

Announcement no. 08 - 2008/09

August 26, 2008

Interim report for the three months ended July 31, 2008

Revenue and profit growth

- Revenue for the three months ended July 31, 2008, the first quarter of the financial year, rose sharply to DKK 296 million, up 18% on the same period of last year.
- The largest segment, terminals, reported a 22% improvement. The improvement was attributable to healthy growth in the USA and new markets, including Russia and China.
- Operating profit at DKK 34 million was almost double last year's figure (DKK 17 million) due to stronger sales as well as lower distribution costs and administrative expenses.
- The operating margin was 11.4% (6.9%).
- The free cash flow for the period was DKK 30 million (DKK 47 million).
- For the 2008/09 financial year, we continue to expect revenue of around the level of DKK 1,300–1,325 million and an operating profit of around DKK 160–180 million. The operating margin is thus expected to be around 13%.

Thrane & Thrane will review the interim report at an investor presentation to be held at 1:00 p.m. today.

The meeting will be held at the OMX Copenhagen Stock Exchange, Nikolaj Plads 6, Copenhagen K, Denmark.

For further information, please contact

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FINANCIAL HIGHLIGHTS AND KEY RATIOS

DKK million	Q1 2008/09	Q1 2007/08	12 months 2007/08
Revenue	296	251	1.253
Operating profit (before restructuring costs)	34	17	188
Operating profit (EBIT)	34	17	63
Net profit for the period	21	19	22
Total assets at end of period	1.665	1.831	1.705
Equity at end of period	753	745	758
Invested capital at end of period	1.323	1.275	1.318
Cash inflow from operating activities	56	90	209
Cash outflow from investing activities	(26)	(43)	(184)
Free cash flow (before acquisitions and financing)	30	47	26
Net cash inflow/(outflow)	1	(1)	(153)
Operating margin*	11,4%	6,9%	15,0%
Return on invested capital*	2,6%	1,3%	14,4%
Development costs incurred	38	46	216
Development costs as % of revenue	13,0%	18,4%	17,2%
Equity ratio	45,2%	40,7%	44,4%
Net interest-bearing debt as % of equity	60,7%	60,8%	60,3%
Average number of employees	710	766	761
Earnings per share (EPS, DKK)	3,81	3,39	3,87
Cash flow from operating activities per share (DKK)	9,99	16,20	37,53
Proposed dividend per share (DKK)	n.a.	n.a.	5,50
Net asset value per share (end of period, DKK)	134,32	134,20	135,21
Share price (end of period, DKK)	245,00	354,00	265,00
Share price / net asset value (end of period)	1,82	1,83	1,96
Number of shares (1,000 shares, end of period)	5.603	5.553	5.603

* The calculation uses operating profit before restructuring costs.

Good start to the new financial year

Q1 revenue was DKK 296 million, an improvement of 18%, or DKK 45 million, on the year-earlier period (DKK 251 million).

Revenue by market

DKK million	Q1 2008/09	Q1 2007/08	Change	12 months 2007/08
Maritime	189.4	161.7	17%	796.8
% of total revenue	65%	64%		63%
Land mobile	63.4	48.4	31%	206.9
% of total revenue	21%	19%		17%
Aeronautical	18.4	12.3	50%	84.6
% of total revenue	6%	5%		7%
Total terminals	271.2	222.4	22%	1,088.3
% of total revenue	92%	88%		87%
Systems	25.1	29.0	-13%	165.0
% of total revenue	8%	12%		13%
Total	296.3	251.4	18%	1,253.3

The maritime market

Revenue generated in the maritime market was up by 17% to DKK 189 million (DKK 162 million).

Revenue broke down into DKK 122 million from satellite communication equipment and DKK 67 million from radio communication equipment (Q1 2007/08: DKK 115 million and DKK 46 million, respectively).

The increase in sales was partly attributable to our new SAILOR 500 and SAILOR 250 broadband terminals. Thrane & Thrane remained the only manufacturer in the market to offer terminals for both the FleetBroadband 250 and the FleetBroadband 500 services, and since the introduction in December 2007, almost 2,000 terminals have been shipped to our distributors.

