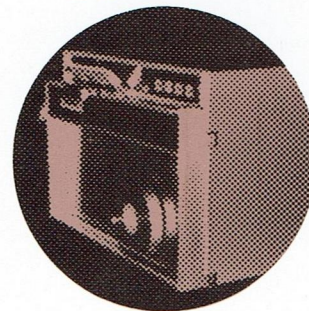


AS REGNECENTRALEN

SCANDINAVIAN INFORMATION PROCESSING SYSTEMS



**Annual Report
and Accounts
1970-1971**



Annual Report
Working Accounts / Balance Sheet
1 April 1970 - 31 March 1971



Agenda for Shareholders' Meeting

10 A.M. Monday 14 June 1971
Federation of Danish Industries Auditorium
H. C. Andersens Boulevard 18, Copenhagen

1:

- a) Board of directors' report on the company's activities in the past year.
- b) Submission of the annual accounts for approval.
- c) Adoption of the report.
- d) Proposed distribution of the profit.

2: Election of members of the board of directors.

3: Election of auditors.

4: Any other business.

Annual Report

Year Ended 31 March 1971

Despite a continued increase in turnover, profits for 1970–1971 were smaller than last year.

Income totalled 92 million kroner* – a 30 percent increase over 1969–1970. The working accounts show a profit before depreciations of 6.6 million kroner as against 7.2 million kroner last year, and after the normal allowance for depreciation, a net profit of 815,682 kroner as against 2,572,741 kroner last year.

Two factors especially contributed to the unsatisfactory profit: first, the company was unable during the year to compensate entirely for rising costs through price adjustments and increased efficiency; then, the delay of a number of projects impeded a sufficiently rapid renewal of products in conformity with technological developments.

The general recession that has affected large parts of the world had a particularly marked influence on the data processing industry; its hitherto vigorous growth was substantially checked, several companies found themselves

in difficulty, and important structural changes were brought about. These changes, combined with an ever faster development of technology in the future, cannot but result in an intensification of competition on the international data processing market.

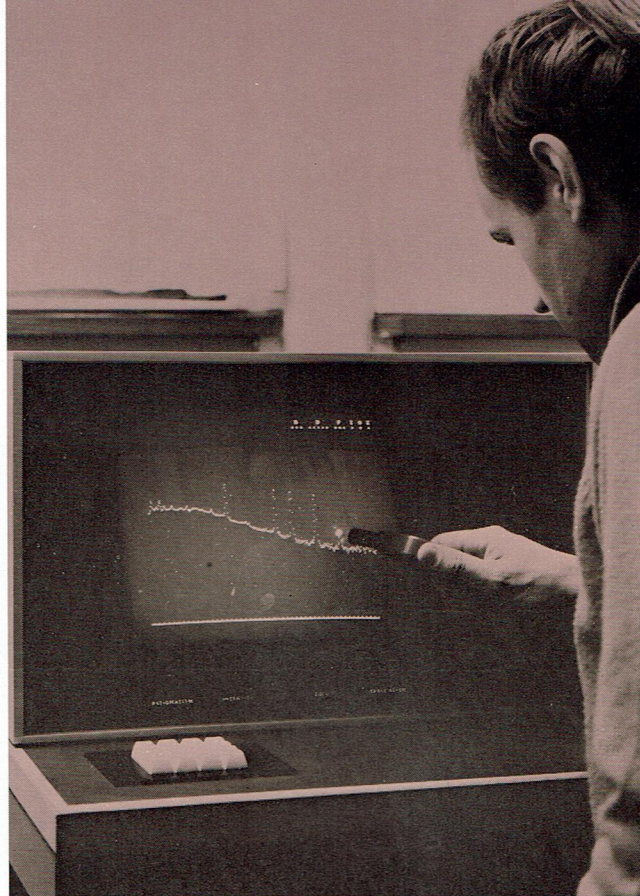
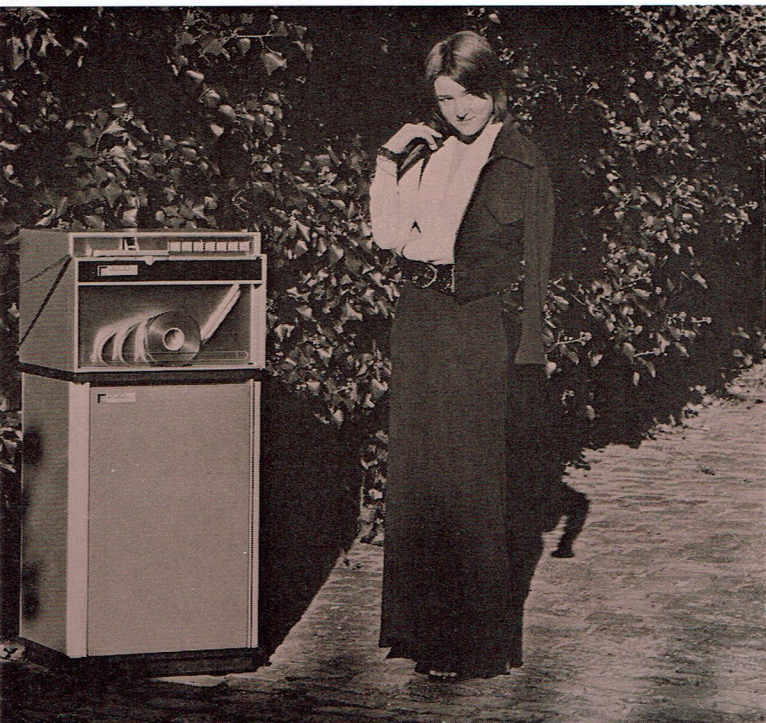
As Regnecentralen is highly sensitive to developments on this market, these circumstances gave occasion for close consideration of how the company could ensure, to a greater extent than hitherto, that its resources would be concentrated on projects for which the marketing possibilities gave reasonable assurance of being able to cover the expenses incurred in conducting them.

