

# Annual Report 2001



### **Business scope**

EuroCom Industries (ECI) is a leading global supplier of maritime communication equipment.

ECI develops, produces and markets maritime communication equipment for all types of vessels. ECI's products are sold throughout the world under two brands – Sailor and Skanti – through distributors and partners and as OEM products to systems suppliers.

ECI's maritime products secure customers efficient communication at sea, which is a prerequisite for maximum safety, for efficient operations and for meeting social needs.

In 2001, ECI extended its business scope to include navigation products based on VHF-AIS technology.

### **Goals**

ECI aims to become the world's leading supplier of maritime communication equipment and navigation products based on VHF-AIS technology. In addition, ECI aspires to create satisfactory shareholder value and to be an attractive place to work.

The Company's Annual General Meeting will be held on 24 April 2002 at 4.00 p.m.  
at the company's address in Ballerup:  
Lautrupvang 4A, 2750 Ballerup, Denmark.

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## Five-year financial highlights

Group DKKm	1997	1998	1999	2000	2001
<b>Profit and loss account</b>					
Turnover	526	692	604	317	314
Operating profit before goodwill and restructuring	92	106	25	(72)	(17)
Goodwill amortisation and impairment	(7)	(7)	(7)	(7)	(44)
Operating profit/(loss)	85	99	17	(119)	(62)
Profit/(loss) before tax	79	90	9	(132)	(77)
Net profit/(loss)	50	57	4	(109)	(78)
<b>Balance sheet</b>					
Total assets	383	581	513	397	294
Capital employed	203	345	411	302	216
Shareholders' equity	98	187	192	80	2*
<b>Cash flow statement</b>					
Cash flows from operating activities	56	(31)	(9)	(3)	12
Cash flows from investing activities	(12)	(24)	(36)	(0)	(3)
Cash flows from financing activities	(39)	(15)	(33)	54	(1)
<b>Key ratios (%)</b>					
Operating margin before goodwill	17.5	15.4	4.1	(35.4)	(5.5)
Operating margin	16.1	14.3	2.9	(37.7)	(19.6)
Return on capital employed (ROCE)	39.9	36.1	4.6	(32.6)	(23.8)
Return on equity (ROE)	51.3	48.4	2.0	(79.9)	(189.9)
Equity share	25.5	32.2	37.4	20.2	0.7*
<b>Per share data (DKK)</b>					
Earnings per share (EPS)	12.40	14.20	0.80	(24.80)	(17.80)
Dividend per share (DPS)	11.80	3.90	0.00	0.00	0.00
Cash flows per share (CFPS)	13.90	(7.80)	(2.00)	(0.60)	2.68

\* The board of directors has decided to propose a resolution to the annual general meeting that the existing share capital of nominal DKK 43,750,000 be reduced to 10% of the nominal value and that DKK 50 million of fresh equity capital be contributed to the company. Other things being equal, the equity ratio will be 17% after the completion of the capital increase.

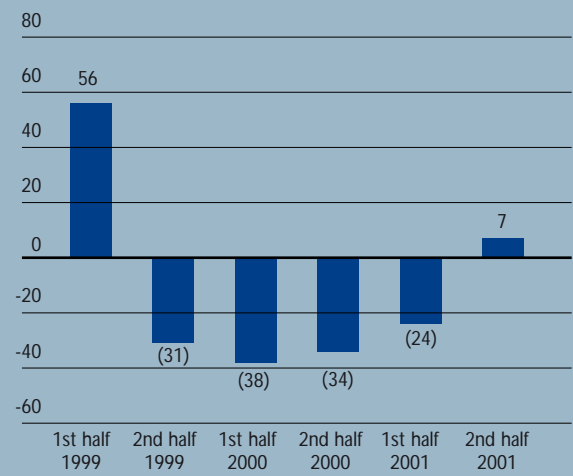


## Major events in 2001

- ECI maintained turnover and recorded a loss of DKK 41 million before goodwill impairment in 2001 (2000: minus DKK 109 million).
- The results are in line with the directors' forecast in announcement no. 8 to the Copenhagen Stock Exchange of 5 December 2001. Before goodwill impairment, a loss of DKK 4 million was recorded for the second half, corresponding to the forecast of results around break-even, compared with a loss of DKK 37 million in the first half of 2001.
- In 2001, ECI extended its business scope to include navigation products based on VHF-AIS technology. These products will target a new regulatory-requirements market, which will start up in mid-2002, and which is expected to be rising during the implementation period.
- In order to concentrate ECI's resources in the area where the company is among the world's leading players, ECI has decided to stop its development of new Inmarsat terminals. An OEM agreement has been signed for the delivery of Inmarsat products under ECI's well-known brands, Sailor and Skanti, and as OEM products to systems suppliers.
- Capital and the balance sheet will be strengthened. Write down of goodwill by 50% increased loss to DKK 78 million. Share capital will be reduced to 10% of nominal value, and ECI will receive DKK 50 million of fresh capital.
- Assuming growing turnover, a small profit is expected in 2002. ECI continues its strategies and wishes to play an active role in industry consolidation.

✓ **Operating profit before goodwill and provision for restructuring**  
(DKKm)

ECIs business model has been changed to adjust the company's cost structure to the size of the world market for maritime communications equipment.





## Directors' report

### ECI's performance in 2001

Following a major downturn in the world market in 1999 and 2000, ECI experienced substantially greater market stability in 2001, as expected, and the market was in line with the level in 2000. Turnover was DKK 314 million versus DKK 317 million in 2000.

Results for the year were a loss of DKK 77 million before tax and DKK 78 million after tax. The corresponding 2000 figures were losses of DKK 132 million and DKK 109 million, respectively. Earnings per share amounted to a loss of DKK 17.8 (2000: a loss of DKK 24.8).

The operating loss for the year was DKK 62 million (2000: a loss of DKK 119 million). The operating loss before amortisation and impairment of goodwill amounted to DKK 17 million (2000: a loss of DKK 72 million before restructuring costs).

The results are in line with the directors' forecast in announcement no. 8 to the Copenhagen Stock Exchange of 5 December 2001. Turnover totalled DKK 163 million in the second half compared with a forecast of about DKK 150 million, equivalent to turnover in the first half of the year. Before goodwill impairment, a loss of DKK 4 million was recorded for the second half, corresponding to the forecast of results around break-even, compared with a loss of DKK 37 million in the first half of 2001. Finally, a minor reduction of the company's debt was made, in line with expectations.

### Restructuring of ECI now complete

The company's main task in 2001 was to complete the fundamental restructuring, which ECI commenced in 2000 by building up a completely new business model in order to adapt the organisation to future market demand. ECI's new business model has created a more agile and innova-

tive organisation in all areas and significantly reduced the cost base. The financial benefits have materialised in step with the implementation of the business model. The aim is to achieve satisfactory profitability as soon as possible. The company is adhering to its strategy, and most changes have already been implemented or are being implemented.

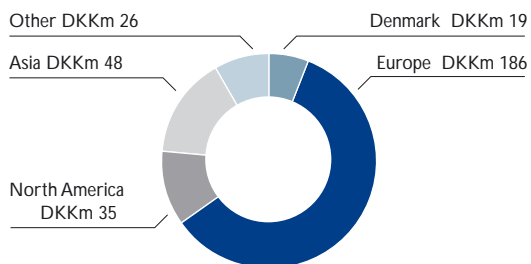
The implementation of part of the improvement programmes is delayed by the increasing uncertainty among ECI's business partners about its future ability to honour obligations in view of the size of its debt, goodwill and shareholders' equity.

In connection with the adoption of the annual financial statements it was therefore decided to strengthen the company's capital base and balance sheet:

- An extraordinary DKK 37 million impairment charge of capitalised goodwill to DKK 40 million has been taken, and the company's shareholders' equity now amounts to DKK 2 million.
- The board of directors has decided to propose a resolution to the annual general meeting for the company's share capital of DKK 43,750,000 million to be reduced to 10% of the nominal value to cover the company's losses and negative reserves. The reduction will be effected by reducing the denomination of the company's shares from DKK 10 to DKK 1.
- In addition, the board of directors proposes a resolution to the annual general meeting to increase the share capital, to the effect that the company will receive a gross amount DKK 50 million of fresh equity capital. The proceeds will be used to reduce the company's bank debt. Following the capital contribution, the company's total

### Turnover by geographic area

The largest part of ECI's sales take place in Europe. ECI's market share is growing in Asia as a large part of ECI's turnover, registered as European turnover, is re-exported to Asia for new building projects.



### Turnover by product group

Radio-communication products account for 62% of ECI's turnover, and products developed in-house account for 75% of turnover.



debt will have been reduced to approximately DKK 170 million. It is proposed that the equity issue be made with pre-emption rights to the company's existing shareholders.

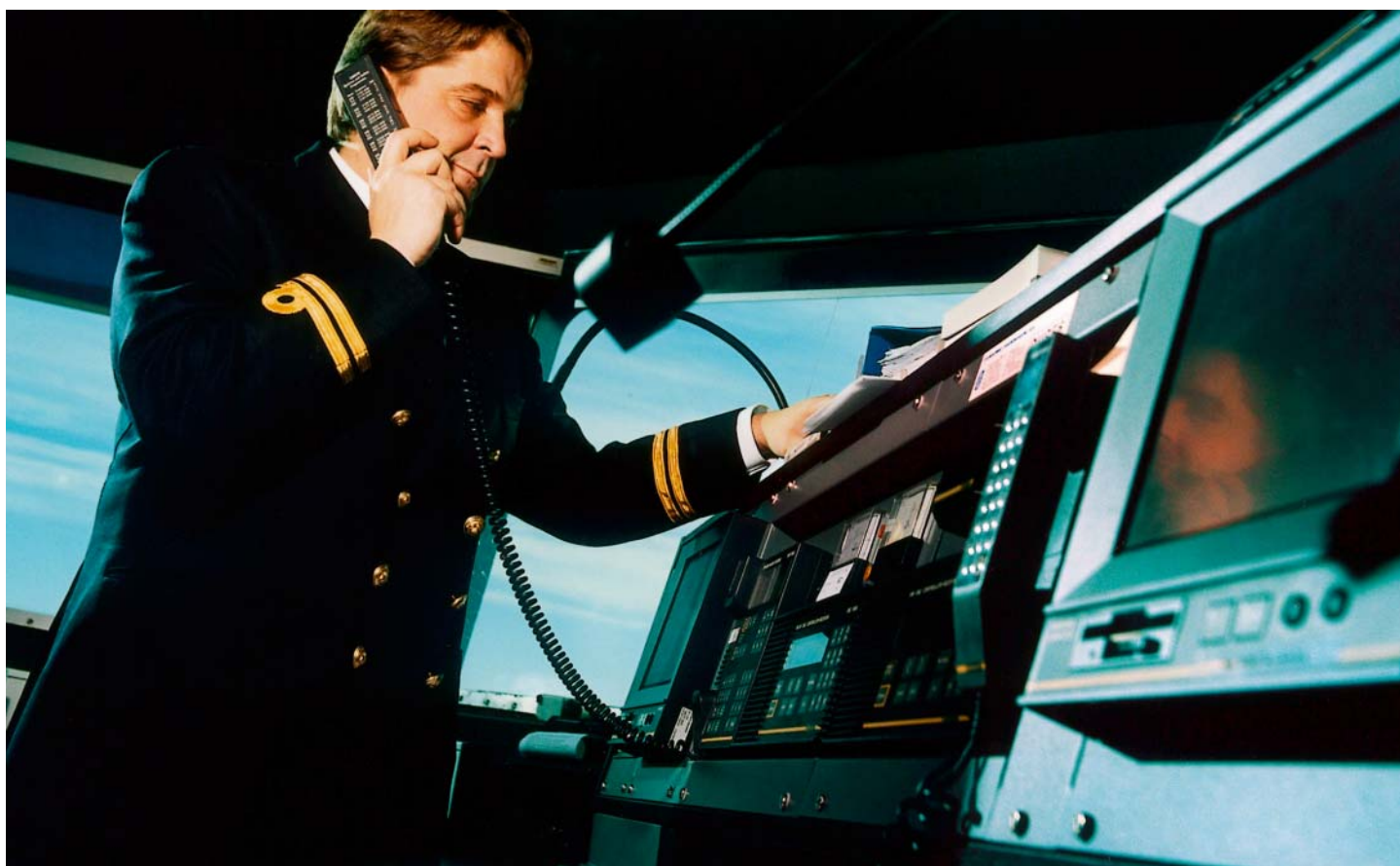
The directors believe that the capital contribution will be sufficient to restore the company's capital resources, and that the capital contribution will restore the company's financial position vis-à-vis its business partners.