Higher sales of VHF and MF/HF radio equipment following our introduction of a range of new radio products in the past financial year also lifted revenue. In particular, we generated satisfactory growth in sales of fixed VHF-DSC radios to the professional market and sales of the new series of handheld VHF radios.

Major orders won in the first quarter included a fisheries project in China comprising 2,700 mini-C terminals worth around DKK 13 million. The order is scheduled for shipment by the end of October.

The launch of a third Inmarsat-4 satellite in August 2008 strengthened Inmarsat's broadband services, providing global coverage for the BGAN, FleetBroadband and SwiftBroadband services. The Inmarsat-4 satellite will be tested and moved into its correct orbit over the next few months.

New products

In early June we introduced an Inmarsat-C based solution that meets the new LRIT (Long Range Identification and Tracking) requirements. Effective from January 2009, all vessels of more than 300 GRT are required to be tracked and monitored. We estimate that some 12,000–15,000 vessels will be subject to the new statutory requirements. For many of them, compliance with the requirements can be achieved by upgrading their existing Inmarsat-C equipment.

In Q1, we also focused on developing a solution for the commercial Ku-band market. We have tested a solution on several types of vessel and expect to launch a finished Ku-band solution in connection with the maritime SMM exhibition to be held in Hamburg, Germany, on September 23–26, 2008. We expect to start shipping the solution to our partners at around that time.

In the radio communication equipment business, we continued the development of a range of new VHF and MF/HF products. Our development projects include a series of handheld ATEX radios approved for use in environments subject to explosion hazards, such as oil rigs or tankers.

The land mobile market

Revenue generated in the land mobile market was up by 31% to DKK 63 million against DKK 48 million last year.

The improvement was mainly attributable to stronger sales of EXPLORER terminals. USA and Asia, in particular, reported surging revenue, driven partly by large orders in connection with the earthquake in China's Sichuan province in May 2008, and partly by the Beijing Olympic Games this summer, for which the Chinese authorities required a substantial number of backup systems.

In the first quarter of the year, we also won a Russian project to install 600 EXPLORER terminals in trains over the coming year.

At June 30, 2008, Inmarsat recorded almost 22,000 active BGAN terminals against 12,000 terminals at the same time last year. By way of comparison, Thrane & Thrane sold around 12,700 EXPLORER terminals over the past 12 months.

New products

We received Inmarsat type approval of the new EXPLORER 727 terminal in May and subsequently started shipping the terminal. The EXPLORER 727 is a successor to the EXPLORER 527, a terminal for vehicular use. Addressing authorities, the media and others, the new terminal offers data speeds up to 432 kbps with a guaranteed speed of up to 256 kbps.

The aeronautical market

Revenue generated in the aeronautical market was DKK 18 million compared with DKK 12 million in the year-earlier period.

The bulk of revenue was derived from Aero-HSD+ solutions for aircraft manufacturers and owners of business jets under collaborative agreements with service and installation centres. Pending the launch of our first SwiftBroadband product, sales in the aeronautical area are expected to be moderate.

New products

In Q1, we focused on developing two new broadband solutions for Inmarsat's SwiftBroadband service, the Aero-SB Lite and the Aero-SB+.

The Aero-SB Lite is compact and can be fitted into small planes with limited space. In addition, the attractive price will open up for demand from larger parts of the market. We expect to introduce the Aero-SB Lite around the turn of the year.

We expect to introduce the Aero-SB+ by the end of the 2008/09 financial year. The development is organised in a way that will facilitate upgrading of our existing Aero-HSD+ terminals to SwiftBroadband.

The systems market

Revenue generated by systems was DKK 25.1 million against DKK 29.0 million in Q1 of the last financial year.

Among other projects, our systems team worked on an Inmarsat-C land-earth station to be delivered to SingTel of Singapore. Various software and hardware upgrades were performed on Inmarsat-M/B land-earth stations, and the team worked on installing RAN satellite access stations in Hawaii.

New products

Working closely with our maritime department, the systems department developed our Inmarsat-C based LRIT solution. We are continuing to explore the technical and commercial opportunities involved in a central tracking system for LRIT.

Financial review

Revenue in Q1 was DKK 296 million, an improvement of DKK 45 million, or 18%, over the same period of last year (DKK 251 million).