As a result of these deliberations, the board of directors decided to effect an organizational simplification of the company, and an official announcement was sent to shareholders and employees on March twenty-second of this year.

As will appear from this announcement, a special organizational unit, comprising the industry section and the present five foreign

* 1 Danish krone is equivalent to 0.13 1/3 American dollar (exchange rate 750.00).

RC 3200 – reads and transmits data from paper tapes by telephone.



RC 844 – graphic display with light pen.

Regnecentralen's factory at Præstø, 80 kilometers south of Copenhagen.



subsidiary companies, was established in the spring of 1971 to take charge of the manufacture, maintenance, and sale of equipment. At the same time, a number of employees were transferred from hitherto development divisions to the industry section in order to promote product renewal, primarily in the area of mini-computers and minicomputer systems.

The rest of the company will henceforth be included in a second organizational unit, the principle task of which is to sell data processing services from a number of coordinate centers. These centers comprise service bureaus with geographically defined marketing areas as well as centers with technically defined marketing areas. This second unit will also continue development of the RC 4000 computer system for various applications including use in the centers just mentioned.

At the same time, a change was effected in the composition of the company management: Mr. Niels Ivar Bech resigned, and Mr. Ole Engberg, head of Regnecentralen's service activities, and Mr. Søren Larsen, head of Regnecentralen's industry activities, became managing directors.

As of 1 April 1971, the company had 810 employees as compared with 830 employees a year earlier.

Sales of data processing equipment provided a total income of 57 million kroner as against 44 million kroner last year. Exports accounted for 27 million kroner of the sales, either through the subsidiary company organization or in the form of deliveries to American and Western European equipment manufacturers.

Regnecentralen expanded its export market this year through an agreement with Mitsubishi Office Machinery Co., Ltd., whereby that company will market the greater part of Regnecentralen's products in Japan. Similar agreements were also made with two large French companies.

In terms of products, the sales were distributed on three main groups: the RC 2000 paper tape reader, the RC 3000 converter system, and the RC 4000 computer. To these must be added a new group: the RC 7000 minicomputer series, which was introduced in February 1971.

Interest in the RC 2000 continues to be strong. Regnecentralen has now manufactured more than a thousand RC 2000 paper tape readers, which are connected to computers of many different makes.

In order to supplement and extend the RC 3000 data conversion and transmission series, a new product line was developed, the RC 3600. Introduced in the spring of 1971 as a general-purpose off-line support system, the RC 3600 can be used for data transmission, record conversion, and input/output processing jobs. The RC 3600 differs from the RC 3000 in that it is based on a programable processing unit, which greatly enhances the flexibility of the system.

Three RC 4000 computer systems for process control applications were delivered during the year, while four additional RC 4000 systems were delivered to educational and research institutions. Regnecentralen's own service bureaus also began using the RC 4000 as did the subsidiary companies in Oslo and Hanover.