Nordea Bank Danmark A/S has undertaken to underwrite the equity issue, and the company's principal shareholder, EuroMarine Electronics GmbH, has undertaken to partici-

pate in the capital increase in proportion to its 59.7% ownership interest.

Turnover and results in 2001 were adversely affected by (i) a delay in the development and the subsequent closure of ECI's project involving a new land-based mobile satellite terminal for Inmarsat's Global Area Network, and (ii) technical problems with ECI's Inmarsat-B satellite terminal. The technical problems have now been solved, and sales of the terminal are increasing.

After giving effect to the total loss of DKK 78 million, shareholders' equity amounted to DKK 2 million. Following the





planned equity issue, shareholders' equity will total about DKK 50 million.

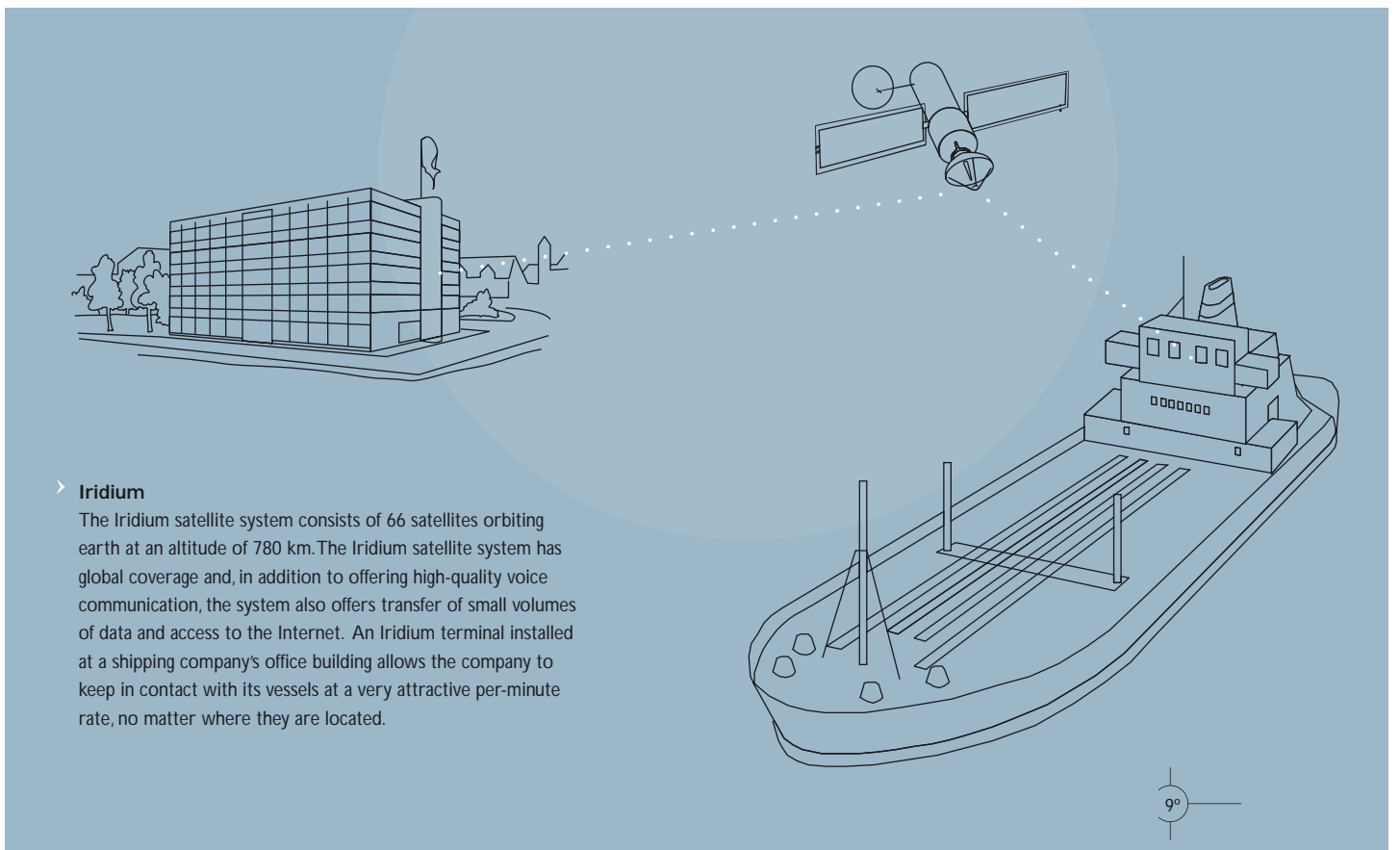
Cash flows from operating activities amounted to an inflow of DKK 12 million in 2001 against an outflow of DKK 3 million in 2000.

### Market developments

ECI's radio communication products MF/HF and VHF enjoyed the expected success in 2001. The market was once again dominated by three strong producers in 2001: In addition to ECI, they are Japan Radio Company (JRC) and Furuno Electric Company, also of Japan. In 2001, ECI man-

aged to win market shares from its competitors and, overall, it is estimated that ECI has taken over JRC's dominant position, primarily in the market for supplies of comprehensive communication solutions for the deep-sea market.

In spite of the technical problems with the maritime Inmarsat-B satellite terminal, ECI managed to achieve some degree of success with the product in the deep-sea market. In the satellite market, Nera was the dominant competitor within maritime Inmarsat-B equipment, holding by far the largest market share, whereas Thorne & Thorne, ECI's OEM partner, showed strong performance in the Inmarsat-C and Inmarsat Mini-M areas.



#### ➤ Iridium

The Iridium satellite system consists of 66 satellites orbiting earth at an altitude of 780 km. The Iridium satellite system has global coverage and, in addition to offering high-quality voice communication, the system also offers transfer of small volumes of data and access to the Internet. An Iridium terminal installed at a shipping company's office building allows the company to keep in contact with its vessels at a very attractive per-minute rate, no matter where they are located.



The relaunch of the Iridium satellite system also contributed to the business development. ECI sold more than 1,000 units of the satellite terminal after the relaunch in mid-2001.

Since the 1980s, Sailor and Skanti have been dominant brands in the maritime communications industry holding large market shares all over the world, especially within the deep-sea segment and the professional market, including fisheries and other small vessels.

ECI sells its products through two established distribution networks. The distributor concept is highly sales- and service-orientated, and ECI has therefore developed an attractive service system, which is based on training, local stocks of spare parts and national maintenance contracts.

Through its OEM/private-label concept, ECI has won a dominant market share, especially within the highly systems-orientated newbuilding market. Through OEM agreements with the largest suppliers of maritime equipment – Sperry Marine, STN Atlas Marine, Norcontrol, Kelvin Hughes and, most recently, Raytheon – ECI's products are included as OEM brand names in the large and integrated systems marketed by these suppliers.

### Operations

The company's production concept has been changed substantially in line with the new business model. This has given the company a very flexible position in the supply system in a market that considers significant world market fluctuations to be natural events. The desired flexibility has been achieved concurrently with a successful reduction of costs.

Late September saw the inauguration of a new factory layout. It is designed to optimise the flow of materials and eliminate all superfluous activities. The new layout will re-

duce throughput times and, thus, stocks. Distributed stocks have been introduced to a wide extent so as to ensure that operators get the closest possible access to the products they need in order to achieve major efficiency improvements.

A guiding principle in ECI's new business model is the confidence we have that our ability to react quickly and agilely will be a decisive competitive factor. The capital- and salary-intensive areas have been outsourced, while special competencies for fitting, testing, final assembly and versioning are maintained in-house. This strategy has made production profitable at the present level and enables us to double activity without any significant further investments. In other words, ECI is able to react swiftly to changes in demand.

Similarly, the supply network must be able to react quickly to and adjust to market changes so as to enable ECI to create and supply the products and services demanded by end users. In 2002, we intend to focus on the supplier side by strengthening the bonds to our third-party suppliers through actual partnerships, and on the distributor side, where we expect that quick delivery, accessibility and "time to market" will gain increasing importance.

Our efforts within quality assurance concentrated on setting up targets and monitoring results, improving our physical framework (for instance ESD assurance) and improving the general level of quality consciousness among the staff. In 2002, our efforts will be more extrovert and target suppliers and distribution.

In conclusion, ECI now has world-class production facilities for the company's type of production.

The more efficient factory layout and the ongoing product review, targeting a limited product programme, and consol-

▼ **AIS - Automatic Identification System**

An AIS transponder sends and receives automatic identification information on course, speed and destination to/from all vessels within VHF distance (about 30 km).

