5 years. Therefore, it is expected that only in special cases will incurred costs relating to present and future development projects at the Group's own account meet the requirements for capitalisation.

Compared to the same time last year, the total number of employees has increased with 29 persons by the end of the financial year. During the second half of 2003/04, a number of new employees with special competences have been appointed in the Company's departments as a result of the increased focus on commercialising already developed technology platforms and activities which may contribute to the Group's turnover and operating profit/loss. In particular the Group's introduction of new own ODM products has required appointment of new employees with product and logistical knowledge. Moreover, the establishment of the subsidiary RTX America, Inc. has lead to the employment of 6 new employees.

Overall the average number of employees in the Group has declined from 244 in 2002/03 to 225 in 2003/04 which is a decline of 7.8%. Staff costs amounts to DKK 100.7 million which is 8.4% less than last year. Measured per employee this is a decline of 0.6% in staff costs.

Depreciation, amortisation and write-down rose from DKK 10.8 million in 2002/03 to DKK 19.9 million in 2003/04. The increase is primarily due to the fact that the Group's management has chosen to write down goodwill in RTX Healthcare A/S to DKK 0.0 million which has entailed a write-down of DKK 8.7 million during the financial year 2003/04. The write-down is performed as a consequence of the slower decision-making and higher cautiousness of the customer than initially assumed. In spite of the subsidiary's sales efforts on the American market, delays are expected in relation to the sale of the products.

Financial review

Profit/loss for the year before financial income and expenses amounts to a negative DKK 30.7 million which is a performance decline of DKK 18.6 million compared to last year's result before financial income and expenses of a negative DKK 12.1 million. In 2003/04, profit/loss before financial income and expenses (EBIT) is affected positively with approx. DKK 23.5 million net concerning compensation from a lawsuit and is affected negatively by write-down of goodwill with DKK 8.7 million.

The profit/loss before financial income and expenses realised is significantly below expectations at the commencement of the financial year where a profit/loss before financial income and expenses of around a negative DKK 20 million was expected. Both net turnover and profit/loss before financial income and expenses are realised at the level disclosed in the readjusted expectations published by the management in September 2004 (see announcement no. 8/2004 of 23 September 2004).

The result realised is definitely to be considered as unsatisfactory. However, the result must be assessed based on the performed investments in developing of wireless niche products at the Group's own accounts, which has significantly burdened the profit and loss account in 2003/04.

Financial income and expenses (net) has declined from DKK 7.8 million in 2002/03 to DKK 5.9 million in 2003/04. These declining financial income and expenses are for instance due to a low level of interest rates. The main part of the Group's cash is placed in short-term current asset investments and bank deposits.

The net profit/loss for the year is a negative DKK 17.3 million against a negative DKK 3.5 million the year before. The earnings per share (EPS) total a negative DKK 1.81 against a negative DKK 0.38 the year before.

Turnover by business area

DKK ('000)	***1999/00***	***Share***	**2000/01**	***Share***	**2001/02**	***Share***	**2002/03**	***Share***	**2003/04**	***Share***
Development contracts	74.0	*46%*	98.6	*53%*	107.4	*50%*	78.9	*44%*	94.2	*43%*
Royalty	22.5	*14%*	12.1	*6%*	44.2	*21%*	50.6	*28%*	23.1	*10%*
Own products, etc.	63.5	*40%*	75.6	*41%*	62.4	*29%*	49.4	*28%*	104.7	*47%*
Total net turnover	**160.0**	***100%***	**186.3**	***100%***	**214.0**	***100%***	**178.9**	***100%***	**222.0**	***100%***

Balance sheet and cash flows

At 30 September 2004, the Group's balance sheet total amounts to DKK 447.1 million which is equal to a decline of DKK 46.5 million compared to last year. The decline in the balance sheet total represents a reduction in fixed assets of DKK 6.4 million and a reduction of current assets of DKK 40.1 million.

Financial review

During the year, Group equity has decreased by DKK 17.6 million from DKK 392.4 million to DKK 374.9 million. The result for the year has reduced equity by DKK 17.3 million and other equity items have reduced equity by DKK 0.2 million.

The equity ratio is 83.8%, which is an increase of 4.3% compared to last year.

Cash flows from operations amounted to a negative DKK 30.5 million, which is a reduction of DKK 56.9 million compared to 2002/03. Compared to last year, the decline is affected by the decrease in profit/loss for the year before financial income and expenses at an amount of DKK 18.5 million. In addition to this, there are significant change in working capital, income taxes paid and items without influence on cash flow.

Cash flows from investments comprising investments in intangible assets as well as tangible fixed assets and fixed asset investments totalled DKK 13.6 million compared to DKK 2.2 million in 2002/03. The largest change concerns intangible fixed assets.

Cash flows from financing activities totalled a negative DKK 16.0 million against DKK 4.0 million in 2002/03. The cash flows for the year include repayment of long-term mortgage loans of DKK 14.1 million.

The net effect of cash flows in 2003/04 was a decrease in cash and cash equivalents of DKK 60.1 million. At the end of 2003/04, cash, including current asset investments, amounted to DKK 231.2 million.

Risk management

All investments in shares involve certain risk. 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 the future growth, financial position and results of RTX Telecom. The factors mentioned are not necessarily all the factors which may involve a risk to the Group, but they are the factors which the management considers to be of primary significance to the Group. It should be noted that the priority of the risk factors does not reflect their significance. The description of risks should be considered in the context of the annual report in general.

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 and to introduce new or improved functionality to meet the ever growing customer demands.

RTX Telecom continuously aims at identifying and developing technological competence enabling the Group to produce technological solutions and products for which the customers will contract. 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.

Financial review

The Group is working with a goal-directed effort with detailed project and resource control tools which enables 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 on 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 Group strives to be an attractive place to work for its 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.

Development of technology platforms
Development of technology platforms involve development projects for the Group's own account launched in order to bring new knowledge and competence about new technologies to RTX Telecom.

A significant but varying portion of the Group's development projects will continue to be at the Group's own account. This will cause a considerable increase in costs in the short term and 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 degree, RTX Telecom is dependent on delivery of the agreed technology from the producers of chips at the agreed time.

Managing growth
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 organisational growth and to integrate any companies that may be acquired. In order to effectively manage growth, the Group will need to continue to implement new systems and control routines, and to increase, train, integrate, motivate and effectively manage its staff.

Possible fluctuations in interim results
The 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.

Financial review

Dependence on single customers
Developers of the size of RTX Telecom may to some extent become dependent on single customers. During the past three years, between 71% and 74% of turnover was generated from the ten largest customers. The Group's three largest customers accounted for between 39% and 44% of turnover in the same period. As many of these are "regular" customers, the Group is to some extent dependent on single customers. 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
Sub-suppliers in Denmark and abroad handle the majority of the Group's production. The Group depends on these sub-suppliers being able to produce and deliver the planned volume in the required quality. RTX Telecom is continuously in close contact with the sub-suppliers in order to monitor the quality management systems and planning of the production.

Limited protection of proprietary rights
At present, RTX Telecom has applied for patents within a few key areas. In order to obtain 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 for which it would seek protection.

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 material adverse effect on the Group's activities, results of operations and financial position.

Currency exposure
During the past three financial years between 80% and 87% of RTX Telecom's turnover derived from customers outside Denmark and most of such sales were invoiced in currencies other than Danish kroner, whereas contract-based development projects, in-house development projects and part of own production took place in Denmark. The Group's turnover is exposed to currency movements due to the considerable international business activity.

If appropriate, RTX Telecom enters into transactions to hedge its commercial currency exposure 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 results of operations and financial development.

Ownership

At 30 September 2004, the share capital of RTX Telecom had a nominal value of DKK 47.0 million consisting of 9,409,601 shares of DKK 5 each. All shares carry the same rights. The shares are negotiable instruments with no limitation in negotiability and are issued to bearer.

Voting rights at the general meeting cannot be exercised until the shares have been registered in the register of shareholders or until the shareholders have notified or documented the share purchase.

Financial review

Share turnover

Since June 2000, the Company's shares have been listed on the Copenhagen Stock Exchange (ISIN DK0010267129).