Various interface equipment was developed for the RC 4000, including a controller for fast 9-track magnetic tape stations, a controller for analog drafting machines, and a telemultiplexer for data transmission at speeds of up to 4800 bauds. As to RC 4000 software, the Fortran IV compiler system was completed and the Algol compiler system considerably extended. Work was also begun on a new operating system, Boss II, with additional facilities for serving terminal users simultaneously with the execution of large batch processing jobs.

A remarkable price reduction has occurred on the market for small computers in recent years. Technological advances have led to the appearance of numerous so-called minicomputers, by which is understood computers with a processing unit costing 100,000 kroner or less. Interest in computers of this kind is rapidly increasing, as their capacity permits their being used as components in a variety of special systems, as independent units for small data processing jobs, and as terminals in advanced real-time systems.

Regnecentralen has followed this trend closely, and participated in it developmentally; moreover, in order to take quick advantage of today's low minicomputer prices, Regnecentralen has entered into an agreement with one of America's leading manufacturers, Data General Corporation, whose minicomputers, the Nova and Supernova, Regnecentralen now markets under the name RC 7000.

The RC 7000 is partly sold as an independent minicomputer, for example, to schools, and partly used as a component in special control systems. By way of example, the RC 7000 is the basic part of a multiprogrammed controller for astronomic telescopes, developed by Regnecentralen in collaboration with the Technical University of Denmark and European Southern Observatory in Hamburg. The telescope controller will be installed during 1971 at the new joint European observatory on La Silla Mountain in Chile. The RC 7000 is also used in a bus control system, being developed by Regnecentralen and Storno A/S, and in a system for alarm sequence reporting, employed by power generating plants. Finally, it is the processing unit used in the above-mentioned RC 3600 support system.

Sales of data processing services, including external development work, provided a total income of 35 million kroner in 1970-1971 as against 27 million kroner last year. While al-

most all the sales involved customers in Denmark, they had wide geographical distribution and represented a diversity of business lines.

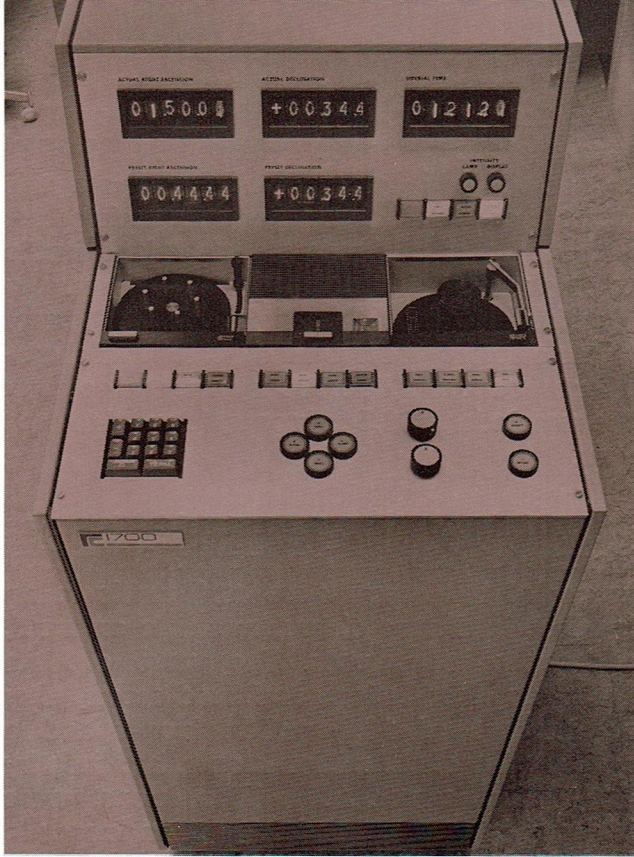
The greater part of the sales concerned routine processing of administrative jobs using standard programs. In this area, Regnecentralen continued during the year to expand and renew its standard programs for payroll, bookkeeping, invoicing, sales analysis, property administration, and other applications.

Interest in special data processing systems, for example, for production control, is on the increase, and Regnecentralen is presently engaged in developing such systems for a number of large industrial concerns. Some of the systems are based on the use of terminals, which are directly connected to the computer by telephone.

Sales of data processing equipment and services through the subsidiary companies provided approximately 19 million kroner in 1970 as against 14 million in 1969. A survey of Regnecentralen's subsidiaries is found on the last page of this report.

