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**REPORT OF THE STATUTORY AUDITORS**

with  
financial statements  
Year ended September 30, 1998  
of

**ANDREW AG, BACHENBÜLACH**

AS 15  
126367

**ATAG ERNST & YOUNG**



■ **Audit**

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**Report of the statutory auditors**

to the general meeting of

**ANDREW AG, BACHENBÜLACH**

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, statement of income and notes) of Andrew AG for the year ended September 30, 1998. The audit work was completed on October 19, 1998.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with the law and the company's articles of incorporation, with the exception of the following:


The accompanying financial statements include CHF 13'793'000 which represent loans granted to an affiliated company domiciled in Russia and due for repayment in a future year. The ultimate collection of these loans cannot presently be determined with certainty as it will depend on the further developments of the economy of the country and its currency. No provisions have been made in the accompanying financial statements to account for this uncertainty.

We recommend that, despite of the exception referred to above, the financial statements submitted to you be approved, as a collection of the advances does not appear to be impossible.

We further confirm that the extraordinary dividend distribution of CHF 7'000'000 and allocation to legal reserve of CHF 614'000, as resolved at the extraordinary shareholders' meeting held on November 19, 1998, and the extraordinary dividend distribution of CHF 25'000'000 and allocation to legal reserve of CHF 886'000, as resolved at the extraordinary shareholders' meeting held on December 7, 1998, comply with the law and the companies articles of incorporation.

Zurich, March 15, 1999

ATAG Ernst & Young AG



W. Holdener  
Certified accountant



R. Schär  
Certified accountant  
(in charge of the audit)

Enclosures:

- Financial statements (balance sheet, statement of income and notes)
- Proposed appropriation of available earnings

# ANDREW AG, BACHENBÜLACH

## BALANCE SHEET AS OF SEPTEMBER 30, 1998

	September 30, 1998	September 30, 1997
	CHF	CHF
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and short-term investments	43'913'536	27'342'073
Securities	7'034'430	0
Accounts receivable		
Trade	38'523'187	39'637'726
Less allowance for doubtful accounts	(1'446'656)	(1'186'819)
Parent company	696'739	4'366'681
Affiliated companies	25'060'281	27'308'821
Other	2'052'345	1'389'649
	64'885'896	71'516'058
Inventories	29'507'744	22'807'333
Prepaid expenses	2'452'422	1'320'680
<b>Total Current Assets</b>	<b>147'794'028</b>	<b>122'986'144</b>
<b>Fixed Assets</b>		
Land and land improvements	1'828'489	1'824'079
Buildings	6'099'624	5'956'786
Equipment	45'381'487	41'506'894
	53'309'600	49'287'759
Less allowances for depreciation	(38'859'433)	(33'919'594)
	14'450'167	15'368'165
Investment	47'889'973	47'889'973
Advances to affiliates	13'793'000	0
<b>Total Fixed Assets</b>	<b>76'133'140</b>	<b>63'258'138</b>
<b>TOTAL ASSETS</b>	<b>223'927'168</b>	<b>186'244'282</b>

# **ANDREW AG, BACHENBÜLACH**

## **BALANCE SHEET AS OF SEPTEMBER 30, 1998 (Continued)**

	September 30, 1998	September 30, 1997
	<u>CHF</u>	<u>CHF</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Current liabilities		
Accounts payable		
Trade	10'492'117	12'157'109
Parent company	471'094	903'086
Affiliated companies	627'069	473'638
Other	<u>1'000'386</u>	<u>31'126</u>
	12'590'666	13'564'959
Advance payment and deferred revenue	198'537	245'189
Accrued taxes	13'390'951	12'987'137
Accrued liabilities	<u>3'317'658</u>	<u>2'828'810</u>
Total current liabilities	<u>29'497'812</u>	<u>29'626'095</u>
Non-current liabilities		
Deferred taxes	355'558	272'585
Lease obligations	<u>95'548</u>	<u>145'785</u>
Total non-current liabilities	<u>451'106</u>	<u>418'370</u>
Total Liabilities	<u>29'948'918</u>	<u>30'044'465</u>
<b>Stockholders' Equity</b>		
Share capital	17'200'000	17'200'000
Legal reserve	7'100'000	7'100'000
Retained earnings		
Balance brought forward	131'899'817	79'841'688
Net income for the year	<u>37'778'433</u>	<u>52'058'129</u>
	169'678'250	131'899'817
Total Stockholders' Equity	<u>193'978'250</u>	<u>156'199'817</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u><u>223'927'168</u></u>	<u><u>186'244'282</u></u>

