

# Announcement

To the Copenhagen Stock Exchange and the press

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RTX Telecom takes over Hong Kong-based DRS Electronics Ltd.,  
developer, manufacturer and marketer of telecom products  
in exclusive Scandinavian design

*Summary: RTX Telecom has today concluded an agreement with the shareholders of Hong Kong-based DRS Electronics Ltd. concerning the purchase of the shares in the company from 1 January 2006. Relevant tools and rights will also be taken over.*

RTX Telecom has today concluded an agreement with the shareholders of DRS Electronics Ltd, Hong Kong, concerning the purchase of the shares in the company from 1 January 2006. The purchase price of the DRS Electronics Ltd. shares and the relevant tools and rights totals DKK 20 million, enterprise value. The purchase price is being paid in cash.

The transfer includes the following elements:

- 22 employees at company headquarters in Hong Kong
- 2 employees at the company's sales office in Aalborg, Denmark
- the right to use names, designs and tools developed and produced in collaboration with internationally recognised and award-winning designers
- DRS Electronics' current order book
- development management, contract production and sales of OEM telecom products

## **Background to the takeover**

With the takeover, RTX Telecom widens its scope for delivering highly specialist DECT products to, among other things, the group's newly developed IP-DECT Wireless Local Loop system. The DRS Electronics designs already developed and variants thereof can be adapted to this system

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and other specialist applications with the assistance of RTX Telecom's development department in Denmark.

The plan is to exploit the company's presence in the Far East by outsourcing specific development, test and logistics activities from the RTX Telecom group's other companies to DRS Electronics, thereby ensuring that customers and manufacturers in the Far East will also benefit from the group's local presence.

### **Description of DRS Electronics**

DRS Electronics was founded as a trading company in 1991 in Hong Kong. In addition to its domicile in Hong Kong, DRS Electronics has a sales office in Aalborg.

DRS Electronics specialises in the development, production and sales of electronic products. Since 1995 DRS Electronics has devoted ongoing efforts to expanding and refining its product programme, which is based exclusively on Scandinavian design. A number of the original designs by Jacob Jensen, DesignNord and Landerholm & Lund remain successful in the market.

Today, business activities cover three main areas, which are corded and cordless telephony applications and security products, including communication modules.

The company's order and customer portfolio includes several large telecom companies, international distributors and a number of industrial customers as well as major national and international retail chains. In the 2004/05 financial year, around one third of turnover is attributable to Scandinavia, while two thirds of turnover are generated in a large number of European countries, the Middle and Far East and Australia.

DRS Electronics has since its foundation undergone healthy organic growth. EBIT for the 2004/05 financial year amounted to HKD 3m.

### **Business and development prospects for DRS Electronics**

RTX Telecom is planning to continue to pursue and support DRS Electronics' current strategy and business model.

The plan is for the RTX Telecom group to provide DRS Electronics with technological support from Denmark to ensure differentiation of the future product range in terms of both design and technological content.

In the long term, a number of development, test and logistics activities will be considered for outsourcing from the RTX Telecom group in Denmark to DRS Electronics with a view to optimising the group's presence in Hong Kong and China.

Following the takeover, RTX Telecom sees an increasing market potential for its existing technological platforms, including initially DECT, DECT Wireless Local Loop (WLL) and the IP telephony platform.

### **Practical integration**

There will be no changes to the DRS Electronics Ltd. management, and the company will continue to trade under the same name as an independent subsidiary of RTX Telecom.

The day-to-day management of the company will be supplemented with Business Development Director Peter Christensen, who will be expatriated from Denmark. The organisation will to some extent be integrated with the RTX Telecom group's other business and competence areas.

### **Earnings forecast**

Seen in isolation, the acquisition of DRS Electronics is expected to increase net turnover in the RTX Telecom group by approx. DKK 50 million in the current financial year. The takeover and the non-recurring expenses incidental to expatriation, integration and transaction costs are expected to reduce earnings for the year by DKK 3 million, but from the 2006/07 financial year DRS Electronics Ltd. is expected to make a positive contribution to the group's earnings.

For the group as a whole, net turnover for the 2005/06 financial year is expected to increase to DKK 400 – 430 million, against an earlier forecast of DKK 350 – 380 million. The expected profit before financial items (EBIT) remains unchanged at DKK 5 – 20 million.

### **Implementation of the acquisition**

The acquisition is solely dependent on a few standard conditions of trade and is expected to be cleared up within 2 weeks.

Yours sincerely,  
RTX Telecom A/S

Jørgen Elbæk  
CEO

*Questions and further information:  
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