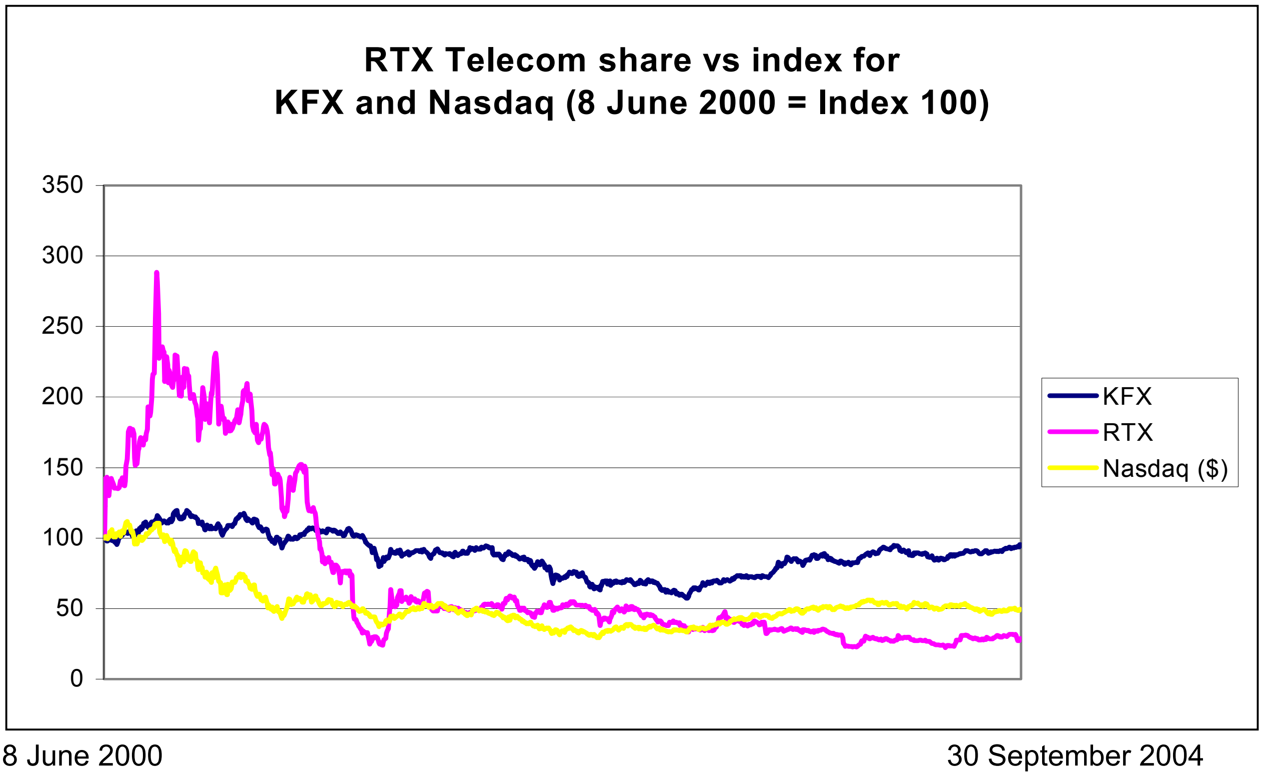
The average price was DKK 53 on 30 September 2004 which is a decrease of 18% on the average price of 30 September 2003. In the financial year 2003/04, the highest average price was DKK 66 and the lowest DKK 42.

The market value of the Company's shares amounted to approx. DKK 502 million at 30 September 2004. In the financial year 2003/04, 6.9 million RTX Telecom shares were traded on the Copenhagen Stock Exchange equal to approx. 73% of the share capital. The average turnover per trade day was approx. 27,000 shares.

The following investment banks follow and have surveys of RTX Telecom: Alfred Berg Bank, Enskilda Securities, Gudme Raaschou, Handelsbanken and Spar Nord Bank.

The Group has an open dialogue with investors and analysts in compliance with the Stock Exchange Code of Ethics. Regular meetings and telephone conferences are held with shareholders, investors and analysts in Denmark and abroad. The Executive Board participates in the meetings to the extent possible.

It is RTX Telecom's policy that the Executive Board does not participate in meetings with investors and analysts in a period of 3 weeks before the issue of the announcement of the interim and financial statements.



Financial review

Shareholders
At 30 September 2004, there were approx. 5,300 registered shareholders holding registered shares equivalent to approx. 80% of the share capital.

The following shareholders hold shares which either carry 5% of the votes of the share capital or the nominal value of which accounts for at least 5% of the share capital:

	Ownership
The estate of Villy Andersen, H. A. Brorsons Vej 17, 9000 Aalborg	5.06%
Jørgen Elbæk, Knepholtvej 22, 9430 Vadum	7.24%
Jens Hansen, Kronen 18, 9260 Gistrup	8.77%
Jens Toftgaard Petersen, Ravnhøj 82, 9000 Aalborg	7.24%
Mogens Westeraa, Kattegatsvej 34, 9700 Brønderslev	6.18%

At 30 September 2004, members of the Group's Executive Board and Supervisory Board as well as other insiders had the following personal shareholding and warrants in RTX Telecom:

	Number of shares at year-end		Number of warrants at year-end	
	2003/04	2002/03	2003/04	2002/03
Executive Board	681,250	681,250	0	0
Supevisory Board	2,093,731	2,109,831	8,000	9,000
Other insiders	186,380	1,299,955	162,000	153,000
Total	**2,961,361**	**4,091,036**	**170,000**	**162,000**

At 30 September 2004, other insiders' holding of RTX Telecom shares has been significantly reduced compared with other insiders' holding at 30 September 2003. The reduction in the holding is primarily due to certain insiders' conditions of employment and other relations to RTX Telecom having ceased during the financial year 2003/04.

According to RTX Telecom's internal rules on share dealing, insiders and connected persons of such insiders are permitted to buy and sell shares in a period of four weeks following the publication of interim financial statements or an annual report.

Warrants, share options and employee shares
The Supervisory Board was authorised under a resolution adopted by the shareholders at the general meeting held on 17 April 2000 to issue warrants by one or more issues with a nominal value of up to DKK 2,000,000 without a right of pre-emption for the Company's existing shareholders by offering the warrants to the Company's Supervisory Board, Executive Board or employees.

Financial review

The authority is valid until 1 April 2005. The Supervisory Board shall determine the specific terms and conditions of the warrants issued under the authority, including the exercise price of the shares subscribed pursuant to the warrants, possibly at a discount to the market price.

At the Company's extraordinary general meeting held on 17 April 2000, the Supervisory Board was authorised to increase the Company's share capital by one or more issues and without a right of pre-emption for the Company's other shareholders by issuing new shares with a nominal value of up to DKK 1,000,000 to be offered to the Company's employees. The new shares shall be issued at a price determined by the Supervisory Board, possibly at a discount to the market price. The authority is valid until 1 April 2005.

Moreover, the Supervisory Board has implemented a share option programme for the employees in the Group to maintain the large commitment among the employees. The share option programme is considered an important part of the Group's efforts to secure continued positive development and growth.

During the financial year 2003/04, RTX Telecom has - according to the share option scheme - granted warrants to key employees for a nominal value of DKK 90,000 equal to 18,000 warrants of DKK 5 each. The granted warrants account for approx. 0.2% of the share capital.

Related parties
The Company has no agreement concerning, and is not involved in, any material financial transactions with the Company's shareholders with the exception of contracts of employment, which have all been entered into on normal terms.

Besides the shareholders' interest, RTX Telecom's cooperation with National Semiconductor is strictly commercial and consists of two elements; the exchange of technological experience and know-how and commercial contracts for providing services on market terms.

RTX Telecom's trading with the subsidiaries and other companies in which the Group has investments takes place on a commercial basis and consists of exchange of technological experience and supply of services on market terms.

Corporate Governance
In a report dated 6 December 2001, the Nørby Committee presented a number of recommendations for good corporate governance in Denmark.

RTX Telecom's Supervisory Board has a positive attitude towards the recommendations of the Nørby Committee. Further, the Supervisory Board has noted that RTX Telecom's Articles of Association and management principles are largely identical with the key recommendations in the report.

Financial review

RTX Telecom will aim at following the concept of most of the important recommendations on good corporate governance, and in the following the Supervisory Board takes the opportunity to account for some of the key elements.

The Nørby Committee recommends that the Supervisory Board consists of no more than six directors elected by the general meeting and that the majority of directors are elected by the general meeting and are independent of the Company. Furthermore, the chairman and the directors ought not to be elected or re-elected for a period of more than nine years.

This recommendation is followed in respect of the number of directors elected by the general meeting. In the RTX Telecom Supervisory Board, three of the six members elected by the general meeting are independent of the Group. In addition, three of the board members are founders of the Company. It is the historical background of RTX Telecom that 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 carried out by the Company and they also own approx. 37% of the Company's share capital.

The members of the Supervisory Board elected by the general meeting are elected for a period of one year whereas employee representatives are elected for a period of four years. There is no limit to the period of time during which a person can sit on the Supervisory Board. A member can be re-elected until and including the year in which he turns 70.

Four board meetings were held in the financial year 2003/04.

RTX Telecom does not make use of board committees, nor does the Company carry out systematic evaluations of the Supervisory Board and Executive Board or of the cooperation between the two bodies.

The Nørby Committee recommends the company to use quarterly reporting. At present, the Supervisory Board of RTX Telecom has chosen not to publish quarterly reports. The Supervisory Board is of the opinion that a period-to-period comparison of the quarterly results of the Group may fluctuate significantly and that this will not contribute to a better understanding of the Group's activities or provide an adequate picture of the assets and liabilities, financial position and results of the Group.

Proposals for the general meeting

Own Shares

It is recommended to the general meeting that until the next ordinary general meeting the Supervisory Board shall be authorised to allow the Company to buy its own shares within 10% of the share capital at the listed price "all transactions" in effect at the date of purchase with a deviation of up to 10%.

Announcements and financial calendar

Announcements to the Copenhagen Stock Exchange in 2004 (up to and including 7 December 2004)

9 January 2004	No. 01	Annual General Meeting of RTX Telecom to be held on 27 January 2004
27 January 2004	No. 02	Annual General Meeting of RTX Telecom
10 March 2004	No. 03	RTX Telecom establishes subsidiary in Silicon Valley, San Jose, USA
29 April 2004	No. 04	RTX Telecom has closed an important development contract with a major international company
4 May 2004	No. 05	Press and analyst conference to be held on Wednesday 26 May 2004 at 3 p.m.
26 May 2004	No. 06	Interim annual report for the first six months of 2003/04
17 August 2004	No. 07	RTX Healthcare's Wireless Telehealth Gateway is now approved by the FDA (the American Food and Drug Association) and available to Healthcare Providers
23 September 2004	No. 08	RTX Telecom wins French appeal case, but downgrades earnings forecast for current financial year 2003/04
18 October 2004	No. 09	RTX Telecom has reached an agreement with Nesa on the delivery of 20,000 communication modules for remote reading electricity meters
20 October 2004	No. 10	The RTX Telecom Group has acquired the activities of the development company Knuisgaard Teknik ApS
28 October 2004	No. 11	RTX Telecom financial calendar 2004/05
11 November 2004	No. 12	RTX Telecom participates in a capital increase for Thomsen Bioscience A/S
7 December 2004	No. 13	Summary of annual report 2003/04
7 December 2004	No. 14	Annual report 2003/04

Financial calendar

Expected dates for publication of financial information until 31 January 2006:

Beginning of January 2005	Publication of the printed annual report for 2003/04
24 January 2005	Ordinary Annual General Meeting
25 May 2005	Interim annual report for the first six months of 2004/05
December 2005	Annual report for 2004/05
January 2006	Ordinary Annual General Meeting

Internet website

At the website www.rtx.dk you will find update information, announcements to the Copenhagen Stock Exchange and financial reports of the Group.