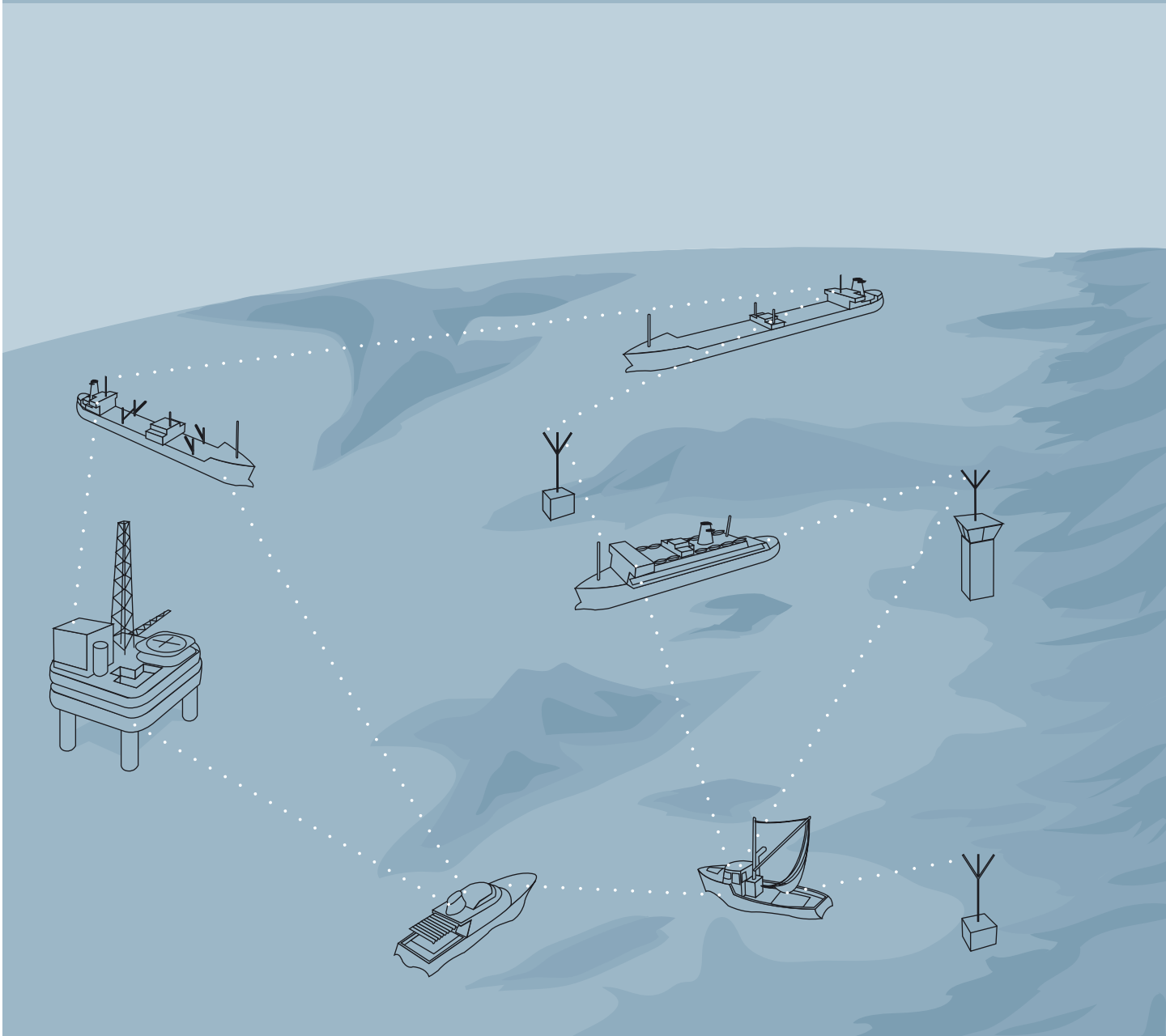
The AIS system uses the GPS navigation system for synchronisation and for obtaining position data. The AIS system improves on-board navigation and contributes to improving surveillance of the seas.

The IMO (International Maritime Organisation) requires that all SOLAS vessels must be fitted with AIS transponders between 2002 and 2008.

**Type of ships**

**IMO Deadline**

All New Buildings constructed on or after	1 July 2002
All Passenger ships and tankers of all sizes	1 July 2003
Ships of 50,000 gross tonnage and upwards	1 July 2004
Ships of 10,000 gross tonnage and upwards	1 July 2005
Ships of 3,000 gross tonnage and upwards	1 July 2006
Ships of 300 gross tonnage and upwards	1 July 2007
Ships not engaged on international voyages constructed before 1 July 2002	1 July 2008





idation of the supplier base are expected to enhance profitability in future.

### Product development

After 2000, which was calm in terms of product launches, 2001 saw the completion and launch of two new main products and the optimisation and improvement of several existing products.

We received type approval for our new 150W MF/HF radio, which was launched late in the year. At the turn of the year, the first large production order for 250 units was already running. The results of using the phased develop-

ment process, which is based on our philosophy of integrated product development, met expectations, and it proved possible to reduce effective product development time, mitigate costs and increase the quality of the product to be launched. Further activities to enhance and strengthen the development model will also be given very high priority in the coming year.

Another new product was AIS transponders, our first navigation product, which is based on radio technology. AIS is an abbreviation of Automatic Identification System, a new technology in the maritime environment aimed at improving the surveillance of maritime traffic along coastlines and

## New products in 2001

### The Iridium satellite system

The Iridium satellite system is an attractive communication system with full global coverage for the professional maritime market. In addition to voice communication, the Iridium system offers 2.4 kbps data transmission and access to the Internet via Iridium's 10 kbps data service. The Iridium system is easy to operate and, in practice, it works in the same way as a mobile telephone.

### 150 Watt MF/HF

The new 150 Watt MF/HF is ideal on board fishing vessels requiring a compact, reliable and robust radio that meets the GMDSS safety requirements.

### A watertight VHF control unit

The new VHF equipment is excellent for pleasure boats, for which requirements are high for equipment to be watertight. The VHF radio meets the IP67 specification, which means that the cabinet is resistant to water, moisture and dust penetration.





at sea. AIS identifies the positions of vessels and, on-shore coastal stations and VHF radio communication provide automatic exchange of information such as the course, speed, cargo and the vessel's identification number. This will enhance opportunities for on-board navigation and contribute to improving surveillance of the seas, including for instance identification of oil-polluting vessels.

IMO, the International Maritime Organisation, has introduced legislation in the area, and all vessels subject to the SOLAS Convention must gradually be fitted with AIS transponders by July 2008. This is the same customer segment of approximately 40,000 large vessels that was comprised by the rules on introduction of GMDSS equipment. In the longer term, ECI expects that the transponders will also be introduced for certain segments of the small-vessel market.

ECI has entered into a strategic alliance with Marine Data Systems, South Africa, for the development of transponders and the production of this type of equipment by ECI. The product development will take place in a close collaboration between ECI and MDS, and the combination of MDS's strong know-how on the AIS system and related software protocols and ECI's know-how within radio communication equipment produces a powerful and technologically optimal partnership. We expect that this partnership will contribute know-how to ECI's product development department, which will complement existing know-how in the department.

In order to concentrate ECI's resources in the area where the company is among the world's leading players, ECI has decided to stop its development of new Inmarsat terminals. 2002 will be characterised by technological innovation combined with ECI's core competencies within radio communication so as to ensure that future ECI products will offer supreme quality and technology.

## Employees

At the end of 2001, ECI had a total of 279 employees representing an increase of 10 employees over the level of last year.

ECI focuses on employing interested and competent employees, who can contribute technological expertise, new thinking, visions and results, and who, through personal and professional development, can help develop our company and meet customer demand. In addition to professional skills, we value committed and independent employees who are able to work across the organisation.

ECI considers it important to be able to offer challenging jobs to its employees, and for its employees to have considerable influence on their own work efforts. By applying this human resources policy, ECI aims to attract, retain and further develop competent and motivated employees.

ECI focuses on achieving constructive interaction between the employees and the company based on an open dialogue. As a supplement to ongoing day-to-day contact, performance reviews are held every year. This ensures that our employees demand for on-the-job development is combined with ECI's human resources planning and management of on-the-job and external training in order to ensure that we achieve the highest possible quality in the tasks we handle and are able to retain our highly qualified employees.

ECI maintains close contact with universities and other institutions, we provide external examiners and offer traineeships, we provide information for students writing major papers, and arrange visits to our facilities.

## Outlook for 2002 and beyond

The market for maritime communication was stable in 2000 and 2001 based on a relatively steady number of new ships



being built and replacement of equipment which has become worn out or technologically obsolete.

Expectations of market developments in 2002 are based on two opposite trends. The world economy has shown signs of recession, which has had an adverse impact on freight rates and thus on ship owners' propensity to invest in new equipment. Conversely, the introduction of new regulations is expected to involve a potential for double-digit growth rates:

- The implementation of GMDSS by the fisheries sector is expected to take place during the period 2002-2004
- AIS (Automatic Identification System) will be introduced for deep-sea newbuildings in mid-2002 and rising in 2003.

The GMDSS implementation in the EU and the EEA comprises 5,000-7,000 fishing vessels, a segment in which ECI has traditionally held a large market share. It is estimated that the market will peak towards the end of the period. ECI has launched new and highly competitive products for both of the above market segments.

In addition, ECI expects continued strong demand for data transmission on large vessels, resulting in increased sales of Inmarsat satellite terminals. Furthermore, Inmarsat will launch a new service, Fleet 77, which will help support the expected developments. ECI does not intend to develop a proprietary product for the new Inmarsat service; instead, we have signed an OEM agreement for the delivery of the product under ECI's well-known brands, Sailor and Skanti, and to the company's OEM customers, primarily for the newbuilding market.

Finally, ECI expects the decent interest in the smaller Iridium satellite terminal to continue. Being the sole producer

of a maritime version of this terminal, ECI holds a dominant position.

Overall, ECI expects an increase in turnover in the region of 5% relative to the level of 2001. When the implementation of the new business model has been completed, the cost structure has been adapted to the market size, and we therefore expect a minor profit in 2002.