Sales of *terminals*, accounting for 92% of consolidated revenue, were up by 22% to DKK 271 million (DKK 222 million), while *systems* revenue (8% of revenue) was DKK 25 million compared with DKK 29 million in the year-earlier period.

Cost of goods sold in the reporting period amounted to DKK 169 million (DKK 145 million), equivalent to 56.9% of revenue (57.7%). The cost of goods sold as a percentage of revenue was reduced due to general efficiency improvements in our supply chain function.

Development costs recognised in the reporting period amounted to DKK 40 million against DKK 27 million in the same quarter of last year. This figure represents the aggregate of the cost of maintaining existing products and amortisation of completed development projects.

Development costs incurred amounted to DKK 38 million against DKK 46 million in Q1 of the last financial year, and accounted for 13.0% of revenue (Q1 2007/08: 18.4%). The reduced development costs reflected the planned investment restraint with respect to product development as a percentage of revenue, among other things resulting from the closing of the activities in Norway.

Capitalised development costs were DKK 24 million (DKK 38 million), while the remaining DKK 14 million (DKK 8 million) related to maintenance of existing products. Maintenance costs increased due to amortisation charges on several new products finalised in 2007/08. Amortisation of development costs capitalised in prior years thus amounted to DKK 26 million against DKK 19 million last year.

Distribution costs amounted to DKK 27 million (DKK 35 million). The cost reduction was attributable to the closing down of the activities in Thrane & Thrane Norge.

Administrative expenses amounted to DKK 26 million against DKK 27 million in the same quarter of last year.

Profit for the period

Standing at DKK 34 million, operating profit almost doubled from DKK 17 million in Q1 of last year. The improvement was driven by increased sales and a reduction in distribution costs and administrative expenses. The profit translates into an operating margin of 11.4% (6.9%).

Net financial expenses for the reporting period were DKK 5 million (DKK 6 million).

The pre-tax profit thus amounted to DKK 29 million (DKK 11 million). Estimated tax amounted to DKK 7 million against a tax income last year of DKK 7.5 million, bringing the profit for the period to DKK 21 million compared with DKK 19 million in Q1 of last year.

Cash flows

The company reported a cash inflow from operating activities before changes in working capital of DKK 71 million (DKK 48 million in Q1 of 2007/08). Working capital improved by DKK 11 million as compared with a reduction of DKK 48 million in the same period of last year. The working capital increase was attributable to a DKK 47 million reduction of trade payables, including DKK 43 million relating to payment of costs provided on April 30, 2008 in connection with the closing down of the activities in Norway.

After net financial expenses of DKK 5 million (DKK 6 million), the company reported a net cash inflow from operations of DKK 56 million (DKK 90 million).

Investments in the period totalled DKK 26 million (DKK 43 million). The lower level of investment was owing to the substantial amounts invested in various development tools last year.

The free cash flow before financials thus amounted to DKK 30 million (DKK 47 million).

After payment of DKK 31 million in dividends (see below), the company reported a net cash inflow for the period of DKK 1 million.

Segments

DKK million	Terminals		Systems		Total	
	08/09	07/08	08/09	07/08	08/09	07/08
Q1						
Revenue	271	222	25	29	296	251
Gross profit	76	62	12	17	87	79
Operating profit (EBIT) *	27	9	7	8	34	17
Operating margin (%) *	10.1	4.2	25.8	28.1	11.4	6.9
Cash flows:						
From operations	49	80	6	10	56	90
From investments	(23)	(38)	(2)	(5)	(26)	(43)
Free cash flow	27	42	3	5	30	47

* Before restructuring costs.

Performance by quarter

As in prior years, revenue is subject to fairly large fluctuations from one quarter to the next. Costs follow a more stable trend than revenue, causing operating profits to fluctuate as well. In addition, cash flows from operations are impacted by timing differences in payments into and out of the Group.