Consolidated financial statements and financial statements

Accounting policies

The annual report for the Group and the Parent is presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class D, Danish accounting standards and the requirements otherwise imposed by the Copenhagen Stock Exchange relating to the presentation of financial statements of listed companies.

The accounting policies applied for this annual report are consistent with those applied last year.

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

Hive off of operating activities with own products
With effect from 1 October 2003, the Parent transferred the activities consisting of own products to a wholly-owned subsidiary, “RTX Products A/S”. Comparative figures in the Parent’s annual report for 2002/03 have not been restated as a consequence of the fulfilled hive off.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the profit and loss account when earned, whereas costs are recognised by the amounts attributable to this financial year. Value adjustments of financial assets and liabilities are recorded in the profit and loss account as financial income or financial expenses.

Consolidation
The consolidated financial statements incorporate RTX Telecom A/S (the Parent) and enterprises in which the Parent directly or indirectly holds more than 50% of the votes or in any other way has a controlling interest (subsidiaries). RTX Telecom A/S together with its subsidiaries is referred to as the Group.

Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant but not controlling influence are regarded as associates.

Accounting policies

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 uniform items. 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. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated profit and loss account up to the time of their divestment or winding-up. Comparative figures are not restated for newly acquired or disposed enterprises.

The purchase method is applied in the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. On acquisition of enterprises provisions are made for costs relating to decided and published restructurings in the acquired enterprise. Allowance is made for the tax effect of the restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the profit and loss account based on an individual assessment of their useful life, however, no more than 20 years. Negative differences in amount (negative goodwill), corresponding to an estimated adverse development in the relevant enterprises, are recognised in the balance sheet as deferred income, and they are recognised in the profit and loss account as such adverse development is realised.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. 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. Fixed assets purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates which are independent entities, the profit and loss accounts are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered as belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of profit and loss accounts from average rates to the exchange rates at the balance sheet date are recognised directly on equity.

Accounting policies

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or write-down. The items of the profit and loss account are translated at the average 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 items.

Profit and loss account

Recognition of income

Sale of products is recognised as income when delivery is made, and risk has passed to the buyer.

Contract development projects in progress are recognised at market value of the performed work. The market value is measured based on the stage of completion on the balance sheet date and the total estimated income from the individual projects in progress which is most often laid down in a contract project. When total contract costs are likely to exceed the total income from a contract, the estimated loss is recognised in the profit and loss account.

If the market value cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Prepayments are set off against the selling price of orders in progress. Payments on account received in addition to the executed part of contracts are stated separately for each contract and recognised under short-term liabilities as prepayments received from customers.

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

Income from royalty is often conditional on future events. Royalty is recognised as income when such future events occur.

Other external expenses

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

Other external expenses also include costs of development projects which do not meet the criteria for recognition in the balance sheet.

Staff costs

Staff costs comprise salaries and wages as well as social security costs, pension contributions, etc for the Company's staff.

Accounting policies

Financial income and expenses

These items comprise interest income and expenses, the interest portion of finance lease payments, realised and unrealised capital gains and losses on securities, payables and transactions in foreign currencies, amortisation of financial assets and liabilities as well as tax surcharge and repayment under the Danish Tax Prepayment Scheme etc. Financial income and expenses are recognised at the amounts relating to the financial year.

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/loss for the year and recognised directly on equity by the portion attributable to entries directly on equity. Any portion of the tax taken the profit and loss account, which relates to extraordinary profit/loss for the year, is allocated to this entry whereas the remaining portion is taken to the year's profit/loss from ordinary activities.

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.

Deferred tax is recognised and measured applying the liability method on all temporary differences between the carrying amount and tax-based value of assets and liabilities. The tax-based value of the assets is calculated based on the planned use of each asset.

Deferred tax is measured on the basis of tax regulations which will be in effect, using the laws at the balance sheet date, when the deferred tax is estimated to be triggered as current tax. Changes in deferred tax resulting from changed tax rates are recognised in the profit and loss account.

Deferred tax assets, including the tax base of tax loss carryforward, 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.

The Parent is jointly taxed with selected subsidiaries. The current Danish income tax is allocated among the jointly taxed Danish companies proportionally to their taxable income (full allocation with a refund concerning tax losses). The jointly taxed enterprises are jointly and severally liable with the other jointly taxed enterprises for the total income tax.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other short-term liabilities other than provisions.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging of the fair 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.

Accounting policies

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly on equity. When the hedged transactions are realised, the changes are recognised in the relevant items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the profit and loss account as financial income or financial expenses.

Balance sheet

Intangible assets

Goodwill

Goodwill is measured at cost less accumulated amortisation and impairment losses. Goodwill is amortised straight-line over its estimated useful life, which is fixed on the basis of experience gained by the Management for each business area. The amortisation period is usually up to 10 years, but in special cases it may be up to 20 years.

The carrying amount of goodwill is assessed currently and written down to recoverable amount if the carrying amount exceeds the estimated future net income from the enterprise or activity to which the goodwill is related. The recoverable amount is measured at the higher of net present value and net selling price.

Development projects, patents and licences

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the profit and loss account as incurred.

Development costs comprise costs that are directly and indirectly attributable to the development projects.

On completion of the development project, the development costs are amortised straight-line over its estimated useful life. The amortisation period is usually 3-5 years, but it may be up to 20 years if the longer amortisation period is considered to better reflect the Group’s benefit from the developed product, etc. For development projects, protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights, however, not exceeding 20 years.

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.

Accounting policies

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 over no more than 20 years.

Development projects, including projects in progress, patents and licences, are written down to the lower of recoverable amount and carrying amount.

Profits and losses from sale of development projects, patents and licences are measured as the difference between selling price less selling costs and carrying amount at the time of sale. Profits or losses are recognised in the profit and loss account together with amortisation and impairment losses if they are adjustments to previous amortisation or under other operating income if the selling price exceeds original cost.

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated. Financing interest relating to large investments is included in the cost price.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

Land	-
Buildings	50 years
Fixtures and fittings, tools and equipment, including computer equipment	3 to 4 years
Cars	7 years

Assets costing less than DKK 10,800 per unit are recognised as costs in the profit and loss account at the time of acquisition. The investments in fixtures and fittings, tools and equipment made in connection with occupation of new premises are capitalised irrespective of cost.

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

Profits and losses from the sale of tangible fixed assets are calculated as the difference between selling price minus selling costs and the carrying amount at the time of sale. Profits or losses are recognised in the profit and loss account together with depreciation and impairment losses or under other operating income if the selling price exceeds original cost.

Leases and lease contracts

Lease of assets from which the Group actually obtains advantages and risks involved with the ownership of the asset is capitalised as assets held under finance lease under “Tangible fixed assets” and depreciated over the estimated useful life in accordance with the above depreciation periods.

Accounting policies

The interest portion of lease payments is recognised over the term of the contracts as financial costs in the profit and loss account.

Lease costs relating to operating leases and rental costs are recognised currently in the profit and loss account over the lease term/rental period.

Fixed asset investments
Investments in group enterprises
Investments in subsidiaries and associates are recognised and measured under the equity method. This means that in the balance sheet investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortized positive and negative goodwill on consolidation.

The Parent's share of the enterprises' profits or losses after elimination of unrealised intra-group profits and losses and minus or plus amortisation of positive, or negative, goodwill on consolidation is recognised in the profit and loss account.

Subsidiaries and associates with negative equity are measured at zero value, and any receivables from these enterprises are written down by the Parent's share of such negative equity if it is deemed irrecoverable. If the negative equity exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Net revaluation of investments in subsidiaries and associates is taken to reserve for net revaluation under the equity method if the carrying amount exceeds cost.

The purchase method is applied in the acquisition of subsidiaries; see above description under "Consolidation".

Other investments (fixed assets)
Listed shares and bonds (fixed assets) are measured at fair value at the balance sheet date (quoted price). Other fixed asset investments are measured at an approximate fair value or at cost if an approximate fair value cannot be calculated.

Realised and unrealised capital gains and losses are recognised in the profit and loss account under financial income or financial expenses. Share dividend is recognised under financial income in the year in which dividend is declared.

Accounting policies

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

Cost of raw materials, consumables and goods for resale consists of purchase price plus landing costs. Cost of manufactured finished goods and work in progress consists of costs for raw materials, consumables and direct labour costs as well as indirect production costs.

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

Receivables
Receivables are measured at amortised cost usually equalling nominal value less provisions for bad debts. Write-down is based on an individual assessment of all receivables.

Contract development projects in progress
Contract development projects in progress are measured at market value of the performed work. The market value is measured based on the stage of completion on the balance sheet date and the total estimated income from the individual development projects in progress. Usually, the stage of completion is determined as the ratio between actual and total budgeted consumption of resources. For some projects where the consumption of resources cannot be applied as a basis, the ratio between completed and total subactivities of the individual projects has been applied.

If the market value of a development project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each development project in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the market value less prepayments received, is positive or negative.

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

For further information, see the description under “Recognition of income”.