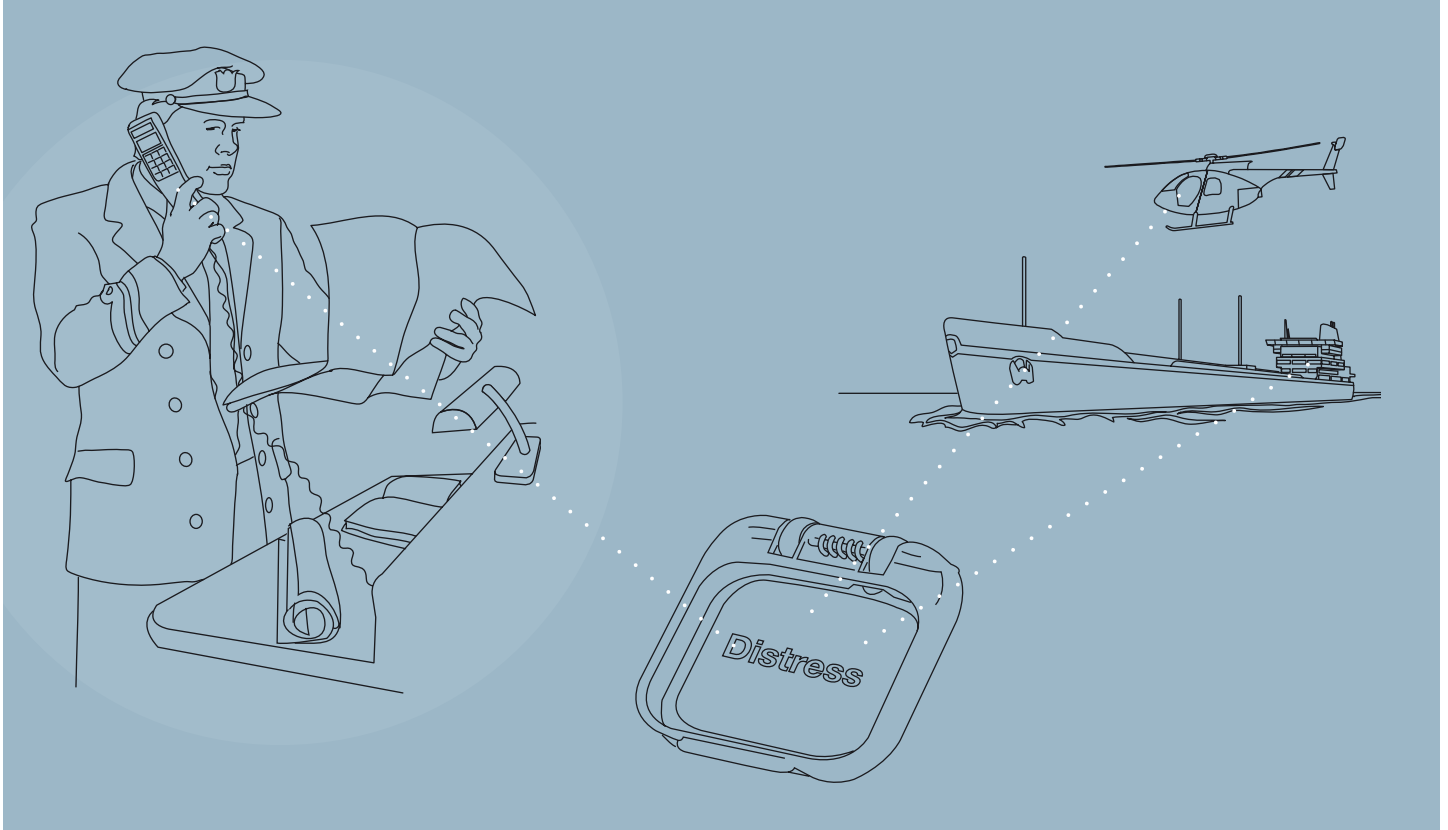
The forecasts described above are subject to uncertainties and risks which, among other things but not solely, include the following factors

- The planned introduction of several new products under ECI's own control or with partners.
- The planned continuing improvement of the company's profitability as a consequence of the number of programmes being implemented.
- Developments in exchange rates, primarily the US dollar, which affect income and expenses as a result of ECI's international activities. Moreover, two of the company's competitors may achieve competitive advantages from a potential fall in the exchange rate of the Japanese yen.
- Developments in interest rates, which have an impact on interest payments on the company's borrowings.

These and other uncertainties and risks may have the effect that actual developments may differ significantly from the forecasts.

### **The Board's resolutions and proposals for the annual general meeting**

The board of directors today adopted the financial statements for 2001. The board of directors has decided to pro-



**^ DISTRESS**

The GMDSS (Global Maritime Distress and Safety System) is a set of minimum requirements to equipment on board vessels. The requirements depend on which areas the vessel is going to operate in, and the longer the vessel is to operate from the coast, the greater the requirements to the vessel's equipment. Distress calls can be made via VHF, MF, HF, Inmarsat or Cospas-Sarsat (life buoys) and are picked up by vessels and coastal stations within equipment range, following which a search and rescue operation will be started up.

A distress signal is sent by activating the distress button for five seconds. By doing so a distress call will automatically be sent out giving the position of the vessel and the unique MMSI (maritime mobile ship identification) as well as the time of the alarm.

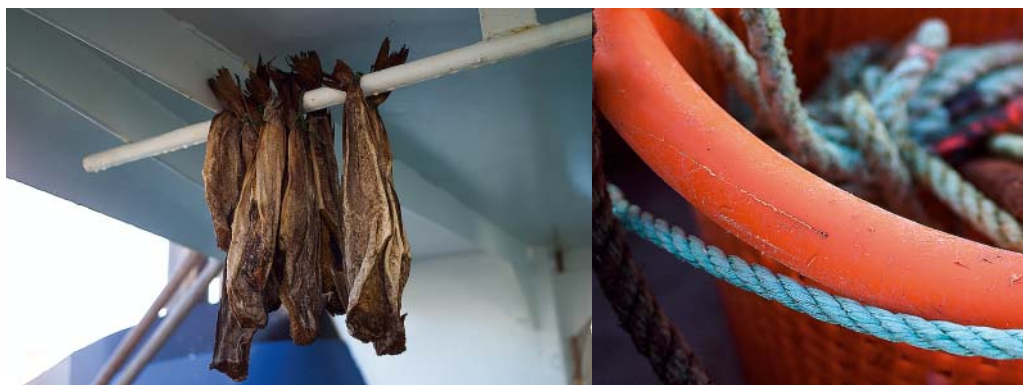
pose to the annual general meeting that no dividend be paid for the 2001 financial year.

**Allocation of result**

DKK '000	2001	2000
Loss for the year	(78,019)	(108,602)
Proposed allocation		
Dividend	-	-
Allocation to reserves	(78,019)	(108,602)

In addition, the board of directors has decided to propose a resolution to the annual general meeting for the share capital of DKK 43,750,000 million to be reduced to 10% of the nominal value in order to cover the company's loss and negative reserves, and for the share capital to be increased to the effect that the company receives DKK 50 million of fresh equity capital. It is proposed that the equity issue be made with pre-emption rights to the existing shareholders.

The company's annual general meeting will be held on 24 April 2002.



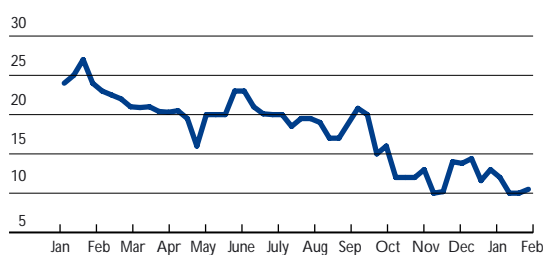
## Shareholder information

The company's share capital amounts to DKK 43.8 million divided into 4,375,000 shares of DKK 10 each. EuroCom Industries' shares have been listed on the Copenhagen Stock Exchange since December 1998 (ISIN DK00-1024906-9; KF: ECOM; Reuters EUCCO.CO).

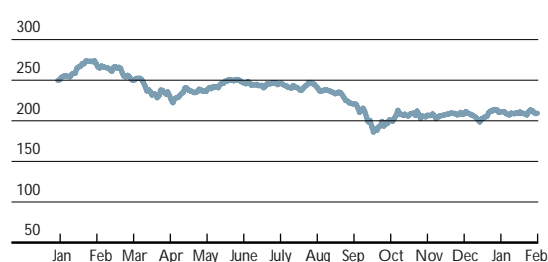
The share price dropped by 38% to DKK 12.97 at 31 December 2001 from DKK 20.91 at 31 December 2000. The KAX, the Copenhagen Stock Exchange All-share Index, dropped 14% during the same period.

The volume of turnover in the company's shares on the Copenhagen Stock Exchange was 328,340 shares, corresponding to 19% of the shares in circulation (excluding shares held by EuroMarine Electronics GmbH).

EuroCom share price from January 2001 - February 2002 (DKK)



KAX share price from January 2001 - February 2002 (DKK)



The number of shareholders in EuroCom Industries A/S is unknown, but 1,069 shareholders were registered in the company's register of shareholders at 31 December 2001, corresponding to 3,896,668 shares. Two shareholders hold more than 5% of the company's shares:

- EuroMarine Electronics GmbH, Hamburg, Germany, held 2,610,000 shares (59.7% of the share capital) at 31 December 2001.
- The PFA Group, Copenhagen, Denmark, announced on 12 December 2001 that they held 257,700 shares (5.9% of the share capital).

BankInvest Danish Small Cap, Copenhagen, Denmark, announced on 12 December 2001 that they held 206,169 shares (4.7% of the share capital).

The company held 87,000 of its own shares at 31 December 2001, equivalent to 2% of the share capital.

In February 2000, a stock option plan was introduced for the company's management and other key employees. The stock option plan included a right to buy up to 135,000 shares of DKK 10 (nominal value DKK 1,350,000) over a three-year period.

	Options acquired	Options exercised
Management	26,667	0
Key employees	16,666	0
Employees no longer with the company	26,667	0

The options can be exercised in 2003 at the time of release of the financial report for 2002. The exercise price is DKK 68 per share, and if the options are not exercised at that time, they will lapse.



### Announcements to the Copenhagen Stock Exchange 2001-2002

21 February	2001	1	Financial Report 2000
10 April	2001	2	Notice of Annual General Meeting
10 April	2001		Publication of Annual Report 2001
7 May	2001	3	ECI resumes sales of Iridium terminals
8 May	2001	4	Annual general meeting, resolutions
16 May	2001	5	EuroCom industries enters into strategic alliance for the development of mobile VHF-AIS transponders for new specification market
6 August	2001	6	New Chief Operating Officer
26 August	2001	7	Interim Report 2001
5 December	2001	8	ECI confirms forecast of operating results for 2001
1 March	2002	9	Financial Report 2001

### Financial calendar

1 March	2002	Financial Report 2001
4 April	2002	Publication of Annual Report 2001
24 April	2002	Annual general meeting
27 August	2002	Interim Report 2002
31 December	2002	End of financial year

ECI publishes financial information on a semi-annual basis. In addition, briefings on market conditions, turnover, production and product development will be published after the first and third quarters, and the directors' forecast of the financial performance for the full year will also be updated at least at the end of each quarter.

The semi-annual reports and supplementary quarterly briefings will be based on continuous, tight internal financial management, but the company has decided, for the time being, only to use resources to prepare external financial statements twice a year. The company intends to publish financial reports on a quarterly basis beginning in 2003.

## Financial review

### **Profit and loss account**

ECI's turnover was DKK 314 million, down from DKK 317 million in 2000 based on a more stable world market, which was on a level with 2000.

ECI's sales prices were increased by an average of 4% during the year, while net exchange differences did not have a significant impact on the year's turnover. Exports amounted to DKK 295 million, corresponding to 94% of total turnover.