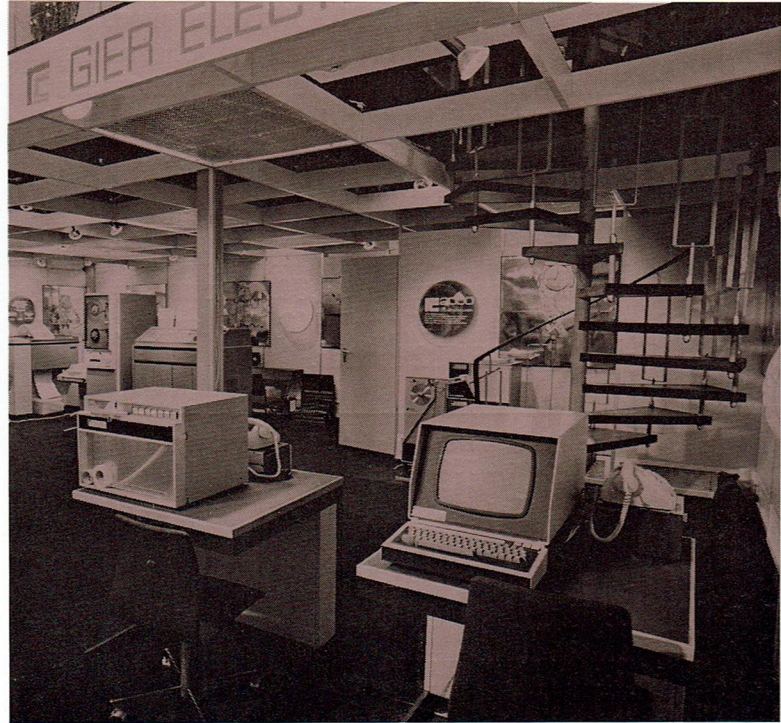
The data processing market is in rapid evolution, as indicated earlier in the report, and the organizational changes effected at Regnecentralen will greatly facilitate the adaptation of the company's activities necessitated by the competition.

It will take some time before these changes produce satisfactory results, but it is the firm belief of the board of directors that the many years' experience amassed at Regnecentralen, in combination with the sales and maintenance organization gradually built up within the company, constitutes an asset, which, if used effectively, contains good prospects on a longer view.