Prepayments, accrued expenses, accruals and deferred income
Prepayments and accrued expenses comprise incurred costs relating to subsequent financial years, including adjustments to fair value of derivative financial instruments with positive fair value.

Accruals and deferred income comprise received payments relating to subsequent financial years and adjustments to fair value of derivative financial instruments with negative fair value.

Prepayments and deferred income are measured at amortised cost which usually corresponds to the nominal value.

Accounting policies

Current asset investments

Securities classified as current assets are measured at fair value at the balance sheet date (quoted price).

Realised and unrealised capital gains and losses (net) are recognised under financial income and financial expenses.

Equity

Dividends are recognised as a liability at the time of adoption at the general meeting. The expected payments of dividends for the financial year are disclosed as a separate item under equity.

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

Other provisions

Provisions are recognised when the Group or the Parent has a commitment as a result of events in the financial year or earlier years and the repayment is likely to result in financial consumption of resources.

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.

Incentive programmes

Many of the Group's employees have subscribed for employee shares at favourable prices. Further, a number of executives have been granted warrants.

Costs relating to the employee share scheme and other share-based incentive schemes are taken directly to equity.

Proceeds from the issue of shares in RTX Telecom A/S in connection with the subscription for employee shares and exercised warrants are recognised directly on equity. Also the tax implications of the share-based incentive schemes are recognised directly on equity.

The most important conditions of the granted warrants are disclosed in a note on incentive programmes.

Cash flow statement

The cash flow statement of the Group is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the Group's cash and cash equivalents at the beginning and the end of the financial year.

Accounting policies

Cash flows from acquisition and divestment of enterprises are shown separately under cash flows from investing activities. 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 operating activities are calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises and activities as well as acquisition and sale of intangible assets, tangible fixed assets as well as fixed asset investments.

Cash flows from financing activities comprise changes in the size or composition of share capital and related costs as well as payment of dividend, purchase and sale of treasury shares and raising of loans and instalments on interest-bearing debt.

Cash and cash equivalents include cash and current asset investments less short-term bank debt.

Segment information

The RTX Telecom Group develops, manufactures and markets wireless services and products and the Group only has one business segment - wireless communication. Within the segment wireless communication, the Group is currently working with three general technologies and own products etc.

Net turnover broken down by technologies and own products etc. as well as geographical areas is disclosed in note 1.

Profit and loss account

(DKK '000)	Note	Group 2003/04	Group 2002/03	Parent 2003/04	Parent 2002/03
Net turnover	1	222,036	178,880	148,667	175,383
Cost of sales		(77,827)	(30,235)	(1,416)	(30,235)
Other external expenses		(54,274)	(40,085)	(54,426)	(38,621)
Staff costs	2	(100,711)	(109,902)	(87,498)	(102,213)
Depreciation/amortisation/write-down	3	(19,919)	(10,780)	(7,670)	(9,001)
Profit/loss before financial income and expenses (EBIT)		**(30,695)**	**(12,122)**	**(2,343)**	**(4,687)**
Profit/loss before tax in subsidiaries		0	0	(28,012)	(7,520)
Financial income	5	10,835	11,034	10,794	11,052
Financial expenses	6	(4,998)	(3,265)	(5,297)	(3,198)
Profit/loss before tax		**(24,858)**	**(4,353)**	**(24,858)**	**(4,353)**
Tax on profit/loss for the year	7	7,518	805	7,518	805
Net profit/loss for the year		**(17,340)**	**(3,548)**	**(17,340)**	**(3,548)**
Proposed distribution of profit/loss					
Shareholder dividends				0	0
Retained earnings				(17,340)	(3,548)
				(17,340)	**(3,548)**

Balance sheet at 30 September

Assets (DKK '000)	Note	Group 2004	Group 2003	Parent 2004	Parent 2003
Completed development projects		6,410	0	0	0
Licences		0	100	0	100
Goodwill		0	10,383	0	0
Intangible assets	8	**6,410**	**10,483**	**0**	**100**
Land and buildings		90,550	92,381	90,550	92,381
Fixtures and fittings, tools and equipment		11,486	12,038	7,971	11,766
Tangible fixed assets	9	**102,036**	**104,419**	**98,521**	**104,147**
Investments in subsidiaries		0	0	30,390	7,801
Other investments		14,172	14,172	14,172	14,172
Deposits		822	724	753	724
Fixed asset investments	10	**14,994**	**14,896**	**45,315**	**22,697**
Fixed assets		**123,440**	**129,798**	**143,836**	**126,944**
Raw materials and consumables		899	891	899	891
Manufactured goods and goods for resale		4,358	4,344	0	4,344
Inventories		**5,257**	**5,235**	**899**	**5,235**
Deferred tax (tax asset)	14	17,301	9,005	9,929	8,963
Trade receivables		51,321	35,878	31,901	34,899
Contract development projects in progress	11	1,697	4,780	1,757	4,247
Receivables from subsidiaries		0	0	2,699	2,727
Other receivables		15,045	15,987	15,225	16,111
Prepayments and accrued expenses		1,840	1,583	1,708	1,516
Receivables		**87,204**	**67,233**	**63,219**	**68,463**
Current asset investments	12	**191,252**	**258,255**	**191,252**	**258,255**
Cash at bank and in hand		**39,952**	**33,082**	**37,614**	**32,873**
Current assets		**323,665**	**363,805**	**292,984**	**364,826**
Assets		**447,105**	**493,603**	**436,820**	**491,770**

Balance sheet at 30 September

Equity and liabilities (DKK '000)	Note	Group 2004	Group 2003	Parent 2004	Parent 2003
Share capital	13	47,048	47,048	47,048	47,048
Share premium account		298,703	298,721	298,703	298,721
Retained earnings		29,117	46,663	29,117	46,663
Equity		**374,868**	**392,432**	**374,868**	**392,432**
Other provisions	15	5,996	275	5,416	275
Provisions		**5,996**	**275**	**5,416**	**275**
Mortgage debt		28,176	43,615	28,176	43,615
Long-term liabilities other than provisions	16	**28,176**	**43,615**	**28,176**	**43,615**
Current portion of long-term liabilities	16	1,789	2,141	1,789	2,141
Trade payables		13,255	7,066	4,847	6,893
Payables to subsidiaries		0	0	2,611	0
Income taxes	17	2,533	3,029	2,533	3,029
Other payables		20,488	21,224	16,580	19,564
Accruals		0	23,821	0	23,821
Short-term liabilities other than provisions		**38,065**	**57,281**	**28,360**	**55,448**
Liabilities other than provisions		**66,241**	**100,896**	**56,536**	**99,063**
Equity and liabilities		**447,105**	**493,603**	**436,820**	**491,770**
Treasury shares	18				
Collateral	19				
Contractual obligations	20				
Contingent liabilities	21				
Related parties	22				
Incentive programmes	23				
Financial instruments	24				

Equity statement

(DKK '000)	Group 2003/04	Group 2002/03	Parent 2003/04	Parent 2002/03
Share capital at 1 October	47,048	45,677	47,048	45,677
Employee share issue	0	216	0	216
Issue after exercise of granted warrants	0	1,155	0	1,155
Share capital at 30 September	**47,048**	**47,048**	**47,048**	**47,048**
Share premium account at 1 October	298,721	294,176	298,721	294,176
Premium at share issue	0	4,614	0	4,614
Costs relating to share issue	(26)	(98)	(26)	(98)
Tax value of costs incurred	8	29	8	29
Share premium account at 30 September	**298,703**	**298,721**	**298,703**	**298,721**
Retained earnings at 1 October	46,663	45,086	46,663	45,086
Tax value of favourable element concerning employee shares	0	1,286	0	1,286
Tax value of favourable element concerning warrants	0	3,844	0	3,844
Net profit/loss for the year	(17,340)	(3,548)	(17,340)	(3,548)
Exchange rate adjustment of foreign subsidiary	(53)	0	(53)	0
Net adjustment of hedging instruments	(218)	(7)	(218)	(7)
Tax value of net adjustment of hedging instruments	65	2	65	2
Retained earnings at 30 September	**29,117**	**46,663**	**29,117**	**46,663**
Total equity	**374,868**	**392,432**	**374,868**	**392,432**

The share capital of DKK 47,048,005
consists of 9,409,601 shares at DKK 5.

There are no shares with special rights.

The conditions of granted warrants are disclosed
in the note on incentive programmes.

Cash flow statement

(DKK '000)	Note	Group 2003/04	Group 2002/03	Parent 2003/04	Parent 2002/03
Profit/loss before financial income and expenses		(30,695)	(12,122)	(2,343)	(4,687)
Depreciation, amortisation and write-down		19,919	10,780	7,670	9,001
Other items with no effects on cash flow		5,668	(75)	5,141	(75)
Working capital changes	25	(30,065)	12,044	(16,700)	11,563
Cash flows from operating activities before net financials		**(35,173)**	**10,627**	**(6,232)**	**15,802**
Financial income		10,835	11,034	10,794	11,052
Financial expenses		(4,998)	(3,265)	(5,297)	(3,198)
Income taxes paid		(1,201)	7,998	(1,201)	7,998
Cash flows from operations		**(30,537)**	**26,394**	**(1,936)**	**31,654**
Intangible assets, net		(7,692)	2,650	0	0
Tangible fixed assets, net		(5,771)	(4,811)	(1,944)	(4,802)
Fixed asset investments		(98)	(26)	(42,347)	(26)
Cash flows from investments		**(13,561)**	**(2,187)**	**(44,291)**	**(4,828)**
Proceeds from capital increase, net		(26)	5,887	(26)	5,887
Net adjustment of hedging instruments		(218)	(7)	(218)	(7)
Raising of long-term liabilities		0	14,104	0	14,104
Instalment on and repayment of long-term liabilities		(15,791)	(15,973)	(15,791)	(15,973)
Cash flows from financing activities		**(16,035)**	**4,011**	**(16,035)**	**4,011**
Increase/decrease in cash and cash equivalents		**(60,133)**	**28,218**	**(62,262)**	**30,837**
Cash and cash equivalents at 1 October		291,337	263,119	291,128	260,291
Cash and cash equivalents at 30 September	26	**231,204**	**291,337**	**228,866**	**291,128**

Notes

(DKK '000)	Group 2003/04	Group 2002/03	Parent 2003/04	Parent 2002/03
1. Net turnover				
By technologies etc.				
Cordless including W-LAN	169,395	97,729	101,826	94,143
Cellular	15,012	43,124	20,207	43,124
Bluetooth	37,226	37,698	23,590	37,487
Other income	403	329	3,044	629
Total	**222,036**	**178,880**	**148,667**	**175,383**
By geographical areas				
Denmark	37,211	22,694	57,832	21,215
Other European countries	86,478	120,091	58,204	118,865
Asia and Australia	83,724	16,476	19,868	16,476
North America	14,623	19,619	12,763	18,827
Total	**222,036**	**178,880**	**148,667**	**175,383**

Net turnover is broken down by geographical areas according to the customers' geographical location.