Production costs amounted to DKK 221 million in 2001, corresponding to 71% of turnover. In 2000, production costs accounted for 73% of turnover. Production costs represent

total procurement costs, irrespective of whether parts of production were outsourced during 2001. The ratio of fixed costs to total costs fell compared with the level in 2000.

Product development costs amounted to DKK 39 million, equivalent to 12% of turnover compared with 15% in 2000. This was in line with the change of ECI's product development strategy of placing greater emphasis on strategic partnerships in the development process while retaining important, high level key competencies within the organisation.





Gross profit amounted to DKK 53 million, which was 40% higher than in 2000, whereas turnover remained largely unchanged.

Sales and distribution costs amounted to DKK 36 million in 2001, which was 35% lower than in 2000, when this item amounted to DKK 56 million. This was attributable to a fall in warranty and after-sales-service costs and the scaling down of activities in the land-mobile segment. Global efforts regarding the company's two strong brands, Sailor and Skanti, were maintained at the same level, and the benefits of a joint sales organisation are materialising.

Administrative expenses totalled DKK 35 million in 2001, down from DKK 54 million last year. The 36% fall was attributable to cost savings in all areas.

As in previous years, ordinary amortisation of goodwill amounted to DKK 7 million. In addition, an extraordinary DKK 37 million impairment charge was taken against goodwill following the directors' annual assessment of the value. Each year, the company evaluates the factors that form the basis for determining the value and useful life of goodwill. The impairment charge was taken as a consequence of this evaluation, and the impairment charge is equivalent to approximately 50% of the value and will reduce future annual amortisation charges accordingly.

Capacity costs, including the extraordinary impairment charge against goodwill, totalled DKK 115 million, down from DKK 117 million in 2000.

Net financial items amounted to an expense of DKK 16 million against DKK 12 million in 2000. Debt finance remained at an unchanged level during most of the year and was not reduced until in December. This was done by re-

ducing working capital and by selling the company's Norwegian subsidiary. The increase in net financial expenses was attributable to exchange rates and rising fee and commission costs.

This brought the pre-tax loss to DKK 77 million compared with a pre-tax loss of DKK 132 million last year. Tax is included in the amount of DKK 1 million. This tax charge was attributable to a tax adjustment from 1999.

This brought the loss for the year to DKK 78 million compared with a loss of DKK 109 million in 2000.

### Balance sheet

Total assets stood at DKK 294 million at the end of 2001. This was DKK 103 million or 26% less than last year. The fall was primarily attributable to a reduction in stocks and trade debtors of DKK 52 million and amortisation and impairment of goodwill in the amount of DKK 44 million.

Following the year's amortisation of DKK 7 million and the extraordinary impairment charge of DKK 37 million, the book value of goodwill is DKK 40 million. In line with the company's accounting policies, the amount will be amortised by DKK 4 million per year in future.

At the end of the year, tangible fixed assets amounted to DKK 37 million, down from DKK 38 million in 2000. The year's depreciation charge amounted to DKK 9 million and capital investments during the year totalled DKK 10 million, primarily relating to the building of facilities to the new production layout.

Stocks totalled DKK 112 million, which was DKK 25 million lower than last year, distributed on the various stock categories. It is expected that stocks will be further reduced in



the course of 2002, among other things in connection with the completion of the outsourcing and review of the product programme.

Trade debtors were reduced by DKK 27 million to DKK 65 million, and the average number of credit days remained high but is expected to fall in 2002.

The tax value of the company's tax losses was carried on the balance sheet of DKK 23 million, which was unchanged from 2000. It is expected that the tax losses carried forward can be offset against the company's earnings in the next few years.

On the liabilities side, interest-bearing debt was reduced by DKK 15 million. One of the factors contributing to this reduction was the sale of the Norwegian subsidiary in December.

Trade creditors amounted to DKK 42 million, the same level as at 30 June 2001.

Provisions amounted to DKK 12 million compared with DKK 28 million in 2000. The figure for 2000 included restructuring costs of DKK 20 million used to cover the costs of implementing the new business model as they were incurred. The provision for warranty and after-sales-service liabilities was increased by DKK 4 million to DKK 12 million and concerns, among other things, an upgrading of maritime Inmarsat-B satellite terminals and costs to close down the land-mobile Inmarsat project.

After giving effect to the total loss of DKK 78 million, shareholders' equity amounted to DKK 2 million. Following the planned equity issue, shareholders' equity will total about DKK 50 million.

### **Cash flow statement**

Cash flows from operating activities amounted to an inflow of DKK 12 million in 2001 against and outflow of DKK 3 million in 2000. The DKK 47 million reduction of the company's working capital financed the company's loss and part of the implementation of the new business model that took place in 2001.

The aggregate effect of the company's sale of Sailor Norge AS produced a cash inflow of DKK 6 million. The primary effect of the divestment was that the new owner took over the operating finance of Sailor Norway.

Overall, ECI's net cash and cash equivalents increased by DKK 9 million.

# Signatures

## Ballerup, 1 March 2002

The directors confirm that the annual report is presented in compliance with the requirements of the Copenhagen Stock Exchange on the presentation of financial statements.

Management	Board		
Svend Tøttrup <i>Chief Executive Officer</i>	Bodo Heise <i>Chairman</i>	Patrick De Groote <i>Vice Chairman</i>	Leif Juul Jørgensen
Günter Krombach <i>Chief Operating Officer</i>	David Slager	Heinz Dresia	Steen Jensen
	Bjarne Højer		

## Auditors' report

"We have audited the consolidated financial statements and the annual financial statements of EuroCom Industries A/S for 2001 as presented by the Board of Directors and the Management.

## Basis of opinion

We have planned and performed our audit in accordance with Danish auditing standards and provisions to obtain reasonable assurance that the financial statements are free of material errors or omissions. Our audit included, based on an assessment of materiality and risk, an examination of the basis and evidence supporting the amounts and other disclosures in the financial statements. Furthermore, we have assessed the accounting policies selected and estimates made by the Board of Directors and the Management as well as evaluated the overall adequacy of the information disclosed in the financial statements.

Our audit did not give rise to any qualifications.

## Emphasis of matter

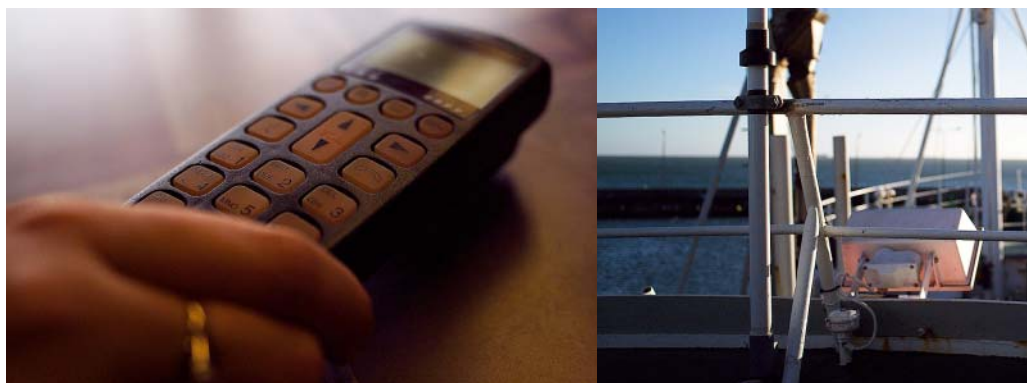
With reference to the Directors' and Management's report, paragraph: "Restructuring of ECI now complete", we can state that the financial statements have been prepared on the assumption that the company's capital is increased by DKK 50 million through cash contribution. We moreover refer to the paragraph "Outlook for 2002 and beyond", which includes a mention of uncertainties and risks. We agree to the accounting treatment and the description of this.

## Opinion

In our opinion, the consolidated financial statements and the annual financial statements have been prepared in accordance with Danish accounting legislation and give a true and fair view of the assets and liabilities, the financial position and the result for the year of the group and the parent company."

Copenhagen, 1 March 2002

PricewaterhouseCoopers	Deloitte & Touche
	Statsautoriseret Revisionsaktieselskab
Preben Madsen <i>State Authorised Public Accountant</i>	Jens Rudkjær <i>State Authorised Public Accountant</i>
Mikael Sørensen <i>State Authorised Public Accountant</i>	Carsten Høj Hansen <i>State Authorised Public Accountant</i>



## Accounting policies

### Basis of preparation

The consolidated and parent company financial statements are prepared in accordance with the Danish Company Accounts Act, Danish accounting standards and the accounting rules for listed companies laid down by the Copenhagen Stock Exchange.

The accounting policies are unchanged as compared with last year.

### Profit and loss account

#### Turnover

Turnover represents sales invoiced during the year.

#### Production costs

Production costs comprise costs, including depreciation, and wages and salaries paid to generate the year's turnover. Cost of sales is included for the sales companies, and direct and indirect production costs are included for the producing parent company.

#### Product development costs

Development costs concerning new products are charged to the profit and loss account when incurred.

#### Sales and distribution costs

Sales and distribution costs comprise costs in the form of salaries to sales and distribution staff, advertising expenses and automobile operating expenses, including depreciation.

#### Administrative expenses

Administrative expenses comprise the costs of administrative staff, management, office premises, office expenses and similar expenses, including depreciation.

#### Translation of foreign currency

Individual assets and liabilities denominated in foreign cur-

rency are translated into Danish kroner at the buying rates on the balance sheet date or, if hedged, at the forward rate.

Both realised and unrealised exchange gains and losses are included in the profit and loss account under financial items.

#### Financial items

Financial income and expenses include interest and realised and unrealised exchange rate adjustments.

### Balance sheet

#### Intangible fixed assets

On the acquisition of well-established firms or activities with a record of substantial operations for more than 20 years, with strong brands and a strong market position, goodwill is amortised over up to 20 years.

An annual assessment is made of the factors which formed the basis for determining goodwill and the useful life. In case of a continuing decrease in the assessment, the necessary write-down will be charged to the profit and loss account.

Expenses in connection with the acquisition of basic administrative software are included at cost less accumulated depreciation. The cost price includes the purchase price of consultancy assistance and software.

The basis of depreciation for software is computed as the cost price and is allocated on a straight line basis over the estimated useful life, with a maximum of three years.

Leasehold improvements are amortised over the period of interminability.

#### Tangible fixed assets

Tangible fixed assets are valued at purchase price less accumulated depreciation.



The depreciation of the company's tangible fixed assets is based on an estimate of the useful lives of the individual asset groups and is calculated on a straight line basis.

Buildings	30 years
Plant and machinery	4 years
Other fixtures and fittings equipment and automobiles	5 years

Assets with a purchase price of less than DKK 20,000 per unit are fully depreciated in the year of acquisition.

#### Long-term financial assets

Investments in group companies are valued according to the equity method, which implies that the investments are stated in the balance sheet at the proportionate share of the net asset value of the companies adjusted for unrealised intercompany gains and losses.