DKK million	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	06/07	06/07	06/07	06/07	07/08	07/08	07/08	07/08	08/09
Revenue	197	252	304	368	251	331	286	384	296
Operating profit (EBIT) *	12	20	22	63	17	62	29	81	34
Operating margin *	6.2%	8.1%	7.3%	17.1%	6.9%	18.6%	10.0%	20.9%	11.4%
Cash flows:									
Operations	32	56	31	32	90	49	40	31	56
Investments	(24)	(530)	(31)	113	(43)	(60)	(49)	(32)	(26)
Free cash flow (before acquisitions and financing)	8	27	7	(19)	47	(11)	(10)	-	30

* Before integration and restructuring costs.

Capital

Equity amounted to DKK 753 million at July 31, 2008, as compared with DKK 758 million at April 30, 2008.

Dividends of DKK 5.50 per share, or a total of DKK 31 million, were paid immediately after the annual general meeting held on June 26, 2008. Conversely, the profit for the year lifted equity by DKK 21 million.

The equity ratio was 45.2% at July 31, 2008 compared with 44.4% at April 30, 2008. Employees of the Group exercised 5,750 warrants in Q1, resulting in proceeds to Thrane & Thrane of DKK 834,900.

The ratio of net interest-bearing debt to equity was 60.7%, slightly higher than at May 1, 2008.

Invested capital amounted to DKK 1,323 million at July 31, 2008 (DKK 1,318 million at April 30, 2008).

Events after the balance sheet date

No events have occurred since July 31, 2008 which materially change the company's financial position.

Outlook and targets

Expectations for revenue and operating profit for the 2008/09 financial year ending on April 30, 2009 are unchanged. Thus, we expect revenue at the level of around DKK 1,300–1,325 million (2007/08: DKK 1,253 million) and an operating profit of around DKK 160–180 million (2007/08: DKK 188 million before integration and restructuring costs). The operating margin is thus expected to be around 13%.

The financial targets defined for the five-year horizon of our strategy plan (2008-2013) also remain unchanged:

- Annual revenue growth rates of 8-10%.
- EBIT improvement by a rate that exceeds our revenue growth rate, so as to lift the operating margin to at least 18%.
- Optimised capital structure.
- At least 20% return on invested capital.

Accounting policies

The interim report is presented in accordance with IAS 34 "Interim financial reporting" as adopted by the EU and additional Danish requirements for interim reports of listed companies.

The accounting policies are unchanged from the policies applied in the 2007/08 annual report, to which reference is made. The annual report contains the full description of the accounting policies.

The preparation of interim reports requires management to make accounting judgments and estimates that affect the use of accounting policies and recognised assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant estimates made by management when using the Group's accounting policies to prepare the interim report, and the significant judgment uncertainty related thereto, are the same as those used to prepare the 2007/08 annual report.

Financial calendar

Nov. 27, 2008	Interim report Q2 2008/09
Feb. 26, 2009	Interim report Q3 2008/09
Apr. 30, 2009	End of the 2008/09 financial year
June 17, 2009	Annual report 2008/09
June 26, 2009	Annual general meeting

About Thrane & Thrane

Thrane & Thrane is the world's leading manufacturer of equipment and systems for global mobile communication based on sophisticated satellite and radio technology. Since its incorporation in 1981, the company has achieved a strong position within global mobile communication solutions, mainly based on the Inmarsat system, and today Thrane & Thrane provides equipment for maritime, land-based and aeronautical use. The company's products are marketed worldwide under the brands Thrane & Thrane, EXPLORER® and SAILOR® through distributors and partners. Thrane & Thrane has 650 employees and is listed on OMX the Nordic Exchange Copenhagen (THRAN). www.thrane.com.

Statement by the Board of Directors and the Management Board

The Board of Directors and the Management Board today considered and approved the interim report for the period May 1, 2008 - July 31, 2008, the first quarter of the current financial year.

The interim report is presented in accordance with IAS 34 "Interim financial reporting" as adopted by the EU and additional Danish requirements for interim reports of listed companies. The interim report is unaudited.

We consider the accounting policies used to be appropriate. Accordingly, the interim report gives a true and fair view of the Group's assets, liabilities and financial position at July 31, 2008 and of the results of the Group's operations and cash flows for the period May 1, 2008 - July 31, 2008.

In our opinion, the management's report gives a true and fair view of developments in the activities and financial position of the Group, the results for the period and of the Group's financial position in general and gives a fair description of significant risk and uncertainty factors that may affect the Group.