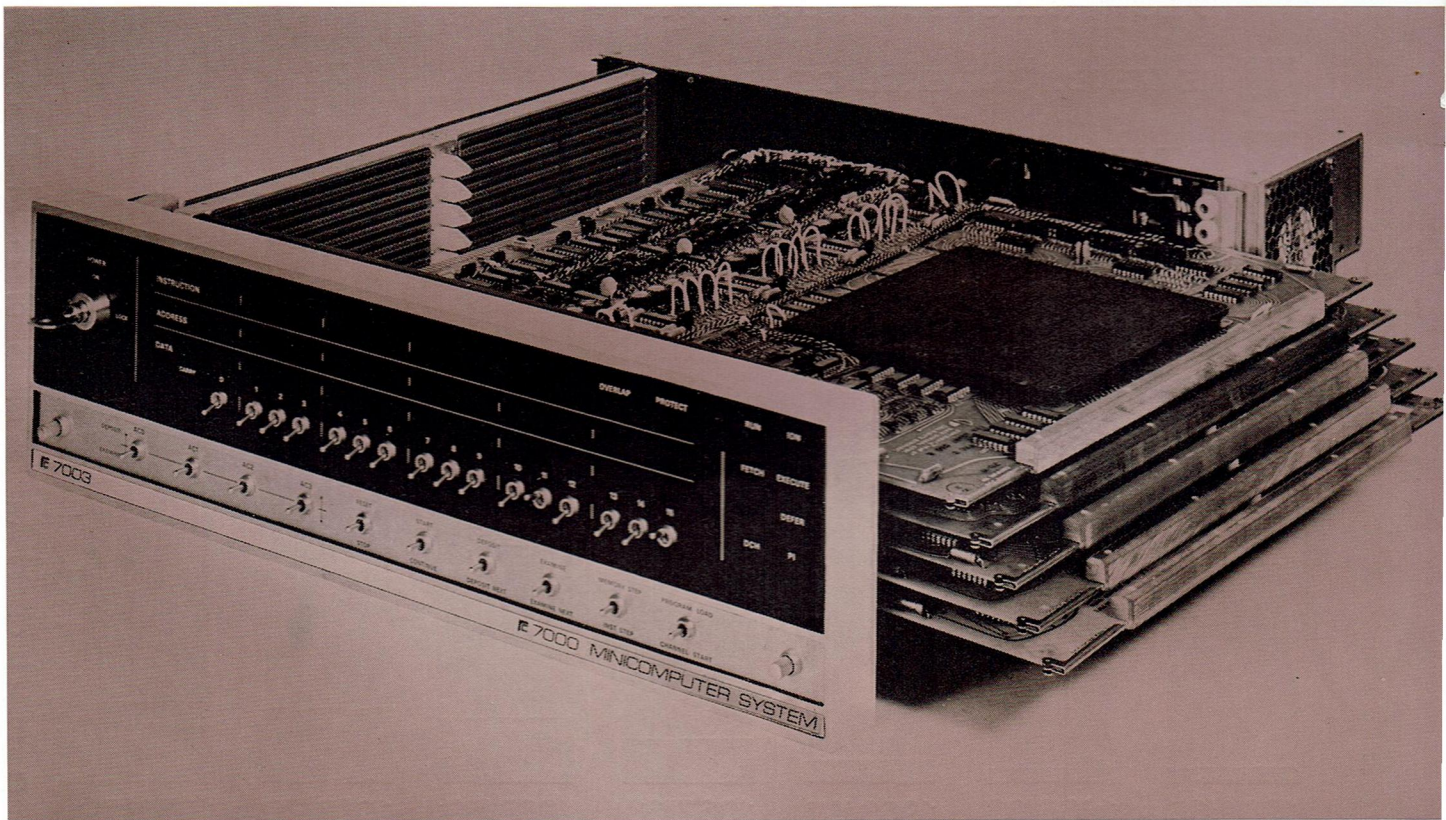


RC 1700 – multiprogrammed telescope controller, based on RC 7000 minicomputer.

RC 805 – alphanumeric display, data communications version at Hanover Fair, April 1971.



RC 7003 – processing unit in RC 7000 minicomputer series. Dimensions: 13x48x58 cm. Weight: 23 kg.



Working Accounts and Balance Sheet

The board of directors was authorized at the last shareholders' meeting to increase the share capital by 6,250,000 kroner through the issue of further preference shares. Subscriptions were invited in July 1970. Hitherto shareholders subscribed for nearly 85 percent of the amount, while the Foundation for the Advancement of Technological and Industrial Development, a new shareholder in the company, subscribed for 1,000,000 kroner.

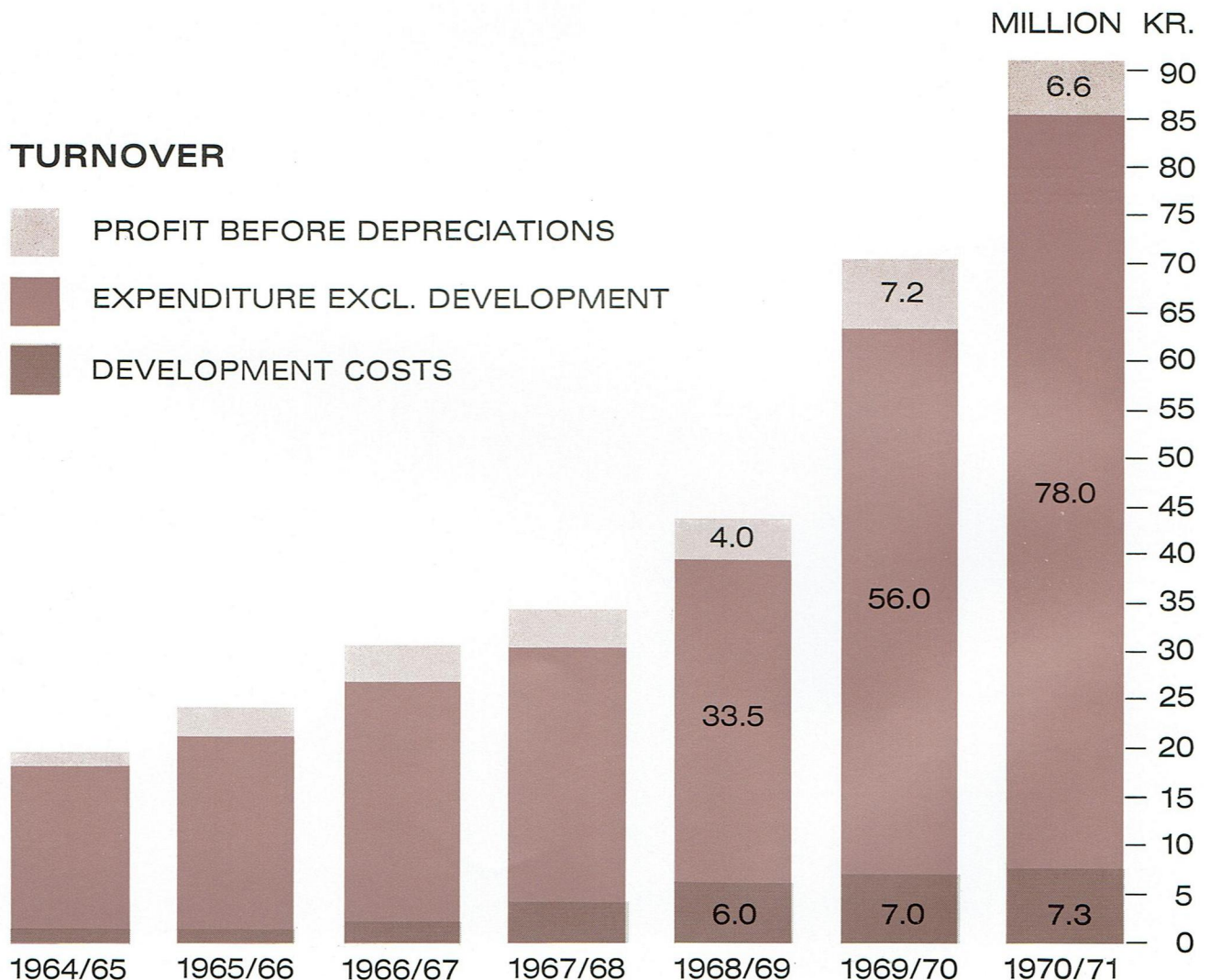
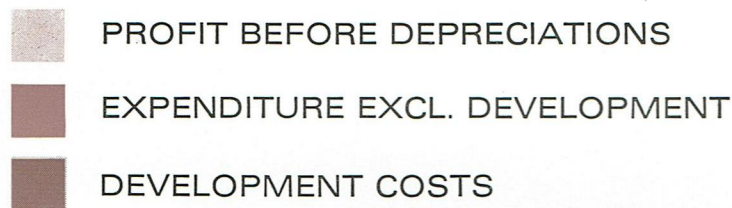
The working accounts show a profit before depreciations of 6,658,690 kroner; after depreciations totalling 5,843,008 kroner, the net profit is 815,682 kroner.