#### Stocks

Raw materials, consumables and goods for resale are stated at the latest purchase price.

Work in progress and manufactured finished goods are stated at the latest production cost. Production cost comprises materials and direct wages and salaries plus production overheads.

A reduction is made for obsolete inventories, including slow-moving inventories.

#### Receivables

Receivables are valued less the provision for bad debts, calculated on the basis of an individual assessment.

#### Corporation tax and deferred tax

The tax attributable to the profit or loss for the period,

irrespective of the time the profit or loss is fully or partially included in taxable income, as well as any prior year adjustments is charged to the profit and loss account.

The provision for deferred tax thus reflects that the calculation of taxable income includes depreciation and write-downs for tax purposes deviating from those made for accounting purposes and that accounting provisions are made in the annual financial statements which do not have a tax effect until at a later time.

The provision for deferred tax corresponds to the tax which, at the current tax rate, would become payable if the assets of the companies were realised at net book value and tax provisions were carried back.

A tax asset is an indication that a tax loss carried forward is expected to be used to as a set-off against the company's future earnings.

The company is taxed jointly with its subsidiaries Skanti A/S, S.P. Radio A/S and ECI Satellite Communication A/S.

The tax effect of the joint taxation with the subsidiaries is allocated to both profit-making and loss-making subsidiaries in proportion to their taxable incomes. The company pays tax on account during the year.

#### Warranty commitments

Provision is made for warranty commitments on the basis of experience from previous years.

#### Basis of consolidation

The consolidated financial statements comprise the parent company and subsidiaries in which the group directly or indirectly holds more than 50% of the votes or in any other way exercises a controlling influence.



In the preparation of the consolidated financial statements, intercompany turnover, interest, dividends, profits, losses and intercompany accounts as well as investments in subsidiaries are eliminated. The financial statements used for the consolidation are prepared in accordance with the group's accounting policies.

The profit and loss accounts of foreign subsidiaries are translated into Danish kroner at the exchange rates ruling on the transaction date. The balance sheets are translated at the exchange rate ruling on the balance sheet date. Exchange rate adjustments on the translation of shareholders' equity of foreign subsidiaries at the beginning of the year to the exchange rate ruling on the balance sheet date are taken to shareholders' equity.

#### **Financial instruments**

Forward contracts and similar financial instruments are used to hedge against exchange fluctuations of future turnover.

These hedging transactions concerning future operations are taken to the profit and loss account on the date of the transaction concerned. The scope and the repurchase value of these financial instruments are disclosed in a note to the financial statements.

#### **Cash flow statement**

The cash flow statement for the group is prepared according to the indirect method based on the group profit.

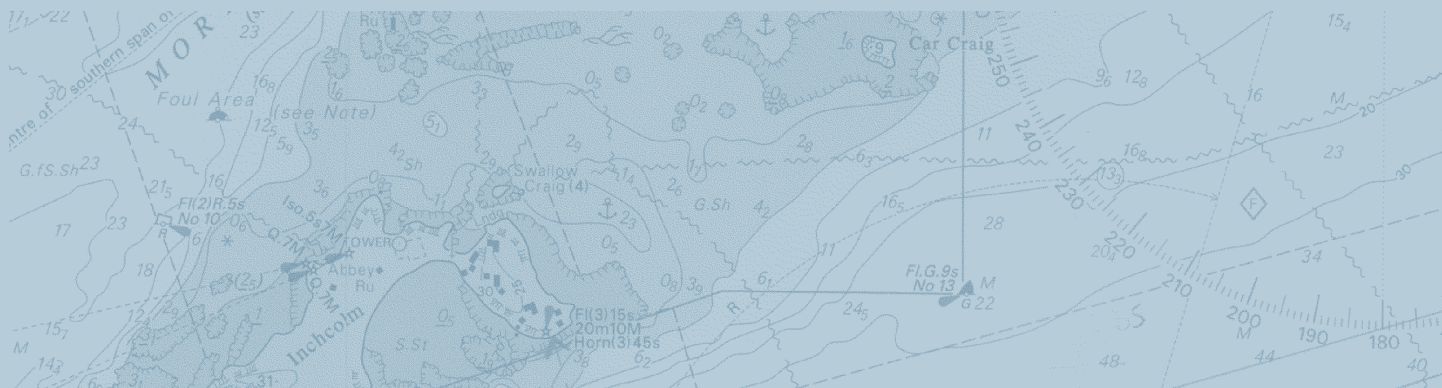
The cash flow statement shows the group's cash flows for the period distributed on operating, investment and financing activities, and how these cash flows have influenced the year's cash and cash equivalents.

Cash flows from operating activities are stated as the consolidated profit adjusted for non-cash operating items such

as depreciation and write-downs, provisions and changes in working capital, interest payments, payments relating to extraordinary items and corporation tax paid.

Cash flows from investing activities comprise cash flows from the purchase and sale of intangible, tangible and financial fixed assets.

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as dividend payments to shareholders.



## Profit and loss account

Note	Group		Parent company		
	2001 DKK '000	2000 DKK '000	2001 DKK '000	2000 DKK '000	
1	Turnover	313,535	316,825	274,427	277,482
	Production costs	221,199	232,435	217,143	227,092
	Product development costs	39,055	46,597	29,864	36,308
	<b>Gross profit</b>	<b>53,281</b>	<b>37,793</b>	<b>27,420</b>	<b>14,082</b>
	Sales and distribution costs	36,090	55,889	31,993	35,240
	Administrative expenses	34,541	54,176	17,046	47,164
	Goodwill amortisation and impairment	44,185	7,247	44,185	7,247
	<b>Capacity costs</b>	<b>114,816</b>	<b>117,312</b>	<b>93,224</b>	<b>89,651</b>
	<b>Loss before restructuring costs</b>	<b>(61,535)</b>	<b>(79,519)</b>	<b>(65,804)</b>	<b>(75,569)</b>
	Restructuring costs	-	39,817	-	37,874
	<b>Operating loss</b>	<b>(61,535)</b>	<b>(119,336)</b>	<b>(65,804)</b>	<b>(113,443)</b>
	Results of investments	-	-	1,009	(6,237)
2	Financial income	990	6,231	3,768	2,960
3	Financial expenses	16,674	18,697	16,192	15,082
	<b>Financial items</b>	<b>(15,684)</b>	<b>(12,466)</b>	<b>(11,415)</b>	<b>(18,359)</b>
	<b>Loss before tax</b>	<b>(77,219)</b>	<b>(131,802)</b>	<b>(77,219)</b>	<b>(131,802)</b>
4	Tax on the loss for the year	800	(23,200)	800	(23,200)
	<b>Loss for the year</b>	<b>(78,019)</b>	<b>(108,602)</b>	<b>(78,019)</b>	<b>(108,602)</b>



## Balance sheet

Assets		Group		Parent company	
		2001	2000	2001	2000
Note		DKK '000	DKK '000	DKK '000	DKK '000
6	Goodwill	40,000	84,185	40,000	84,185
7	IT project	41	2,417	41	2,417
8	Leasehold improvements	4,439	5,412	4,439	5,412
	<b>Intangible fixed assets</b>	<b>44,480</b>	<b>92,014</b>	<b>44,480</b>	<b>92,014</b>
9	Land and buildings	20,556	17,246	20,556	17,246
10	Technical plant and machinery	11,603	14,372	10,329	12,732
11	Other fixtures, fittings and equipment	3,953	5,862	3,904	5,196
12	Automobiles	509	906	509	906
	<b>Tangible fixed assets</b>	<b>36,621</b>	<b>38,386</b>	<b>35,298</b>	<b>36,080</b>
13	Investments in Group companies	-	-	6,874	1,477
17	Own shares	0	-	0	-
14	Deposits	1,878	1,878	1,878	1,878
	<b>Long-term financial assets</b>	<b>1,878</b>	<b>1,878</b>	<b>8,752</b>	<b>3,355</b>
	<b>Fixed assets</b>	<b>82,979</b>	<b>132,278</b>	<b>88,530</b>	<b>131,449</b>
	Raw materials and consumables	46,909	52,680	46,909	52,680
	Goods in production	37,983	48,147	37,983	48,147
	Finished goods	27,003	36,230	24,758	25,967
	<b>Stocks</b>	<b>111,895</b>	<b>137,057</b>	<b>109,650</b>	<b>126,794</b>
	Receivables from Group companies	-	-	53,412	101,070
	Trade debtors	64,945	91,654	1,505	3,288
	Other debtors	7,293	3,251	3,113	2,550
5	Tax assets	22,763	22,763	17,829	17,596
	<b>Debtors</b>	<b>95,001</b>	<b>117,668</b>	<b>75,859</b>	<b>124,504</b>
	<b>Cash at bank and in hand</b>	<b>3,804</b>	<b>9,648</b>	<b>1,688</b>	<b>484</b>
	<b>Current assets</b>	<b>210,700</b>	<b>264,373</b>	<b>187,197</b>	<b>251,782</b>
	<b>Total assets</b>	<b>293,679</b>	<b>396,651</b>	<b>275,727</b>	<b>383,231</b>



Liabilities		Group		Parent company	
		2001	2000	2001	2000
Note		DKK '000	DKK '000	DKK '000	DKK '000
15	Share capital	43,750	43,750	43,750	43,750
16	Share premium account	-	36,336	-	36,336
17	Reserves	(41,683)	-	(41,683)	-
	<b>Shareholders' equity</b>	<b>2,067</b>	<b>80,086</b>	<b>2,067</b>	<b>80,086</b>
	Restructuring costs	-	19,746	-	18,842
	Warranty commitments and other obligations	12,322	8,451	10,818	8,451
	<b>Provisions</b>	<b>12,322</b>	<b>28,197</b>	<b>10,818</b>	<b>27,293</b>
	Bank debt	99,895	100,153	99,895	100,153
	Mortgage debt	5,329	6,650	5,329	6,650
18	<b>Long-term liabilities</b>	<b>105,224</b>	<b>106,803</b>	<b>105,224</b>	<b>106,803</b>
18	Current part of long-term liabilities	1,321	1,241	1,321	1,241
	Bank debt	110,719	124,148	99,289	124,148
	Trade debtors	41,749	31,880	34,608	26,688
	Corporation tax	800	-	800	-
19	Other liabilities	19,477	24,296	21,600	16,972
	Accrued dividend	-	-	-	-
	<b>Current liabilities</b>	<b>174,066</b>	<b>181,565</b>	<b>157,618</b>	<b>169,049</b>
	<b>Total liabilities</b>	<b>279,290</b>	<b>288,368</b>	<b>262,842</b>	<b>275,852</b>
	<b>Total liabilities and shareholders' equity</b>	<b>293,679</b>	<b>396,651</b>	<b>275,727</b>	<b>383,231</b>
20	Staff				
21	Fees to auditors appointed by the general meeting				
22	Contingent liabilities				
23	Financial instruments				
24	Related parties				