Kgs. Lyngby, August 26, 2008

Management Board

Walther Thygesen
CEO

Svend Åge Lundgaard Jensen
CFO

Lars Thrane

Board of Directors

Waldemar Schmidt
(Chairman)

Morten Jagd Christensen

Gert Hejne Jensen

Morten Eldrup-Jørgensen

Jim Hagemann Snabe

Lars Thrane

INCOME STATEMENT

(DKK '000)	Q1 2008/09	Q1 2007/08	Change	12 months 2007/08
Revenue	296.299	251.446	18%	1.253.276
Cost of sales:				
- Cost of goods sold	(168.555)	(145.075)	16%	(693.488)
- Development costs	(40.390)	(26.888)	50%	(128.514)
Gross profit	87.354	79.483	10%	431.274
Distribution costs	(27.290)	(34.893)	-22%	(140.791)
Administrative expenses	(26.247)	(27.116)	-3%	(102.119)
Operating profit before restructuring costs	33.817	17.474	94%	188.364
Restructuring costs	-	-	0%	(125.511)
Operating profit (EBIT)	33.817	17.474	94%	62.853
Value adjustment of assets held for sale	-	-	0%	(6.324)
Financial income	3.018	2.662	13%	7.447
Financial expenses	(8.057)	(8.893)	-9%	(36.890)
Profit before tax	28.778	11.243	156%	27.086
Tax	(7.498)	7.502	-200%	(5.550)
Net profit for the period	21.280	18.745	14%	21.536
Earnings per share (EPS, DKK)	3,81	3,39	12%	3,87
Diluted earnings per share (EPS-D, DKK)	3,54	3,28	8%	3,60

BALANCE SHEET: ASSETS

(DKK '000)	July 31 2008	July 31 2007	April 30 2008
Non-current assets			
Intangible assets			
Software	10,164	8,492	10,470
Customer files	181,667	191,667	184,167
Completed development projects	260,972	173,545	220,003
Development projects in progress	102,173	147,006	145,086
Goodwill	447,299	461,241	447,299
	1,002,275	981,951	1,007,025
Property, plant and equipment			
Land and buildings	16,790	17,876	17,062
Airplanes	74	99	80
Plant and machinery	20,027	19,411	21,108
Other fixtures and fittings, tools and equipment	14,194	18,342	14,820
Plant and equipment in progress	2,233	4,637	2,817
	53,318	60,365	55,887
Financial assets			
Deposits	7,378	7,192	7,377
Other receivables	7,176	-	7,176
Deferred tax asset	33,760	33,346	33,468
	48,314	40,538	48,021
Total non-current assets	1,103,907	1,082,854	1,110,933
Current assets			
Inventories	310,106	251,465	298,552
Receivables			
Trade receivables	210,363	244,116	257,440
Contract work in progress	2,229	1,404	-
Other receivables	20,287	48,195	21,271
Prepayments	9,635	12,588	9,126
	242,514	306,303	287,837
Cash and cash equivalents	7,973	159,916	7,516
Assets classified as held for sale	46	30,575	47
Total current assets	560,639	748,259	593,952
Total assets	1,664,546	1,831,113	1,704,885

BALANCE SHEET: EQUITY AND LIABILITIES

(DKK '000)	July 31 2008	July 31 2007	April 30 2008
Share capital	112,060	111,060	112,060
Hedge transaction reserve	4,229	8,161	2,282
Translation adjustment reserve	(1,707)	3,273	(1,218)
Retained earnings	638,049	622,952	613,623
Proposed dividend	-	-	30,816
Total equity	752,631	745,446	757,563
Pensions and similar liabilities	14,254	78,207	12,084
Deferred tax	129,313	117,237	126,265
Loans	414,371	461,625	413,700
Non-current liabilities	557,938	657,069	552,049
Loans	50,619	151,471	50,619
Provisions	13,316	26,393	14,110
Prepayment from contract work in progress	3,236	-	3,105
Prepayments from customers	3,452	25,152	3,172
Trade payables	163,113	131,325	232,428
Income taxes	25,058	22,645	17,677
Other payables	82,596	66,190	70,252
Deferred income	12,587	5,422	3,910
Current liabilities	353,977	428,598	395,273
Total liabilities	911,915	1,085,667	947,322
Total equity and liabilities	1,664,546	1,831,113	1,704,885