Note: 1 Danish krone is equivalent to 0.13 1/3 American dollar (exchange rate 750.00).

With the amount brought forward from last year, there is a surplus balance of 1,014,723 kroner. As will appear from the report, this profit is considerably smaller than anticipated, and the board of directors feels it inadvisable to propose a dividend to the shareholders. It is therefore proposed to transfer 445,178 kroner to the statutory reserve fund, which will thereafter amount to 2,500,000 kroner, and to carry the remainder, 569,545 kroner, forward to next year.

On the balance sheet, the asset side shows an increase of 13.0 million kroner. 8.0 million kroner of this amount are attributable to an increase in diverse claims, materials on hand, and work in progress. The value of data processing installations and fixed assets, after an increase of 10.1 million kroner and a depreciation of 5.8 million kroner, has risen by 4.3 million kroner. 0.4 million kroner were invested in property and 0.3 million kroner in subsidiary companies.

TURNOVER



Working Accounts

Year Ended 31 March 1971

1969-1970

1,000 kroner

Income:

Kroner

23,787	Service bureaus	30,985,830	
2,806	Development and education	4,010,677	
43,773	Manufacturing, sales, and rentals	<u>56,875,343</u>	
70,366			91,871,850

Expenditure:

27,242	Wages and salaries	37,410,405	
19,616	Materials for manufacturing and development	26,317,398	
14,131	Other operating expenses	16,952,807	
2,113	Interest	4,501,050	
32	Fee to board of directors	<u>31,500</u>	
63,134			85,213,160
7,232	Profit before depreciations		<u>6,658,690</u>

Depreciations:

437	Fixed assets and automobiles	507,791	
4,222	Data processing installations and equipment	<u>5,335,217</u>	
4,659			5,843,008
2,573	Net profit		<u>815,682</u>

251	Brought forward from last year		199,041
2,824	Surplus balance		<u>1,014,723</u>

Proposed distribution:

1,500	Transferred to statutory reserve fund		445,178
1,125	Dividend to shareholders		0
199	Carried forward to next year		569,545
<u>2,824</u>			<u>1,014,723</u>