Net turnover of the Group by types of income

(DKK '000)	2003/04	Share	2002/03	Share
Development projects	94,189	43%	78,879	44%
Royalty	23,084	10%	50,600	28%
Own products, etc.	104,763	47%	49,401	28%
Total net turnover of the Group	**222,036**	**100%**	**178,880**	**100%**

Notes

(DKK '000)	Group 2003/04	Group 2002/03	Parent 2003/04	Parent 2002/03
1. Net turnover (continued)				
Composition of net turnover				
Sale of goods and services	191,166	119,157	118,037	118,475
Sales value of this year's production of contract development projects in progress uncompleted at year-end	30,870	59,723	30,630	56,908
Total	**222,036**	**178,880**	**148,667**	**175,383**
2. Staff costs				
Salaries	104,776	108,770	86,601	101,166
Other social security costs	1,071	1,132	897	1,047
	105,847	109,902	87,498	102,213
Of this transferred salaries to completed contract development projects (capitalised)	(5,136)	0	0	0
Total	**100,711**	**109,902**	**87,498**	**102,213**
Of this remuneration for the Parent's:				
Supervisory Board	737	737	737	737
Executive Board	1,567	1,565	1,567	1,565
Total	**2,304**	**2,302**	**2,304**	**2,302**
Warrants granted to the Parent's				
Supervisory Board, number	0	0	0	0
Executive Board, number	0	0	0	0
Total	**0**	**0**	**0**	**0**
The Group's incentive programmes are further specified in note 23.				
Number of employees at year-end	248	219	195	206
Average number of employees	225	244	187	226

Notes

(DKK '000)	Group 2003/04	Group 2002/03	Parent 2003/04	Parent 2002/03
3. Depreciation/amortisation/write-down				
Development projects	1,282	0	0	0
Licences	100	100	100	100
Goodwill	10,383	1,568	0	0
Buildings	1,831	1,831	1,831	1,831
Fixtures and fittings, tools and equipment	6,323	7,281	5,739	7,070
Total	**19,919**	**10,780**	**7,670**	**9,001**
Of this write-down amounts to	8,683	0	0	0
4. Fees to auditors appointed by the general meeting				
Fees for audit services:				
Deloitte	470	399	390	370
Mortensen & Beierholm	74	72	74	72
Total	**544**	**471**	**464**	**442**
Fees for non-audit services:				
Deloitte	1,056	737	800	718
Mortensen & Beierholm	0	0	0	0
Total	**1,056**	**737**	**800**	**718**
5. Financial income				
Interest	9,771	10,547	9,715	10,517
Interest from subsidiaries	0	0	15	48
Realised gain on interest swap	1,064	0	1,064	0
Price adjustment on securities	0	487	0	487
Total	**10,835**	**11,034**	**10,794**	**11,052**
6. Financial expenses				
Interest	2,002	2,936	1,999	2,935
Interest to subsidiaries	0	0	400	0
Loss on foreign currency (net)	490	329	392	263
Price adjustment on securities	2,506	0	2,506	0
Total	**4,998**	**3,265**	**5,297**	**3,198**

Notes

(DKK '000)	Group 2003/04	Group 2002/03	Parent 2003/04	Parent 2002/03
7. Tax on profit/loss for the year				
Current tax on profit/loss for the year	712	10,589	2,063	12,644
Prior year adjustments of current tax	0	132	0	132
Change in deferred tax	(8,230)	(11,526)	(1,245)	(11,326)
Share of tax in subsidiaries	0	0	(8,516)	(2,255)
Reverse taxes concerning write-down of capital gain	0	0	180	0
Total	**(7,518)**	**(805)**	**(7,518)**	**(805)**
Tax on profit/loss for the year can be specified as follows:				
Income tax rate in Denmark	(30)	(30)	(30)	(30)
Disallowable expenses less non-taxable income	0	1	0	1
Other adjustments	0	11	0	11
Effective tax rate	**(30)**	**(18)**	**(30)**	**(18)**
Tax on changes in equity				
Current tax	(8)	(4,754)	(8)	(4,754)
Deferred tax	(65)	0	(65)	0
Prior year adjustments of current tax	0	(407)	0	(407)
Total	**(73)**	**(5,161)**	**(73)**	**(5,161)**
Taxes paid/received during the year	(1,201)	(7,998)	(1,201)	(7,998)

Notes

(DKK '000)	Group 2003/04	Group 2002/03	Parent 2003/04	Parent 2002/03
8. Intangible assets				
Completed development projects				
Cost at 1 October	0	0	0	0
Addition for the year	7,692	0	0	0
Cost at 30 September	**7,692**	**0**	**0**	**0**
Amortisation at 1 October	0	0	0	0
Amortisation for the year	(1,282)	0	0	0
Amortisation at 30 September	**(1,282)**	**0**	**0**	**0**
Carrying amount at 30 September	**6,410**	**0**	**0**	**0**
Licences				
Cost at 1 October	500	500	500	500
Addition for the year	0	0	0	0
Cost at 30 September	**500**	**500**	**500**	**500**
Amortisation at 1 October	(400)	(300)	(400)	(300)
Amortisation for the year	(100)	(100)	(100)	(100)
Amortisation at 30 September	**(500)**	**(400)**	**(500)**	**(400)**
Carrying amount at 30 September	**0**	**100**	**0**	**100**
Goodwill				
Cost at 1 October	14,354	17,004	0	0
Disposals for the year	0	(2,650)	0	0
Cost at 30 September	**14,354**	**14,354**	**0**	**0**
Amortisation at 1 October	(3,971)	(2,403)	0	0
Amortisation for the year	(1,700)	(1,568)	0	0
Write-down for the year	(8,683)	0	0	0
Amortisation and write-down at 30 September	**(14,354)**	**(3,971)**	**0**	**0**
Carrying amount at 30 September	**0**	**10,383**	**0**	**0**
Total carrying amount at 30 September	**6,410**	**10,483**	**0**	**100**

Notes

(DKK '000)	Group 2003/04	Group 2002/03	Parent 2003/04	Parent 2002/03
9. Tangible fixed assets				
Land and buildings				
Cost at 1 October	97,253	97,253	97,253	97,253
Additions for the year	0	0	0	0
Cost at 30 September	**97,253**	**97,253**	**97,253**	**97,253**
Depreciation at 1 October	(4,872)	(3,041)	(4,872)	(3,041)
Depreciation for the year	(1,831)	(1,831)	(1,831)	(1,831)
Depreciation at 30 September	**(6,703)**	**(4,872)**	**(6,703)**	**(4,872)**
Carrying amount at 30 September	**90,550**	**92,381**	**90,550**	**92,381**

The total value according to the public land assessment (for assessed property) amounts to DKK 58.0 million.

	Group 2003/04	Group 2002/03	Parent 2003/04	Parent 2002/03
Fixtures and fittings, tools and equipment				
Cost at 1 October	40,977	36,528	40,098	35,658
Additions for the year	6,011	4,920	2,889	4,827
Disposals for the year	(1,099)	(471)	(2,212)	(387)
Cost at 30 September	**45,889**	**40,977**	**40,775**	**40,098**
Depreciation at 1 October	(28,939)	(22,020)	(28,332)	(21,624)
Depreciation for the year	(6,323)	(7,281)	(5,739)	(7,070)
Depreciation concerning disposals for the year	859	362	1,267	362
Depreciation at 30 September	**(34,403)**	**(28,939)**	**(32,804)**	**(28,332)**
Carrying amount at 30 September	**11,486**	**12,038**	**7,971**	**11,766**
Total carrying amount at 30 September	**102,036**	**104,419**	**98,521**	**104,147**
Including:				
Recognised leased assets	0	0	0	0
Recognised interest expenses	0	0	0	0

Notes

(DKK '000)	Group 2003/04	Group 2002/03	Parent 2003/04	Parent 2002/03
10. Fixed asset investments				
Investments in subsidiaries				
Cost at 1 October			15,125	15,125
Additions for the year			44,838	0
Adjustment of added value at addition			(2,520)	0
Cost at 30 September			**57,443**	**15,125**
Value adjustments at 1 October			(7,324)	(2,059)
Share of profit/loss for the year			(20,516)	(5,265)
Reverted effect of added value on profit/loss			840	0
Exchange rate adjustment, loss			(53)	0
Dividends			0	0
Value adjustments at 30 September			**(27,053)**	**(7,324)**
Carrying amount at 30 September			**30,390**	**7,801**