## Group cash flow statement

Note	<b>Group</b>	
	2001 DKK '000	2000 DKK '000
Loss for the year	(78,019)	(108,602)
25 Adjustments	58,132	40,952
26 Change in working capital	47,304	62,220
<b>Cash flows from operations before financial items</b>	<b>27,417</b>	<b>(5,430)</b>
Interest, etc, received	989	6,230
Interest, etc, paid	(16,675)	(18,698)
<b>Cash flows from ordinary activities</b>	<b>11,731</b>	<b>(17,898)</b>
Corporation tax paid	-	15,278
<b>Cash flows from operating activities</b>	<b>11,731</b>	<b>(2,620)</b>
Purchase of intangible fixed assets	(89)	(88)
Purchase of tangible fixed assets	(9,131)	(6,108)
Purchase of own shares	-	(3,052)
Impact from divestment of Sailor Norge AS	6,152	-
Sale of tangible fixed assets	419	8,913
<b>Cash flows from investing activities</b>	<b>(2,649)</b>	<b>(335)</b>
Instalments on long-term debt	(1,499)	(16,453)
Proceeds from long-term loans raised	-	70,153
Dividend paid	-	-
<b>Cash flows from financing activities</b>	<b>(1,499)</b>	<b>53,700</b>
Change in cash and cash equivalents	7,583	50,745
Cash and cash equivalents at 1 January	(114,499)	(165,244)
27 <b>Cash and cash equivalents at 31 December</b>	<b>(106,916)</b>	<b>(114,499)</b>



## Notes

Note	Group		Parent company	
	2001 DKK '000	2000 DKK '000	2001 DKK '000	2000 DKK '000
<b>1 Turnover</b>				
Turnover by market				
Denmark	18,639	20,296		
Europe (outside Denmark)	185,786	205,493		
North America	35,267	31,642		
Asia	47,779	43,093		
Rest of the world	26,064	16,301		
	<b>313,535</b>	<b>316,825</b>		
<b>2 Financial income</b>				
Exchange differences	876	6,281	(18)	(466)
Interest from subsidiary	-	-	3,755	3,404
Debtors	(95)	(358)	-	-
Bank, etc.	209	308	31	22
	<b>990</b>	<b>6,231</b>	<b>3,768</b>	<b>2,960</b>
<b>3 Financial expenses</b>				
Exchange differences	2,285	6,210	2,025	2,739
Bank, mortgage credit	14,456	12,491	14,149	12,408
Other	(67)	(4)	18	(65)
	<b>16,674</b>	<b>18,697</b>	<b>16,192</b>	<b>15,082</b>
<b>4 Corporation tax</b>				
Prior year adjustment	800	(7)	800	(7)
Calculated tax on taxable income for the year	-	-	-	-
Tax effect of joint taxation			490	322
Tax in subsidiaries			(723)	349
Change in provision for deferred tax	-	(23,193)	233	(23,864)
	<b>800</b>	<b>(23,200)</b>	<b>800</b>	<b>(23,200)</b>

The Group did not pay corporation tax in 2001.



## Notes

Note	Group		Parent company	
	2001 DKK '000	2000 DKK '000	2001 DKK '000	2000 DKK '000
<b>5</b>				
<b>Deferred tax</b>				
Deferred tax is specified as follows:				
Deferred tax at 1 January	(22,763)	430	(17,596)	4,926
Adjustments for the year	-	(23,193)	(233)	(22,522)
	<b>(22,763)</b>	<b>(22,763)</b>	<b>(17,829)</b>	<b>(17,596)</b>
The company's total tax assets are as follows:				
Tax losses carried forward	31,819	21,732	31,819	17,596
Fixed assets	6,174	1,464	5,425	948
Current assets	3,885	4,380	0	0
<b>Provisions</b>	<b>3,635</b>	<b>8,084</b>	<b>3,335</b>	<b>7,813</b>
The calculation of deferred tax is based on a tax rate of 30%.				
The tax value of the company's tax losses carried forward is recognised in the balance sheet in the amount of DKK 23 million, the same amount as in 2000.				
The tax asset is recognised in the balance sheet.	22,763	22,763	17,829	17,596
<b>6</b>				
<b>Goodwill</b>				
Cost at 1 January	144,947	144,947	144,947	144,947
Cost at 31 December	144,947	144,947	144,947	144,947
Amortisation at 1 January	60,762	53,515	60,762	53,515
Depreciation	7,247	7,247	7,247	7,247
Impairment	36,938	-	36,938	-
Depreciation at 31 December	104,947	60,762	104,947	60,762
<b>Net book value at 31 December</b>	<b>40,000</b>	<b>84,185</b>	<b>40,000</b>	<b>84,185</b>



Note	Group		Parent company	
	2001 DKK '000	2000 DKK '000	2001 DKK '000	2000 DKK '000
<b>7 IT project</b>				
Cost at 1 January	7,115	13,142	7,115	13,142
Additions	-	-	-	-
Disposals	-	6,027	-	6,027
Cost at 31 December	7,115	7,115	7,115	7,115
Depreciation at 1 January	4,698	3,767	4,698	3,767
Depreciation	2,376	4,384	2,376	4,384
Depreciation on disposals	-	3,453	-	3,453
Depreciation at 31 December	7,074	4,698	7,074	4,698
<b>Net book value at 31 December</b>	<b>41</b>	<b>2,417</b>	<b>41</b>	<b>2,417</b>
<b>8 Leasehold improvements</b>				
Cost at 1 January	7,188	7,100	7,188	7,100
Additions	89	88	89	88
Cost at 31 December	7,277	7,188	7,277	7,188
Depreciation at 1 January	1,776	732	1,776	732
Depreciation	1,062	1,044	1,062	1,044
Depreciation at 31 December	2,838	1,776	2,838	1,776
<b>Net book value at 31 December</b>	<b>4,439</b>	<b>5,412</b>	<b>4,439</b>	<b>5,412</b>



## Notes

Note	Group		Parent company	
	2001 DKK '000	2000 DKK '000	2001 DKK '000	2000 DKK '000
<b>9 Land and buildings</b>				
Cost at 1 January	25,030	24,978	25,030	24,978
Additions	4,244	52	4,244	52
Disposals	1,810	-	1,810	-
Cost at 31 December	27,464	25,030	27,464	25,030
Depreciation at 1 January	7,784	7,035	7,784	7,035
Depreciation	788	749	788	749
Depreciation on disposals	1,664	-	1,664	-
Depreciation at 31 December	6,908	7,784	6,908	7,784
<b>Net book value at 31 December</b>	<b>20,556</b>	<b>17,246</b>	<b>20,556</b>	<b>17,246</b>
<p>At the latest property valuation, the properties of the Group and the parent company were assessed at DKK 23,800. The properties of the Group and the parent company with a book value of tDKK 20,556 (31 December 2000: tDKK 17,246) are used as security for the Group's mortgage debt.</p>				
<b>10 Technical plant and machinery</b>				
Cost at 1 January	104,794	113,246	101,229	108,657
Transfer to different asset group	-	(134)	-	-
Payments on account at 1 January	1,301	-	1,301	-
Disposals	34,106	12,511	33,774	11,163
Additions	5,152	2,892	4,809	2,434
Payments on account at 31 December	194	1,301	194	1,301
Cost at 31 December	74,733	104,794	71,157	101,229
Depreciation at 1 January	90,422	88,174	88,497	86,709
Transfer to different asset group	-	44	-	-
Depreciation on disposals	34,033	7,976	33,701	7,409
Depreciation	6,741	10,180	6,032	9,197
Depreciation at 31 December	63,130	90,422	60,828	88,497
<b>Net book value at 31 December</b>	<b>11,603</b>	<b>14,372</b>	<b>10,329</b>	<b>12,732</b>



Note	Group		Parent company	
	2001 DKK '000	2000 DKK '000	2001 DKK '000	2000 DKK '000
<b>11 Other fixtures, fittings and equipment</b>				
Cost at 1 January	14,478	13,343	12,578	10,537
Transfer to different asset group	-	134	-	-
Exchange difference	-	(15)	-	-
Disposals	5,077	847	3,438	612
Additions	842	1,864	842	2,653
Cost at 31 December	10,243	14,479	9,982	12,578
Depreciation at 1 January	8,617	6,818	7,382	5,904
Transfer to different asset group	-	(44)	-	-
Exchange difference	-	(2)	-	-
Depreciation on disposals	4,470	428	3,408	344
Depreciation	2,143	2,273	2,104	1,822
Depreciation at 31 December	6,290	8,617	6,078	7,382
<b>Net book value at 31 December</b>	<b>3,953</b>	<b>5,862</b>	<b>3,904</b>	<b>5,196</b>
<b>12 Automobiles</b>				
Cost at 1 January	2,156	3,877	1,872	2,316
Disposals	949	1,721	665	827
Additions	-	-	-	383
Cost at 31 December	1,207	2,156	1,207	1,872
Depreciation at 1 January	1,250	1,597	966	1,015
Transfer to different asset group	-	(5)	-	-
Depreciation on disposals	779	870	495	433
Depreciation	227	528	227	384
Depreciation at 31 December	698	1,250	698	966
<b>Net book value at 31 December</b>	<b>509</b>	<b>906</b>	<b>509</b>	<b>906</b>



## Notes

Note	Registered Ownership		Equity	Profit/	Dividend
	office	interest	capital	(loss) for	
	DKK '000	DKK '000	31.12.2001	the year	DKK '000
<b>13 Investments in Group</b>					
S,P, Radio A/S	Aalborg	100%	5,165	3,688	-
Skanti A/S	Ballerup	100%	(3,155)	(1,138)	-
ECI Satellite Communication A/S	Aalborg	100%	1,709	(2,264)	-
			<b>3,719</b>	<b>286</b>	<b>-</b>

	Parent company	
	2001	2000
	DKK '000	DKK '000
Cost at 1 January	1,123	1,124
Additions	25,000	-
Disposals	-	(1)
Cost at 31 December	26,123	1,123
Value adjustment at 1 January	(22,690)	(16,802)
Deferred tax asset in Group companies	-	-
Shares of results for the year before tax	1,009	(6,237)
Tax on shares of results	(723)	349
Value adjustment at 31 December	(22,404)	(22,690)
Investments with negative value charged to receivables from Group companies	3,155	23,044
<b>Net book value at 31 December</b>	<b>6,874</b>	<b>1,477</b>

During the year, the Group sold Sailor Norge AS, a wholly-owned subsidiary of S.P. Radio A/S.