Balance Sheet 31 March 1971

31 March 1970

1,000 kroner	ASSETS	Kroner
175	Cash on hand, bank and postal account balances	514,403
	Diverse claims	
7,532	Data processing services	7,266,766
8,605	Sales of installations and equipment	11,014,666
5,024	Current amount at subsidiary companies	8,448,929
1,622	Deposits and prepaid expenses	1,591,503
545	Other claims	199,979
23,328		<u>28,521,843</u>
	Diverse balances etc.	
13,637	Materials	16,224,364
11,154	Work in progress	11,162,590
24,791		<u>27,386,954</u>
	Fixed assets, automobiles, etc.	
1,179	Balance 1 April 1970	1,749,371
1,007	Increase 1 April 1970–31 March 1971	789,583
2,186		<u>2,538,954</u>
437	Less depreciation 20%	507,791
1,749		<u>2,031,163</u>
	Data processing installations and equipment	
	For own use:	
9,233	Balance 1 April 1970	15,136,728
9,688	Increase 1 April 1970–31 March 1971	7,091,734
18,921		<u>22,228,462</u>
3,784	Less depreciation 20%	4,445,692
15,137		<u>17,782,770</u>
	Hired out:	
1,518	Balance 1 April 1970	1,313,680
234	Increase 1 April 1970–31 March 1971	2,244,420
1,752		<u>3,558,100</u>
438	Less depreciation 25%	889,525
1,314		<u>2,668,575</u>
	Properties	
3,412	Balance 1 April 1970	6,081,503
2,669	Increase 1 April 1970–31 March 1971	339,844
6,081		<u>6,421,347</u>
	(Property value as of 1 August 1969 4,100,000 kroner, building in progress)	
	Shares and pledged capital in subsidiary companies etc.	
3,540	Nominally	3,850,821
633	Less not paid up	633,360
2,907		<u>3,217,461</u>
<u>75,482</u>		<u>88,544,516</u>

Discounted notes: 98,000 American dollars.

A declaration of withdrawal has been made for 1,000,000 Norwegian kroner of the account against the subsidiary company.

A loan of 5,938,860 kroner on installations is secured by chattel mortgages on data processing installations and equipment.

Contracts of guarantee: 1,160,000 Deutschemarks and 700,000 Swedish kronor.

Guarantee for all liabilities under the terms of the rental contracts discounted by the German subsidiary company.

In addition to the amounts indicated above, approximately 4,100,000 kroner were written off for fiscal purposes as of 1 April 1970.

Balance Sheet 31 March 1971

31 March 1970

1,000 kroner	LIABILITIES	Kroner
	Outside capital	
17,186	Diverse creditors, advance payments, etc.	14,398,307
32	Set aside for board of directors fee.	31,500
1,125	Dividend account.	0
21,713	Operating credits.	28,793,249
6,568	Loan on installations.	7,051,221
3,972	Mortgage debts etc.	3,800,178
3,899	Foundation for the Advancement of Technological and Industrial Development etc.	6,400,516
54,495		60,474,971
	Own capital	
	Share capital:	
12,500	Ordinary shares.	12,500,000
6,250	Preference shares.	12,500,000
18,750		25,000,000
	Statutory reserve fund:	
538	Balance 1 April 1970.	2,038,075
	Premium on increase of share capital.	156,250
		2,194,325
	Less expenditure in increasing share capital	139,503
		2,054,822
1,500	Transferred according to working accounts	445,178
2,038		2,500,000
199	Carried forward to next year.	569,545
20,987		28,069,545
75,482		88,544,516