At 30 September 2004, investments in subsidiaries comprise the entire share capital in the following enterprises:

Name	Reg. office	Nominal share capital	Equity DKK '000	Profit/loss before tax DKK '000	Net profit/ loss for the year DKK '000
RTX Healthcare A/S	Nørresundby	DKK 6,000k	4,360	(15,631)	(10,942)
RTX Products A/S	Nørresundby	DKK 5,000k	24,594	(13,563)	(9,688)
RTX America, Inc.	USA	USD 500k	3,116	162	114
			32,070	(29,032)	(20,516)
Adjustment of added value			(1,680)	1,020	840
			30,390	**(28,012)**	**(19,676)**

Subsidiaries' addresses

- RTX Healthcare A/S, Strømmen 6, 9400 Nørresundby, Denmark
- RTX Products A/S, Strømmen 6, 9400 Nørresundby, Denmark
- RTX America, Inc., San Jose, California, USA

Notes

(DKK '000)	Group 2003/04	Group 2002/03	Parent 2003/04	Parent 2002/03
10. Fixed asset investments (continued)				
Other investments				
Cost at 1 October	14,172	14,172	14,172	14,172
Additions for the year	0	0	0	0
Cost at 30 September	**14,172**	**14,172**	**14,172**	**14,172**
Value adjustments at 1 October	0	0	0	0
Additions for the year	0	0	0	0
Disposals for the year	0	0	0	0
Value adjustments at 30 September	**0**	**0**	**0**	**0**
Carrying amount at 30 September	**14,172**	**14,172**	**14,172**	**14,172**

Other investments comprise holding of shares in
LitePoint Corporation, USA and
Thomsen Bioscience A/S, Nørresundby, Denmark.

	Group 2003/04	Group 2002/03	Parent 2003/04	Parent 2002/03
Deposits				
Cost at 1 October	724	698	724	698
Additions for the year	98	26	29	26
Disposals for the year	0	0	0	0
Cost at 30 September	**822**	**724**	**753**	**724**
Carrying amount at 30 September	**822**	**724**	**753**	**724**

Deposits are not depreciated.

	Group 2003/04	Group 2002/03	Parent 2003/04	Parent 2002/03
Total carrying amount at 30 September	**14,994**	**14,896**	**45,315**	**22,697**

Notes

(DKK '000)	Group 2003/04	Group 2002/03	Parent 2003/04	Parent 2002/03
11. Contract development projects in progress				
Market value of development projects in progress	65,500	85,593	64,510	80,493
Invoiced on account	(63,803)	(80,813)	(62,753)	(76,246)
Contract development projects in progress, net	**1,697**	**4,780**	**1,757**	**4,247**
which is recognised in the balance sheet as follows:				
Contract development projects in progress	1,697	4,780	1,757	4,247
Prepayments received from customers	0	0	0	0
Contract development projects in progress, net	**1,697**	**4,780**	**1,757**	**4,247**
Volume of orders not booked as income				
Total volume of orders	97,552	116,521	96,502	111,050
Of this market value booked as income	(65,500)	(85,593)	(64,510)	(80,493)
Volume of orders not booked as income	**32,052**	**30,928**	**31,992**	**30,557**
Volume of orders not booked as income as percentage of total volume of orders	33	27	33	28

Notes

(DKK '000)	Group 2003/04	Group 2002/03	Parent 2003/04	Parent 2002/03
12. Current asset investments				
Cost at 1 October	257,978	169,558	257,978	169,558
Additions for the year	70,723	338,936	70,723	338,936
Disposals for the year	(135,744)	(250,516)	(135,744)	(250,516)
Cost at 30 September	**192,957**	**257,978**	**192,957**	**257,978**
Value adjustments at 1 October	277	1,028	277	1,028
Value adjustments for the year	(1,982)	(751)	(1,982)	(751)
Value adjustments at 30 September	**(1,705)**	**277**	**(1,705)**	**277**
Carrying amount at 30 September	**191,252**	**258,255**	**191,252**	**258,255**
Current asset investments consist of bonds with an average maturity of	1.4 years	1.6 years	1.4 years	1.6 years
average effective rate of interest of	2.7 %	2.6 %	2.7 %	2.6 %

13. Share capital

The share capital consists of 9,409,601 shares at DKK 5.

Development in share capital over the past five years:

(DKK '000)	2003/04	2002/03	2001/02	2000/01	1999/00
Share capital at 1 October	47,048	45,677	45,482	45,428	3,300
Bonus shares	0	0	0	0	33,344
Cash capital increase	0	0	0	0	8,750
Employee share issues	0	216	195	54	34
Capital increase after exercise of granted warrants	0	1,155	0	0	0
Share capital at 30 September	**47,048**	**47,048**	**45,677**	**45,482**	**45,428**

Notes

(DKK '000)	Group 2003/04	Group 2002/03	Parent 2003/04	Parent 2002/03
14. Deferred tax (tax asset)				
Provisions at 1 October	(9,005)	2,520	(8,963)	2,363
Deferred tax on profit/loss for the year	(8,296)	(11,394)	(1,310)	(11,195)
Transferred to subsidiary concerning hive off activities	0	0	344	0
Adjustment concerning previous years	0	(131)	0	(131)
Provisions at 30 September	**(17,301)**	**(9,005)**	**(9,929)**	**(8,963)**
Deferred tax is incumbent on the following items:				
Intangible assets	(8,670)	183	(1,802)	30
Tangible fixed assets	(2,323)	8	(1,993)	78
Current assets, etc.	(3,801)	(471)	(3,627)	(346)
Tax loss for carry-forward	(2,507)	(8,725)	(2,507)	(8,725)
Total	**(17,301)**	**(9,005)**	**(9,929)**	**(8,963)**

The tax rate used in the calculation of deferred tax is 30%. For further details, see "Accounting Policies".

Notes

(DKK '000)	Group 2003/04	Group 2002/03	Parent 2003/04	Parent 2002/03
15. Other provisions				
Provisions at 1 October	275	350	275	350
Transferred to subsidiary concerning hive off activities	0	0	(275)	0
Provisions for the year	5,721	127	5,416	127
Consumption for the year	0	(202)	0	(202)
Provisions at 30 September	**5,996**	**275**	**5,416**	**275**
Anticipated maturity:				
Less than 1 year	5,836	176	5,416	176
Between 1 and 5 years	160	99	0	99
	5,996	**275**	**5,416**	**275**

Notes

(DKK '000)	Group 2003/04	Group 2002/03	Parent 2003/04	Parent 2002/03
16. Long-term liabilities				
Amortised cost of long-term liabilities amounts to	**29,965**	**45,756**	**29,965**	**45,756**
The loans are raised in DKK and EUR.				
Long-term liabilities comprise mortgage debt with maturity from 2012 to 2023.				
The liabilities fall due as follows:				
Less than 1 year	1,789	2,141	1,789	2,141
Between 1 and 5 years	7,975	9,670	7,975	9,670
After 5 years	20,201	33,945	20,201	33,945
Total	**29,965**	**45,756**	**29,965**	**45,756**
Interest revaluation time				
Revalued under 3 months	0	0	0	0
Revalued between 3 and 6 months	8,985	9,370	8,985	9,370
Revalued between 6 and 12 months	0	0	0	0
Revalued after more than 12 months or at a fixed rate	20,980	36,386	20,980	36,386
Total	**29,965**	**45,756**	**29,965**	**45,756**
Effective rate of interest in local currency				
Under 4%	8,985	9,370	8,985	9,370
Between 4% and 6%	20,980	22,288	20,980	22,288
Between 6% and 8%	0	14,098	0	14,098
More than 8%	0	0	0	0
Total	**29,965**	**45,756**	**29,965**	**45,756**

Adjustment of above loans to market value at
30 September 2004 will result in costs of DKK 0.7 million.

Of long-term liabilities, DKK 0.0 million relates
to assets held under finance lease.

Notes

17. Income taxes

(DKK '000)	Group 2003/04	Group 2002/03	Parent 2003/04	Parent 2002/03
Income taxes at 1 October	3,029	(10,530)	3,029	(10,530)
Tax on profit/loss for the year	712	10,589	712	10,589
Tax value of entries on equity	(8)	(4,754)	(8)	(4,754)
Prior year tax adjustments, net	0	(274)	0	(274)
Taxes paid concerning prior years, net	(329)	9,566	(329)	9,566
Taxes paid concerning present year	(871)	(1,568)	(871)	(1,568)
Income taxes at 30 September	**2,533**	**3,029**	**2,533**	**3,029**

Amounts at 1 October in brackets are receivables.

18. Treasury shares

	Number		Nominal value (DKK '000)		% of share capital	
	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03
Treasury shares at 1 October	0	0	0	0	-	-
Purchase	0	0	0	0	-	-
Sale	0	0	0	0	-	-
Treasury shares at 30 September	**0**	**0**	**0**	**0**	**-**	**-**

The market price of treasury shares at 30 September 2004 totals DKK 0.0 million.

The Company is authorised to acquire treasury shares of a total face value of 10% of the Company's share capital up to 24 January 2005.

19. Collateral

The mortgage debt in the Parent is secured by mortgage on property, fixtures and fittings with a carrying amount of DKK 98.5 million at 30 September 2004.

The Group's bank has provided a bank guarantee of DKK 11.9 million concerning the lawsuit against a French customer also mentioned in note 21 under contingent liabilities. The Group has provided a bank deposit of DKK 11.9 million as security for the provided guarantee.

Notes

20. Contractual obligations

The Group's rent obligations in leasehold amount to DKK 10.6 million in the period of interminability which in full relates to the Parent.

