

Interim report for the six months ended October 31, 2003

Thrane & Thrane A/S

The Board of Directors of Thrane & Thrane has approved the company's interim report for the six months ended October 31, 2003 as attached. The interim financial statements are unaudited.

Thrane & Thrane will review the interim report at an investor presentation to be held at 12:00 p.m. today. The meeting will be held at The Danish Society for the Advancement of Business Education, FUHU, Fiolstræde 44, DK-1171 Copenhagen K, Denmark.

Thrane & Thrane A/S

Waldemar Schmidt
Chairman of the Board of Directors

Lars Thrane
CEO

For further information please contact:
Lars Thrane, CEO
Henrik Lunde, COO

SUMMARY OF H1 2003/04

- H1 revenue amounted to DKK 298.0 million (DKK 315.1 million). The operating profit was DKK 28.7 million (DKK 41.7 million). The company recorded a net cash inflow from operations of DKK 7.2 million (DKK 2.4 million).
- Thrane & Thrane completed the acquisition of the company's largest North American distributor, LandSea Systems, Inc., in H1.
- Due to the escalation of the Iraq conflict, stockpiling among Thrane & Thrane distributors adversely affected demand for land mobile M4 terminals. Towards the end of the six-month period, Thrane & Thrane experienced a slight increase in the order inflow.
- The maritime market generally showed a positive trend, driven by demand for Inmarsat-C equipment and Fleet terminals. Due to a slight delay in its development, the new Fleet33 terminal is now scheduled for launch in Q4 2003/04.
- Thrane & Thrane won the first orders for the new Aero-HSD⁺ system from Dassault Falcon Jet, a world leading business jet manufacturer. The company expects to ship these orders in the current financial year.
- For the full 2003/04 financial year, Thrane & Thrane still expects revenue of around DKK 640-660 million (DKK 610 million) and an operating profit of around DKK 80-90 million (DKK 82 million).

The interim report has been prepared in a Danish-language and an English-language version. In the event of any discrepancies, the Danish-language version shall be governing.

FINANCIAL HIGHLIGHTS AND KEY RATIOS*The interim financial statements are unaudited*

(DKK '000)	H1 2003/04	H1 2002/03	Q2 2003/04	Q2 2002/03	12 months 2002/03
Revenue	297.969	315.094	148.961	202.572	610.362
Gross profit	75.301	83.232	40.923	54.641	165.981
Operating profit	28.721	41.673	16.862	32.597	82.143
Profit on ordinary activities before tax	31.066	38.435	18.953	32.405	76.358
Profit on ordinary activities	21.691	26.863	13.240	22.664	53.868
Net profit for the period	21.691	26.863	13.240	22.664	53.868
Equity at end of period	372.800	328.684	372.800	328.684	363.638
Total assets	560.295	492.055	560.295	492.055	538.398
Capital employed	361.100	345.202	361.100	345.202	290.063
Development costs	25.536	20.228	13.453	9.753	42.675
Development costs as % of revenue	8,6%	6,4%	9,0%	4,8%	7,0%
Net development investments	27.508	11.700	6.986	8.391	30.482
Cash inflow/(outflow) from operating activities	7.187	2.389	(12.095)	(15.444)	126.554
Cash outflow from investing activities	(37.434)	(10.673)	(13.022)	(13.165)	(33.007)
Net cash inflow/(outflow) for the period	(48.621)	(26.234)	(43.491)	(46.559)	75.597
Organic revenue growth	-5,4%	59,0%	-26,5%	39,6%	28,0%
Operating margin	9,6%	13,2%	11,3%	16,1%	13,5%
Return on capital employed	9,9%	14,9%	5,3%	11,6%	29,3%
Equity ratio	66,5%	66,8%	66,5%	66,8%	67,5%
Earnings per share	4,7	5,9	2,9	5,0	11,7
Cash flow from operating activities per share	1,6	0,5	(2,6)	(3,4)	27,5
Dividend per share	-	-	-	-	4,0
Net asset value per share	81	72	81	72	79
Average number of employees	379	342	384	356	357

Definitions of ratios:

Capital employed	=	Total assets less cash and non-interest bearing debt
Return of capital employed (ROCE)	=	Profit before financial items/Capital employed at beginning of period
Equity ratio	=	Equity at end of period/Total liabilities at end of period
Earnings per share (EPS)	=	Profit on ordinary activities/Average number of shares
Cash flow from operating activities per share	=	Cash flow from operating activities/Average number of shares
Net asset value per share	=	Equity at end of period/Number of shares at end of period

The financial ratios have been calculated in accordance with Recommendations & Ratios, 1997, issued by the Danish Society of Investment Professionals.