Note	Group		Parent company	
	2001 DKK '000	2000 DKK '000	2001 DKK '000	2000 DKK '000
<b>14 Deposits</b>				
Cost at 1 January	1,878	1,844	1,878	1,844
Disposals	-	5	-	5
Additions	-	39	-	39
<b>Cost at 31 December</b>	<b>1,878</b>	<b>1,878</b>	<b>1,878</b>	<b>1,878</b>
<b>15 Share capital</b>				
Share capital at 1 January	43,750	43,750	43,750	43,750
	<b>43,750</b>	<b>43,750</b>	<b>43,750</b>	<b>43,750</b>
The share capital consists of: 4,375,000 shares of DKK 10 each.				
<b>16 Share premium account</b>				
Specification of share premium account				
Balance at 1 January	36,336	46,402	36,336	46,402
Transfer to other reserve to cover loss	(36,336)	(10,066)	(36,336)	(10,066)
	-	<b>36,336</b>	-	<b>36,336</b>
<b>17 Reserves</b>				
The item comprises the following reserves:				
Other reserves				
Balance at 1 January	-	101,589	-	101,589
Own shares	-	(3,053)	-	(3,053)
Transfer from share premium account	36,336	10,066	36,336	10,066
Loss for the year	(78,019)	(108,602)	-	-
Transfer from profit allocation	-	-	(78,019)	(108,602)
Dividend	-	-	-	-
	<b>(41,683)</b>	-	<b>(41,683)</b>	-

The company acquired own shares in prior years to partially cover the company's stock option plan.  
Number of shares: 87,000, nominal value: DKK 87,000, percentage of share capital: 1.99%.



## Notes

Note	Group		Parent company	
	2001 DKK '000	2000 DKK '000	2001 DKK '000	2000 DKK '000
<b>18 Long-term liabilities</b>				
The repayment profile for long-term liabilities is as follows:				
Instalments due between 1 and 5 years	5,329	105,968	5,329	105,968
Instalments due after 5 years	99,895	835	99,895	835
	<b>105,224</b>	<b>106,803</b>	<b>105,224</b>	<b>106,803</b>

### Debt to mortgage and other credit institutions

The Group has the following long-term loans

Loan	Maturity	Effective interest rate Fixed/ floating	Group		Parent company	
			2001	2000	2001	2000
DKK	2007	Floating	4.9%	7.1%	30,000	30,000
Euro	2007	Floating	4.6%	4.7%	69,895	70,153
DKK	2006	Fixed	6.3%	6.3%	6,650	7,891
					<b>106,545</b>	<b>108,044</b>
Weighted average effective interest rate			4.8%	5.5%		
DKK	2007	Floating	4.9%	7.1%	30,000	30,000
Euro	2007	Floating	4.6%	4.7%	69,895	70,153
DKK	2006	Fixed	6.3%	6.3%	6,650	7,891
					<b>106,545</b>	<b>108,044</b>
Weighted average interest rate			4.8%	5.5%		

to be continued...



Note	Group		Parent company	
	2001 DKK '000	2000 DKK '000	2001 DKK '000	2000 DKK '000
18	...continuation			
Breakdown of the liabilities:				
<b>Mortgage institutions</b>				
Long-term	5,329	6,650	5,329	6,650
Short-term	1,321	1,241	1,321	1,241
<b>Total mortgage institutions</b>	<b>6,650</b>	<b>7,891</b>	<b>6,650</b>	<b>7,891</b>
<b>Credit institutions:</b>				
Long-term	99,895	100,153	99,895	100,153
Short term	-	-	-	-
<b>Total credit institutions</b>	<b>99,895</b>	<b>100,153</b>	<b>99,895</b>	<b>100,153</b>
<b>Total liabilities</b>	<b>106,545</b>	<b>108,044</b>	<b>106,545</b>	<b>108,044</b>
The liabilities are included in the following items in the balance sheet:				
Long-term liabilities	105,224	106,803	105,224	106,803
Current liabilities	1,321	1,241	1,321	1,241
<b>Market value</b>	<b>106,545</b>	<b>108,044</b>	<b>106,545</b>	<b>108,044</b>



## Notes

Note	Group		Parent company	
	2001 DKK '000	2000 DKK '000	2001 DKK '000	2000 DKK '000
<b>19 Other liabilities</b>				
Taxes and duties	2,454	8,434	6,797	3,082
Holiday pay and social contributions	9,187	9,528	9,180	9,246
Other accrued expenses	7,836	6,334	5,623	4,644
	<b>19,477</b>	<b>24,296</b>	<b>21,600</b>	<b>16,972</b>
<b>20 Staff costs</b>				
Wages and salaries	99,079	115,811	92,770	98,407
Pensions	5,269	5,333	5,057	4,676
Social security costs	1,595	2,300	1,513	2,081
	<b>105,943</b>	<b>123,444</b>	<b>99,340</b>	<b>105,164</b>
Remuneration to management			2,041	4,688
Remuneration to board of directors	120	120	120	120
Average number of employees during the financial year	281	346	276	310
Staff at year-end	271	269	265	260
<b>21 Fees to auditors appointed a by the general meeting</b>				
Total fees for the past financial year:				
Audit:				
PricewaterhouseCoopers			1,285	872
Deloitte & Touche			540	352
Non-audit services:				
PricewaterhouseCoopers			355	437
Deloitte & Touche			0	0
			<b>2,180</b>	<b>1,661</b>



Note	Group		Parent company	
	2001 DKK '000	2000 DKK '000	2001 DKK '000	2000 DKK '000
22				
<b>Contingent liabilities</b>				
The parent company is jointly and severally liable for the entire corporation tax together with the other jointly taxed companies.				
Guarantees have been granted for goods delivered and offers made to a few customers in the form of bank guarantees of tDKK 2,764.				
The parent company has rent commitments of tDKK 29,048 (2000: 35,528) concerning leases.				



## Note

### 23 Exchange rate and interest rate risks

The Group has not entered into any contracts to hedge exchange rate risks as the company's foreign exchange risks are largely offset by matching receivables and payables.

#### *Exchange rate risks*

DKK million Currency	Payment/ expiry	Receiv- ables	Liabilities	Net position
Euro	< 1 year	59.7	24.5	35.2
Euro	> 1 year	-	69.9	(69.9)
USD	< 1 year	4.3	0.8	3.5
		64.0	95.2	(31.2)

#### *Interest rate risk*

The following review and repayment times apply to the Group's financial assets, depending on which date is first.

DKK million Category	Review/repayment time			Effective rate %
	0-1 years	1-5 years	> 5 years	
Trade debtors	64.9	-	-	-
Other debtors	7.3	-	-	-
Mortgage and other credit institutions	(1.3)	(5.3)	(99.9)	4.8
Credit institutions, current liabilities	(106.9)	-	-	4.9
Other current liabilities	(62.0)	-	-	-
	(98.0)	(5.3)	(99.9)	

Out of the combined liabilities, DKK 6.6 million was at fixed rates. The remaining DKK 206.8 million was at floating rates. The company has entered into a two-year interest cap, which caps the interest rate risk on approximately DKK 70 million of the liabilities. The cap expires in a few months, and the company is considering to hedge parts of the liabilities again.

The effective interest rates have been calculated on the basis of the interest rate level at 31 December 2001.



Note	Group	
	2001 DKK '000	2000 DKK '000
<b>24 Related parties</b>		
ECI's largest shareholders is EuroMarine Electronics GmbH, Hamburg Germany, holding 59.7% of the share capital. ECI holds the status of "preferred supplier" in relation to EuroMarine. In 2001, EuroMarine accounted for 15-20% of ECI turnover, which was the same level as in 2000. Transactions with EuroMarine take place on arm's length terms. In addition, EuroMarine has issued a „Letter of Awareness" of DKK 122.5 million to ECI's bankers. ECI paid a fee of DKK 0.5 million in this respect.		
<b>25 Adjustments</b>		
Amortisation, impairment and depreciation	57,523	25,878
Interest, etc. received	(990)	(6,230)
Interest, etc. paid	16,674	18,698
Tax on the loss for the year	800	(23,200)
Other adjustments	-	9
Adjustment of other provisions	(15,875)	25,797
<b>Total adjustments</b>	<b>58,132</b>	<b>40,952</b>
<b>26 Change in working capital</b>		
Change in debtors	13,595	36,695
Change in stocks	20,206	58,017
Change in trade creditors	13,503	(32,457)
Change in deposits	-	(35)
<b>Total change in working capital</b>	<b>47,304</b>	<b>62,220</b>
<b>27 Cash and cash equivalents at 31 December</b>		
Cash at bank and in hand	3,804	9,648
Short-term bank debt	(110,720)	(124,147)
	<b>(106,916)</b>	<b>(114,499)</b>

# Board of directors, management and senior management employees

## Board of Directors

### Bodo Heise (Chairman)

Managing Director of EuroMarine Electronics GmbH and STN ATLAS Marine Electronics GmbH

Appointed to the board of directors in 2000

Member of the boards of directors of: Lyngsø Marine A/S (Chairman) and STN ATLAS Taihang Electronics Co. Ltd., PR China (Chairman)

### Patrick De Groot (Deputy Chairman)

Managing Director of Zenitel NV

Appointed to the board of directors in 1999

Member of the boards of directors of: EuroMarine Electronics GmbH, Ardatis NV and xCA NV (Chairman)

### Heinz Dresia

Managing Director of EuroMarine Electronics GmbH and STN ATLAS Marine Electronics GmbH

Appointed to the board of directors in 2000

Member of the board of directors of: Lyngsø Marine A/S

### David Slager

Managing Director of EuroMarine Electronics GmbH and STN ATLAS Marine Electronics GmbH and SRH Group

Appointed to the board of directors in 2001

### Leif Juul Jørgensen

Appointed to the board of directors in 2001

Member of the boards of directors of: Shipowners J. Lauritzen A/S (Chairman), MAN B&W Diesel A/S (Chairman), MAN B&W Diesel A.G., Germany, Burmeister & Wain Scandinavian Contractors A/S, Dannebrog Rederi A/S, Samsø Linien A/S, Knud E. Hansen A/S and Frode and Norma S. Jacobsen's Foundation.

### Steen Jensen\*

IT Manager at EuroCom Industries A/S

Appointed to the board of directors in 1999

### Bjarne Høyer\*

Fitter at EuroCom Industries A/S

Appointed to the board of directors in 2000

\*Appointed by the employees

## Management

### Svend Tøttrup

Chief Executive Officer

Joined the company in 1999, CEO since October 2000

### Günter R. Krombach

Chief Operating Officer

Joined the company in 2001

## Senior management employees

### Finn Sander Albrechtsen

R&D Director

Joined the company in 1998

### Peter L. Høy

Technical Director

Joined the company in 1985

### Jørgen Fløe Mikkelsen

Sales and Marketing Director

Joined the company in 1994



Design and production: Boje & Mobeck

Illustration: ProMark

Photos: Hans Nielsen Fotografi

Printing: PrintDivision

Translation: Fokus Translations



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