Rent and lease payments relating to operational lease contracts, including rent obligations, fall due as follows:

	Group		Parent	
(DKK '000)	**2003/04**	**2002/03**	**2003/04**	**2002/03**
Less than 1 year	1,755	1,736	1,755	1,736
Between 1 and 5 years	6,315	6,380	6,315	6,380
After 5 years	3,195	4,598	3,195	4,598

Costs of rent/leasing amounted to DKK 2.0 million in 2003/04 and DKK 2.4 million in 2002/03.

21. Contingent liabilities

The Group's bank has provided bank guarantees and letters of credit at a total amount of DKK 20.5 million of which DKK 12.3 million relates to the Parent.

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.

The Group has not assumed any pension commitments.

The Parent is jointly and severally liable with the other jointly taxed enterprises for the total income tax.

The Parent is still part of the previously mentioned lawsuit against a French customer. Both at the courts of first and second instance the Company is awarded a significant compensation, therefore the management considers it to be most likely that the dispute with the French customer essentially is settled in favour of RTX Telecom. Therefore, RTX Telecom has decided to recognise the awarded compensation as income in the financial year 2003/04. The French customer may appeal the ruling to the court of third instance.

In addition, a claim for a relatively small amount in terms of value has been addressed to the Group. It is the management's opinion that there are no justifications for the claim and therefore it is considered unnecessary to make a provision for this claim in the annual report.

Notes

22. Related parties

No related parties have a controlling interest in the RTX Telecom Group.

Related parties with significant interest in the RTX Telecom Group include the subsidiaries, the Supervisory Board, the Executive Board and executives of the Group enterprises.

RTX Telecom A/S carries on business with the subsidiaries. In 2003/04 business etc. was carried out at an amount of DKK 40.0 million between RTX Telecom A/S and its subsidiaries. All transactions were made on market conditions.

In addition to this, the Company has not had any transactions with the Supervisory Board, the Executive Board or other related parties in the financial year, apart from intra-group transactions which have been eliminated in the consolidated financial statements as well as ordinary management remuneration.

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

Number of shares at DKK 5	**30.09. 2004**	**30.09. 2003**
Supervisory Board:		
Poul Lind	0	0
Per Møller	2,000	0
Dennis Elgaard	1,725	1,725
Jens Hansen	825,625	825,625
Jørgen Dalby-Jakobsen	1,681	1,681
John R. Phelps	0	0
Jens Toftgaard Petersen	681,250	681,250
Mogens Westeraa	581,450	599,550
Total	**2,093,731**	**2,109,831**
Executive Board:		
Jørgen Elbæk	681,250	681,250
Total shareholding of the Supervisory Board and the Executive Board:		
Number of shares at DKK 5	2,774,981	2,791,081
Market value in DKK '000	147,906	181,811

Notes

22. Related parties (continued)

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

The Supervisory Board and the Executive Board have the following outstanding unexercised warrants:

Number of warrants at DKK 5	30.09. 2004	30.09. 2003
Supervisory Board:		
Poul Lind	0	0
Per Møller	0	0
Dennis Elgaard	5,000	6,000
Jens Hansen	0	0
Jørgen Dalby-Jakobsen	3,000	3,000
John R. Phelps	0	0
Jens Toftgaard Petersen	0	0
Mogens Westeraa	0	0
Total	**8,000**	**9,000**
Executive Board:		
Jørgen Elbæk	0	0
Outstanding, unexercised warrants at DKK 5 granted to the Supervisory Board and the Executive Board, total	**8,000**	**9,000**

Notes

23. Incentive programmes

Warrants

RTX Telecom A/S has granted 170,000 warrants at DKK 5 to a limited number of executives. The unexercised granted warrants can be specified as follows:

Time of issue	Number of warrants at DKK 5	Exercise price per share at DKK 5	Exercise period
December 2000	2,000	334.8900	20 January - 4 February in 2005-2006
May 2001	6,000	222.7700	20 January - 4 February in 2005-2006
January 2002	126,000	97.6000	20 January - 4 February in 2005-2007
December 2002	18,000	82.8900	20 January - 4 February in 2005-2008
December 2003	6,000	43.6400	20 January - 4 February in 2005-2009
September 2004	12,000	57.4800	20 January - 4 February in 2005-2009
	170,000		

The granted warrants account for approx. 1.8% of the Company's share capital.

Movements of the year and unexercised warrants at 30 September 2004 can be specified as follows:

	Total	Supervisory Board	Exe-cutive Board	Execu-tives	Other staff
Unexercised warrants at 1 October 2003	162,000	9,000	0	24,000	129,000
Granted in December 2003	6,000				6,000
Granted in September 2004	12,000			12,000	
Expired warrants	(4,000)	(1,000)		(1,000)	(2,000)
Employees who have resigned	(6,000)				(6,000)
Unexercised warrants at 30 September 2004	**170,000**	**8,000**	**0**	**35,000**	**127,000**

The market value of all unexercised warrants at 30 September 2004 is calculated at DKK 0.7 million on the basis of the Black-Scholes model of valuation of warrants. The calculation is based on a volatility of 41.9%. Interest rates up to the expiry of the warrant are based on CIBOR and the Danish swap interest rates at 30 September 2004.

Notes

24. Financial instruments

At 30 September 2004, the Parent had current forward contracts to hedge payments in USD of receivables and bank deposits on USD account at 30 September 2004 and payments of expected goods and services sold in USD up to January 2005.

Forward contracts hedging a transaction risk at 30 September 2004 are recognised at fair value in the balance sheet, and value adjustments are recognised in the profit and loss account.

Value adjustments of forward contracts at 30 September 2004 to hedge sale of goods and services after 30 September 2004 are recognised in the balance sheet under other receivables or other payables. Value adjustments are recognised directly on equity until the hedged transaction is recognised in the balance sheet. The sum of these contracts stated at market price at 30 September 2004 amounts to DKK 0.0 million.

	Group		Parent	
(DKK '000)	**2003/04**	**2002/03**	**2003/04**	**2002/03**
25. Working capital changes				
Change in inventories	(22)	92	4,336	92
Change in receivables	(11,675)	(3,426)	6,554	(7,058)
Change in trade payables, etc	(18,368)	15,378	(27,590)	18,529
Total	**(30,065)**	**12,044**	**(16,700)**	**11,563**
26. Cash and cash equivalents at 30 September				
Cash at bank and in hand	39,952	33,082	37,614	32,873
Current asset investments	191,252	258,255	191,252	258,255
Total	**231,204**	**291,337**	**228,866**	**291,128**
of which unrealised gains (losses) on current asset investments amount to	(1,705)	277	(1,705)	277

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 2003/04.

The annual report has been presented in accordance with the Danish Financial Statements Act, Danish accounting standards and other accounting provisions applying to companies listed by the Copenhagen Stock Exchange.

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, equity and liabilities, financial position, results and cash flows.

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

Nørresundby, 7 December 2004

Executive Board

Jørgen Elbæk
Managing Director

Supervisory Board

Poul Lind Chairman of the Board	Per Møller Deputy Chairman	Jørgen Dalby-Jakobsen
Dennis Elgaard	Jens Hansen	Jens Toftgaard Petersen
John R. Phelps	Mogens Westeraa	

Auditors' report

To the shareholders of RTX Telecom A/S
We have audited the annual report of RTX Telecom A/S for the financial year 2003/04.

The annual report is the responsibility of the Company's management. Our responsibility is to express an opinion on the annual report based on our audit.

Basis of opinion
We conducted our audit in accordance with Danish Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual report. An audit also includes assessing the accounting policies used and significant estimates made by the management, as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion
In our opinion, the annual report gives a true and fair view of the Group's and the Parent's financial position at 30 September 2004 and of the results of their operations as well as the consolidated cash flows for the financial year 2003/04 in accordance with the Danish Financial Statements Act and Danish accounting standards.

Aalborg, 7 December 2004

Deloitte
Statsautoriseret Revisionsaktieselskab

Henrik Koch
State Authorised
Public Accountant

Hans Østergaard
State Authorised
Public Accountant

Mortensen & Beierholm
Statsautoriseret Revisionsaktieselskab

Ole Johansen
State Authorised
Public Accountant

P. Østergaard Mortensen
State Authorised
Public Accountant

Glossary

Technical term	Explanation
1G, 2G, 2,5G, 3G, 4G	The very first mobile telephony systems (1G, i.e. first generation) were analog, and only used for voice transmission. One example of a 1G mobile telephony system is NMT, which was mainly used in the Nordic countries. The second generation (2G) standards are digital, and although principally used for voice transmissions these can also be used for sending and receiving data. Examples of 2G standards are GSM and CDMA. GPRS, which transmits data twelve times faster than GSM and can be used for “always on” links to the Internet, for example, is a 2.5G technology. 3G provides the user with a broadband connection for transferring sound, images and video. It is 200 times faster than GSM. Examples of 3G technologies include W-CDMA, TD-SCDMA and UMTS. There is already discussion of a fourth generation (4G), which will be approximately 4,000 times faster than GSM.
AV	AV is a general description of products used for sound and images. AV is an abbreviation for Audio-Visual.
Baseband	Baseband is a general term for part of the physical components of a wireless communication product. Typically, this would include the control circuit (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 9,600 kbit/s, that of a fixed-line telephone/modem 56 kbit/s, GPRS up to 114 kbit/s, and UMTS up to 2 Mbit/s.
Bluetooth™	This is a global technology standard that can easily create a wireless connection at distances of between 10 and 100 metres, and thus replace cables. Bluetooth is mainly used for mobile telephones, so the user can, for example, speak through a mobile telephone via a wireless Bluetooth headset. Bluetooth can be used for a number of other applications, such as exchanging business cards between two mobile telephones or as a wireless modem. Maximum data transfer speed 720 kbit/s, or approximately ten times as fast as an ordinary 56k modem and telephone connection.
CDMA, IS-95, CDMA 2000 1x, 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 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.