Management

Poul Dahlgaard Ole Engberg Søren Larsen

Board of Directors

Erik Porsberg E. Sparre Andersen Knud Christensen
Chairman




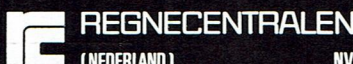

Erik Mollerup A. Kjerbye Nielsen J. P. Schou
Deputy Chairman

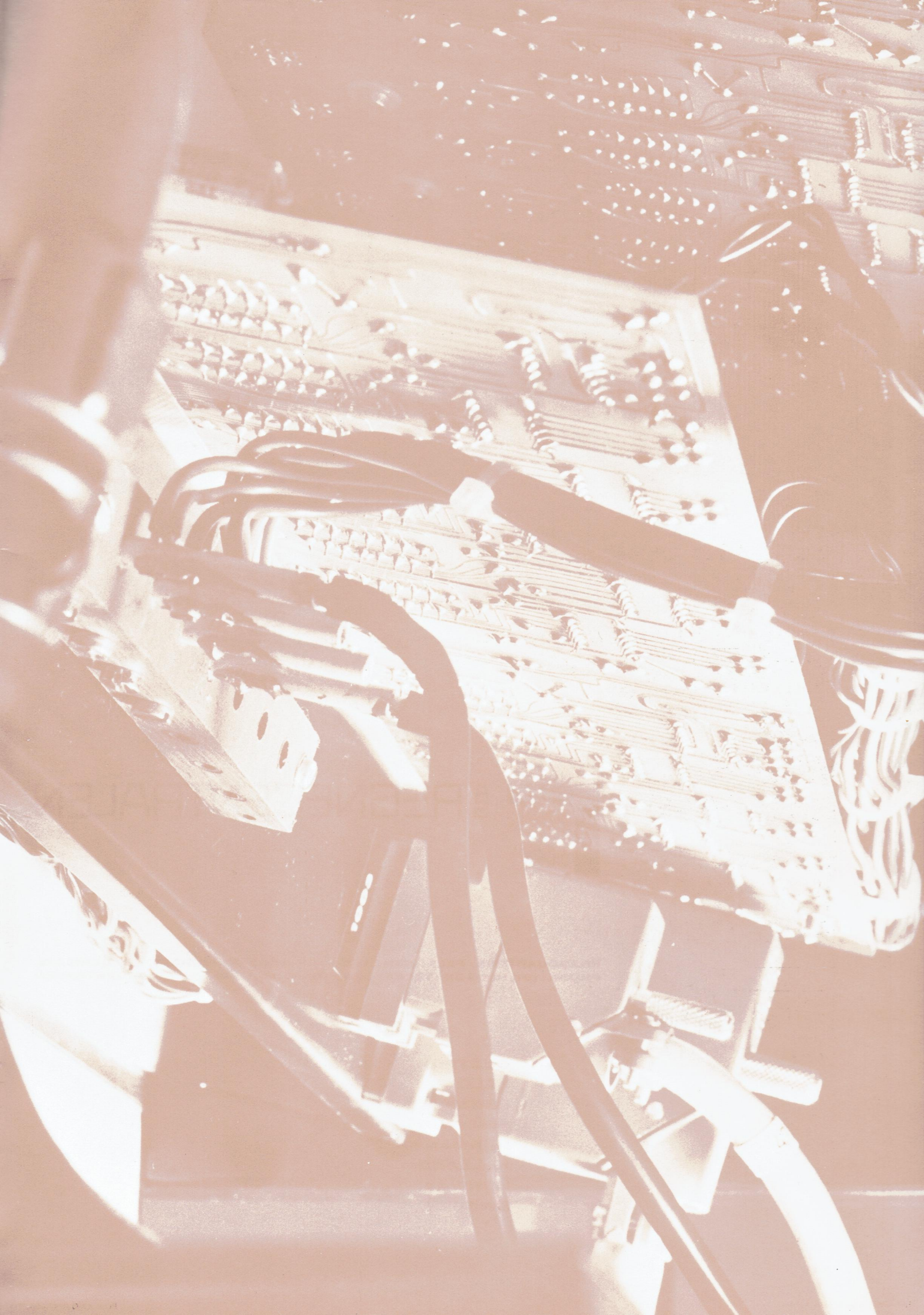
We hereby certify that the above working accounts and balance sheet are in agreement with Regnecentralen's bookkeeping, which we have audited.

Copenhagen, 14 May 1971

Revisionsfirmaet Strobel
Hans Børge Nielsen
Authorized Accountant

Subsidiary Companies

 <p>AS SCANIPS SCANDINAVIAN INFORMATION PROCESSING SYSTEMS</p>	NORWAY	1964	40 employees	OSLO Fredriksstad Kristianssand
 <p>GIER ELECTRONICS GmbH SCANDINAVIAN INFORMATION PROCESSING SYSTEMS</p>	GERMANY	1965	50 employees	HANOVER Frankfurt/Main Mülheim/Ruhr Sindelfingen Berlin, Hamburg Munich, Nuremberg
 <p>SCANIPS AB SCANDINAVIAN INFORMATION PROCESSING SYSTEMS</p>	SWEDEN	1966	18 employees	STOCKHOLM Gothenburg Hälsingborg
 <p>REGNECENTRALEN (NEDERLAND) NV SCANDINAVIAN INFORMATION PROCESSING SYSTEMS</p>	HOLLAND	1969	16 employees	ROTTERDAM Brussels, Belgium
 <p>SCANIPS Computer Handelsgesellschaft mbH SCANDINAVIAN INFORMATION PROCESSING SYSTEMS</p>	AUSTRIA	1970	16 employees	VIENNA Belgrade, Yugoslavia





SCANDINAVIAN INFORMATION PROCESSING SYSTEMS

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