SPECIFICATION OF EQUITY

(DKK '000)	Share capital	Translation adjustment reserve	Hedge transaction reserve	Retained earnings	Proposed dividend	Total
Equity at May 1, 2007	110,131	914	8,475	594,901	30,286	744,707
Fair value adjustment of hedging instruments before tax	-	-	1,533	-	-	1,533
Hedging of cash flows	-	-	(1,847)	-	-	(1,847)
Translation adjustment of subsidiaries	-	2,359	-	-	-	2,359
Share-based payment	-	-	-	1,247	-	1,247
Tax on equity entries	-	-	-	715	-	715
Net gain/(loss) recognised directly in equity	-	2,359	(314)	1,962	-	4,007
Net profit for the year	-	-	-	18,745	-	18,745
Total recognised gains and losses	-	2,359	(314)	20,707	-	22,752
Dividend to shareholders	-	-	-	72	(30,286)	(30,214)
Capital increases	929	-	-	7,272	-	8,201
Equity at July 31, 2007	111,060	3,273	8,161	622,952	-	745,446
Equity at May 1, 2008	112,060	(1,218)	2,282	613,623	30,816	757,563
Fair value adjustment of hedging instruments before tax	-	-	1,947	-	-	1,947
Hedging of cash flows	-	-	-	-	-	-
Translation adjustment of subsidiaries	-	(489)	-	-	-	(489)
Share-based payment	-	-	-	2,751	-	2,751
Tax on equity entries	-	-	-	(486)	-	(486)
Net gain/(loss) recognised directly in equity	-	(489)	1,947	2,265	-	3,723
Net profit for the year	-	-	-	21,280	-	21,280
Total recognised gains and losses	-	(489)	1,947	23,545	-	25,003
Dividend to shareholders	-	-	-	47	(30,816)	(30,769)
Capital increases	-	-	-	-	-	-
Other adjustments	-	-	-	834	-	834
Equity at July 31, 2008	112,060	(1,707)	4,229	638,049	-	752,631

CASH FLOW STATEMENT

(DKK '000)	Q1 2008/09	Q1 2007/08	12 months 2007/08
Operations			
Revenue	296,299	251,446	1,253,276
Costs	(224,910)	(203,745)	(1,023,260)
Cash generated from operations (operating activities) before change in working capital	71,389	47,701	230,016
Change in inventories	(11,554)	(25,220)	(72,307)
Change in receivables	47,270	58,109	75,388
Change in trade payables	(46,507)	15,587	21,959
Change in working capital	(10,791)	48,476	25,040
Cash generated from operations (operating activities)	60,598	96,177	255,056
Financial income	3,018	2,662	7,447
Financial expenses	(8,056)	(8,893)	(36,890)
Cash generated from operations (ordinary activities)	55,560	89,946	225,613
Income tax paid	(30)	-	(16,395)
Cash inflow from operating activities	55,530	89,946	209,218
Investments			
Intangible assets	(24,092)	(39,833)	(170,394)
Property, plant and equipment	(1,584)	(3,053)	(13,172)
Acquisition of activities	-	(94)	(86)
Cash outflow from investing activities	(25,676)	(42,980)	(183,652)
Cash inflow before financing	29,854	46,966	25,566
Financing			
Sale of shares, ESL	-	-	14,436
Debt repayment	-	(25,285)	(174,062)
Proceeds from borrowings	671	-	-
New subscription of shares upon exercise of warrants	-	8,201	13,501
Dividend paid	(30,769)	(30,214)	(30,214)
Other adjustments	867	(523)	(3,984)
Cash outflow from financing activities	(29,231)	(47,821)	(180,323)
Total	623	(855)	(154,757)
Exchange adjustment of cash and cash equivalents at beginning of period	(166)	161	1,663
Cash inflow/(outflow)	457	(694)	(153,094)
Cash and cash equivalents and securities at beginning of period	7,516	160,610	160,610
Cash and cash equivalents and securities at end of period	7,973	159,916	7,516