Glossary

Technical term	Explanation
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.
DCT 2,4 GHz / WDCT	DCT 2.4 GHz (Digital Cordless Telecommunication) 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, DCT 2.4 GHz complies with the requirements of the North American market.
DECT	DECT 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 an European standard, but it has subsequently also been adopted in a number of non-European countries.
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.
EDGE	EDGE (Enhanced Data Global Evolution) is an extension of GSM. EDGE gives the mobile telephone user access to increased bandwidth and multimedia services, such as video clips. From the point of view of the operator, the advantage of EDGE is that this technology allows the existing GSM infrastructure to be expanded to EDGE, achieving data transfer speeds almost as high as those of UMTS without the need to buy a UTMS licence or build a completely new infrastructure.
GPRS	General Packet Radio Services (GPRS) is a mobile telephony technology for sending and receiving 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 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 location of a car or a person 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 Defense and operates via 21 satellites that orbit the Earth.
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).

Glossary

Technical term	Explanation
GSM/GPRS	GSM (Global System for Mobile communication) combined with GPRS (General Packet Radio Services) is known all over the world as 2½ generation (2.5 G) GSM network. GSM/GPRS is the next step towards the 3G network. The GSM/GPRS network is suitable for supporting multimedia facilities because of the high data transmission time.
IC	IC is an abbreviation for an Integrated Circuit, also known as a chip or chipset. The functionality of an IC is the heart of an electronics product, and the nature of the functionality depends on the particular product. An IC can, for example, function either as a storage or a control device.
IDC	International Data Corporation is a reputable supplier of market analyses to and about the IT and telecom sectors.
Interferens	Interference is the term used when two or more signals disturb each other and thus affect communication between two or more devices.
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 more users can 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 in stead. 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 or even from one telephone to another (Voice over IP). The difference is that whereas in conventional telephony infrastructure, each connection occupies an entire channel, several IP data packets can share the same connection, just as lots of cars can use the same motorway at the same time. IP is also used as an abbreviation for ownership of intellectually generated properties, ”Intellectual Property”. Cf. ”Silicon IP” and VoIP”.
IS-95	IS-95 is a CDMA standard.
ISDN	Integrated Service Digital Network is a standard established by ITU (International Telecommunication Union). It enables digital traffic over existing copper wires. This means that a household can have two telephone numbers for the same connection, and that it is possible to surf the Internet twice as fast as with an ordinary telephone link-up and a 56k modem.
IT	Information Technology (IT) is a term covering the many diverse electronic means and methods for creating, storing, exchanging and using information in various formats, whether images, documents, telephone conversations, video, etc.

Glossary

Technical term	Explanation
LAN	A Local Area Network (LAN) consists of a group of PCs and other devices sharing the same Internet connection, printers and/or servers in a home or an organisation.
M2M	M2M means Machine-to-Machine communication. According to the largest mobile operators, the number of other wireless products will soon be twice the number of mobile phones. This is a result of the growing use of tele services. RTX has unique technical know-how in the development of wireless products (M2M) and integration of these for information servers on the Internet (M2S).
NMT	NMT (Nordic Mobile Telephone System) was the first mobile analog telephone system and contributed to launching 1G mobile systems at the end of the 1970s and at the beginning of the 1980s. NMT still exists and is under development in several countries all over the world.
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 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 then 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, this is usually only a brand name and packaging.
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.
Radio Frequency	Radio frequencies are electronic waves used for wireless transmission. These can be used for communication between a mobile telephone and an antenna mast.
Repeater	A repeater receives digital signals electronically and sends them on to another device. This means that a DECT repeater can extend the DECT telephones' coverage.
RF	Radio Frequency (RF) means the radio part that establishes the wireless links in a communication product.
Silicon IP	Silicon Intellectual Properties (Silicon IP) is an expression used for the design or intellectual know-how used to make a chip (or IC) function in a given way.
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 regular telephone numbers all over the world are at a low rate.

Glossary

Technical term	Explanation
Software	Software is a general term for computer programmes which make computers and other electronical devices work.
TD-SCDMA	TD-SCDMA stands for Time Division – Synchronous Code Division Multiple Access. TD-SCDMA is a third generation mobile telephony standard developed by CATT (China Academy of Telecommunications Technology) in collaboration with Datang and Siemens. TD-SCDMA enables surfing the Internet at a speed of up to 2 Mbit/s, or 35 times faster than an ordinary 56k modem and telephone line link. It also allows supremely efficient use of the infrastructure.
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 production. As the word implies, the customer only needs to "turn a key" to start the product.
UMTS	Universal Mobile Telecommunications System (UTMS) is a third generation standard with a data capacity of up to 2 Mbit/s, 35 times faster than an ordinary 56k modem and a standard telephone line. It is based on the world's most frequently used mobile telephony standard, GSM. In various countries, several mobile operators have paid a great deal of money for UTMS licences. These operators hope that UTMS will enable them to launch a range of new interactive multimedia-based services, such as video conferencing, video on demand, and online route directions.
USB	Universal Serial Bus (USB) is a communications link between a PC and other devices such as modems, scanners and printers. The advantage of USB is that it makes the devices virtually self-configuring as USB is integrated into Windows 98 and later versions.
VoIP	VoIP or "Voice over Internet Protocol" is a method or protocol employed to transfer speech via the Internet.
W-CDMA	Wideband Code Division Multiple Access is an optimisation of CDMA technology that also builds on technologies familiar from the GSM mobile telephony standard.
W-LAN	A Wireless Local Area Network (W-LAN) allows several mobile users to access and link to the same network within an organisation or at home, and thereby share the same printer, Internet connection and other facilities. The different W-LAN standards are mainly specified by the Institute of Electrical and Electronics Engineers (IEEE). See also "IEEE 802.11".
W-PAN	Wireless Personal Area Network (W-PAN) is a network surrounding a person, and is used for wireless connection of products to each other. An example is a mobile telephone linked wirelessly to a headset. A personal network typically has a range of up to ten metres. Bluetooth is an example of a W-PAN technology.

Glossary

Technical term	Explanation
W-WAN	Wireless Wide Area Network (W-WAN) is a wireless network that covers a large area. Typically, W-WAN is used to describe a mobile telephony network where the user is on one end and the antenna mast on the other.
WAP	Wireless Application Protocol (WAP) is a set of standardised communications rules used to allow mobile appliances such as mobile telephones to access special Web sites and e-mails. WAP also enables Internet access and a range of different services from a mobile telephone.
WIFI	WIFI is an abbreviation of Wireless-Fidelty and contains a number of different wireless data standards (802.11) which can be used to connect more devices, typically computers or WIFI telephones, into one network also called a Wireless Local Area Network. Thereby it is possible to use the same ADSL connection or printer between more computers and users. Or it is possible to place a call via the Internet with a WIFI telephone. 802.11 is an open standard developed by the Institute of Electrical and Electronic Engineers (IEEE) and currently consists of four different standards: 802.11, 802.11a, 802.11b and 802.11g. 802.11a operates on the licence-free 5 GHz frequency band, while the others use the 2.4 GHz band. 802.11b is currently the most widespread standard, and can transfer data wirelessly at a speed of 5.5 Mbit/s, with a range of 50-100 metres. 802.11a is four times faster than 802.11b, providing a speed of 27 Mbit/s and a range of 20-100 metres. 802.11g is the latest standard and is just as fast as 802.11a, but operates on the 2.4 GHz frequency band.
WLL	WLL (Wireless Local Loop) is the term for the connection between a household and the ordinary telephone network of the phone company. When using WLL a wireless link is used instead of the traditional copper wiring.
Zigbee™	Zigbee™ is a wireless standard which is cheap and has low power consumption. With Zigbee™ it is possible to construct a network which can revolutionise the use of radio chips. Zigbee™ can for instance be used for building automation, including electrical and heat controls. Zigbee™ is based on the wireless IEEE 802.15.4 standard and is more simple and cheap to operate that WiFi and Bluetooth. Zigbee™ was designed so that it is able to submit a limited volume of date at a speed of maximum 250k bps.

Definitions of financial highlights and key ratios

Definitions

The key ratios have been calculated in accordance with “Recommendations & Ratios 1997” issued by the Danish Association of Financial Analysts, unless otherwise indicated.

Profit/loss before financial income and expenses	Operating profit/loss (EBIT)
Profit/loss from ordinary activities after tax	Profit/loss for the year adjusted for extraordinary items after tax and minority interests
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	Profit/loss before financial income and expenses * 100 / Net turnover
Return on net assets	Profit/loss before financial income and expenses * 100 / Average operating assets
Return on equity	Profit/loss from ordinary activities after tax and minority interests * 100 / Average equity
Equity ratio	Equity ratio 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 * 100 / Average number of shares each at a nominal value of DKK 5
Cash flow per share[1]	Cash flow from operating activities / Average number of shares each at a nominal value of DKK 5
Equity value per share	Equity at year-end excluding minority interests / Number of shares each at a nominal value of DKK 5
Dividends per share	Total dividends paid / Average number of shares each at a nominal value of DKK 5
Payout ratio	Total dividends paid * 100 / Profit/loss from ordinary activities and minority interests

1) Not defined by the Danish Association of Financial Analysts

This annual report includes statements on expectations for the Group’s future financial position. These statements might be influenced by risk and uncertainty factors, and consequently the actual development might be different from the expectations indicated. These risk factors include a number of factors such as general business and financial conditions, dependence on co-operators and exchange rate and interest rate fluctuations etc. Risk and uncertainty factors are further described in this annual report.

The annual report for 2003/04 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.