FINANCIAL REVIEW**Revenue and profit**

Thrane & Thrane reported H1 revenue of DKK 298.0 million (DKK 315.1 million). Operating profit amounted to DKK 28.7 million (DKK 41.7 million), equivalent to an operating margin of 9.6% (13.2%). Net profit for the period was DKK 21.7 million (DKK 26.9 million).

The company recorded a cash inflow from operations (operating activities) of DKK 48.6 million in H1 (DKK 58.9 million). Working capital increased by DKK 45.4 million due to limited milestone payments from Inmarsat in respect of the RAN project, as anticipated. The company recorded a net cash inflow from operating activities of DKK 7.2 million (DKK 2.4 million). Net of investments in property, plant and equipment and intangible assets totalling DKK 37.4 million (DKK 10.7 million) and dividend payments of DKK 18.4 million, there was a net cash outflow of DKK 48.6 million in the period (DKK 26.2 million). The payment for LandSea Systems, Inc., is not included in net cash outflow for the period.

Q2 revenue was DKK 149.0 million (DKK 202.6 million), and the operating profit was DKK 16.9 million (DKK 32.6 million).

Market

Thrane & Thrane recorded a 5.4% decline in revenue in H1 relative to the same period of 2002/03. The reduced revenue was primarily caused by lower demand for land mobile M4 terminals in H1 2003/04. Sales of aeronautical equipment were also lower. On the other hand, the maritime market performed positively, and systems generated higher revenue than in H1 2002/03.

Revenue by market

(DKK million)	H1 2003/04	H1 2002/03	Change (%)	Q2 2003/04	Q2 2002/03	Change (%)
Land mobile	65,0	104,4	-38%	38,4	67,6	-43%
% of revenue	22%	33%	-	26%	33%	-
Maritime	103,6	98,1	6%	49,9	58,3	-14%
% of revenue	35%	31%	-	33%	29%	-
Aeronautical	13,6	20,7	-34%	8,4	10,9	-23%
% of revenue	4%	7%	-	6%	5%	-
Systems	115,8	91,9	26%	52,3	65,8	-21%
% of revenue	39%	29%	-	35%	33%	-
Total	298,0	315,1	-5%	149,0	202,6	-26%

Thrane & Thrane's Q2 revenue was in line with revenue generated in Q1. However, sales of terminals were higher in Q2, and are expected to increase further in H2.

With effect from the beginning of the third quarter, Thrane & Thrane acquired its largest North American distributor, LandSea Systems, Inc., which is based in Virginia, USA. The primary objective of the acquisition is to obtain a strong platform from which Thrane & Thrane can further develop its position on the strategically important North American market.

Thrane & Thrane intends to use LandSea Systems to strengthen the collaboration with its distributors in the commercial markets and to market its products directly to US government and military markets. Effective as of November 1, 2003 an executive vice president has been appointed to manage the day-to-day operations of LandSea Systems.

The acquisition of LandSea Systems is expected to have a positive impact of around DKK 20 million on Thrane & Thrane's revenue in 2003/04. No impact is expected on the company's operating profit due to goodwill amortisation and initial investments in the marketing of Thrane & Thrane's new Aero-HSD⁺ terminal.

Land mobile products

Revenue generated in the land mobile market amounted to DKK 65.0 million in H1 compared with DKK 104.4 million in the year-earlier period.

Due to the descalation of the Iraq conflict, demand for land mobile M4 terminals in the first six months of the year was adversely affected by stockpiling among Thrane & Thrane's distributors. This had an adverse effect on revenue, although Thrane & Thrane experienced a slightly increased order inflow towards the end of the period.

The company won the first major order for a newly developed data (MPDS) terminal based on a conventional M4 terminal in Q2. The new terminal will be used for transmission of data in connection with service inspections of oil wells in the USA. Thrane & Thrane has generally experienced positive interest in the data terminal, but it is as yet difficult to estimate the product's market potential.

Maritime products

Revenue generated in the maritime market amounted to DKK 103.6 million in H1 compared with DKK 98.1 million in H1 2002/03.

The satisfactory performance in the maritime market in Q2 was driven by positive demand for Inmarsat-C equipment and generated, among other things, by a beginning retrofit of previously installed Inmarsat-C terminals.