# ANDREW AG, BACHENBÜLACH

## STATEMENT OF INCOME FOR THE YEAR ENDED SEPTEMBER 30, 1998

	<u>1997/98</u>	<u>1996/97</u>
	CHF	CHF
<b>OPERATING INCOME</b>		
Net sales	211'679'819	213'100'576
Cost of sales	<u>146'881'798</u>	<u>150'395'020</u>
Gross Profit	<u>64'798'021</u>	<u>62'705'556</u>
<b>Operating Expenses</b>		
Engineering expenses	1'379'929	2'110'536
Sales and business development	6'371'127	5'678'921
Administrative expenses	5'735'287	5'705'238
Research and development	<u>928'158</u>	<u>888'150</u>
Total Operating Expenses	<u>14'414'501</u>	<u>14'382'845</u>
<b>NET OPERATING INCOME</b>	<u>50'383'520</u>	<u>48'322'711</u>
<b>OTHER INCOME/(EXPENSE)</b>		
Interest expense	(34'428)	(13'559)
Interest income	3'508'137	2'015'226
(Loss)/gain on exchange and translation	(3'154'385)	13'629'676
Miscellaneous	<u>20'779</u>	<u>203'844</u>
<b>NET OTHER INCOME</b>	<u>340'103</u>	<u>15'835'187</u>
<b>INCOME BEFORE TAXES</b>	<u>50'723'623</u>	<u>64'157'898</u>
Income taxes	<u>12'945'190</u>	<u>12'099'769</u>
<b>NET INCOME FOR THE YEAR</b>	<u><u>37'778'433</u></u>	<u><u>52'058'129</u></u>

## ANDREW AG, BACHENBÜLACH

### NOTES TO FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 1998

#### BASIS OF FINANCIAL STATEMENTS

The financial statements of Andrew AG incorporate the accounts of Andrew AG Bachenbülach, Switzerland, and the accounts of Andrew Ltd., Scotland, a branch of Andrew AG.

Both companies maintain their official accounting records and prepare their financial statements in their local currencies for domestic purposes (Swiss francs and pound sterling, respectively). The combined financial statements, prepared in Swiss francs for Swiss reporting purposes, include the accounts of Andrew AG Bachenbülach and its branch, Andrew Ltd. Lochgelly. They are prepared in accordance with accounting practices in Switzerland.

All significant balances and transactions between Andrew AG and its branch, Andrew Ltd. Lochgelly, have been eliminated on combination.

#### FOREIGN CURRENCY TRANSLATION

The financial statements of Andrew Ltd. are prepared in local currency (pound sterling). In the combination, assets and liabilities were translated into Swiss francs at the approximate exchange rates in effect at balance sheet date and the statement of income at the average exchange rate for the year.

Any translation gains or losses are included in the statement of income.

#### CONTINGENT LIABILITIES

	September 30, 1998 CHF	September 30, 1997 CHF
Bank and other guarantees on behalf of and / or in favour of affiliated company	<u>2'500'000</u>	<u>2'851'566</u>

# ANDREW AG, BACHENBÜLACH

## NOTES TO FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 1998 (Continued)

DETAILS TO STATEMENT OF INCOME	September 30, 1998 CHF	September 30, 1997 CHF
<u>Cost of sales</u> include the following:		
Materials and goods purchased	114'980'433	112'493'551
Direct labour	6'540'698	5'838'054
Manufacturing expenses	25'497'562	20'890'614
Material control expenses	5'805'872	4'021'330
Quality assurance expenses	1'028'754	886'407
Technical services expenses	5'879	1'154'412
Change in inventories	(6'977'400)	5'110'652
Total	<u>146'881'798</u>	<u>150'395'020</u>
<u>Personnel cost</u> are included in cost of sales and operating expenses at	<u>26'937'158</u>	<u>22'768'131</u>
<u>Depreciation</u> of fixed assets	<u>5'343'094</u>	<u>4'273'587</u>
<u>Gain on fixed asset disposals</u> are included in other income at	<u>19'814</u>	<u>150'534</u>
 INVESTMENT		
Andrew Cayman Islands Ltd.		
Activity: Holding Company		
Common stock and additional paid-in capital:		
USD 36'665'305 (1997 - USD 36'665'305)		
100 % owned at cost of	<u>47'889'973</u>	<u>47'889'973</u>
 INSURANCE VALUE		
Insurance value of fixed assets including buildings under operating leases	<u>69'467'367</u>	<u>62'475'301</u>



**ANDREW AG, BACHENBÜLACH**

**APPROPRIATION OF RETAINED EARNINGS AS OF SEPTEMBER 30, 1998**

**(Proposal of the Board of Directors)**

	September 30, 1998 <u>CHF</u>	September 30, 1997 <u>CHF</u>
Retained earnings brought forward	131'899'817	79'841'688
Net income for the year	<u>37'778'433</u>	<u>52'058'129</u>
<b>Retained earnings available</b>	<u>169'678'250</u>	<u>131'899'817</u>
Distribution resolved at extraordinary shareholders' held on November 19, 1998:		
Payment of dividend	(7'000'000)	
Allocation to legal reserve	(614'000)	
Distribution resolved at extraordinary shareholders' held on December 7, 1998:		
Payment of dividend	(25'000'000)	
Allocation to legal reserve	(886'000)	
<b>Retained earnings to be carried forward</b>	<u>136'178'250</u>	<u>131'899'817</u>