In Q2, Thrane & Thrane prepared the launch of two new solutions designed to satisfy the stricter IMO (International Maritime Organisation) requirements in respect of Ship Security Alert Systems. The IMO has adopted regulations to the effect that all vessels of more than 500 GRT must be equipped with alarm systems not later than at the first radio survey after July, 2004. The deadline is July, 2006 for vessels of less than 500 GRT. A total of some 40,000 vessels are expected to be affected by the new IMO requirements.

Thrane & Thrane intends to adapt the company's existing GMDSS equipment and mini-C terminal to comply with the new, stricter requirements. Thus, both solutions are based on the existing Inmarsat-C

service. The primary competitors for Thrane & Thrane's products are expected to be solutions based on the Inmarsat D⁺ service and the Iridium system.

In the first six months of the year, Thrane & Thrane supplied mini-C terminals to fisheries projects in Poland and Norway and started shipments to the USA. In H2, sales are expected to increase due to the implementation of requirements with respect to monitoring of fishing vessels in a number of European countries and the USA.

Thrane & Thrane has captured a satisfactory share of the market for Fleet products. The Fleet77 terminal is in very strong demand in the yacht market, not least in the USA, while as expected the market for newbuilt commercial vessels has turned out to be more difficult to penetrate.

In H1, Thrane & Thrane received the first Fleet77 orders from Tokimec of Japan. It is traditionally difficult to compete in the Japanese market, and Thrane & Thrane has so far sold very limited quantities of maritime equipment to Japan. Thrane & Thrane also won the first Fleet77 orders from Greek shipowners in H1. This market is estimated to offer a substantial potential.

Demand for the Fleet55 terminal, which was launched in early May, 2003, also performed satisfactorily. Demand for the Fleet55 is also driven mainly by the USA, and visitors to the maritime October fair in Fort Lauderdale, USA, showed great interest in the new terminal. Interest was shown by the private yacht market as well as the market for coast guard vessels and patrol vessels. Such vessels often require to transmit and/or receive large quantities of data.

Finally, the market is awaiting the launch of the Fleet33, the smallest terminal in the Fleet family. Thrane & Thrane has up till now expected to launch the terminal before the end of 2003, but has now moved the scheduled launch to Q4 2003/04. On the other hand, Thrane & Thrane will be the first to offer a Fleet33 terminal with packet data (MPDS) technology, which is expected to be a major competitive strength for this type of terminal.

Aeronautical products

Revenue generated in the aeronautical market amounted to DKK 13.6 million in H1 compared with DKK 20.7 million in the year-earlier period.

The first six months of 2003/04 were marked by extensive marketing of the upcoming Aero-HSD⁺ system to selected business jet manufacturers. As a result, Thrane & Thrane won the first orders for Aero-HSD⁺ systems, worth some DKK 10 million, from Dassault Falcon Jet, a world leading business jet manufacturer. The company expects to ship these orders in the current financial year.

Thrane & Thrane presented the Aero-HSD⁺ system in October, 2003 in connection with the NBAA aviation fair in the USA, and visitors showed a strong positive interest in the product. Thrane & Thrane's solution differs from competing aeronautical high-speed products in that it is light and very compact. Size and weight are often important factors in the choice of satellite communication equipment for business jets.

The US market is the world's largest market for business jets, and following the acquisition of LandSea Systems, Thrane & Thrane will handle its own direct marketing of the Aero-HSD⁺ system to US aircraft manufacturers and installation centres. Outside the USA, Thrane & Thrane expects to set up a network of selected distributors/installation centres to handle sales of the Aero-HSD⁺ system.

Systems

Systems generated DKK 115.8 million in revenue in H1 compared with DKK 91.9 million in the year-earlier period. Of this amount, revenue on the RAN project amounted to DKK 93.0 million (DKK 73.7 million).

In H1, Thrane & Thrane won an order for delivery of an Inmarsat-C land earth station and an MPDS land earth station to China. The land earth stations are scheduled for shipment in Q3 2003/04. Final testing of the system will take place around the beginning of December, 2003.

Product development

Development costs charged to the income statement were DKK 25.5 million in H1 2003/04 (DKK 20.2 million). Maintenance and depreciation of existing products accounted for DKK 11.5 million and DKK 14.0 million, respectively. During the period, capitalised development costs increased by a net amount of DKK 27.5 million (DKK 11.7 million).

Thrane & Thrane's product development in the period focused on the RAN development and a terminal for Inmarsat's future BGAN (Broadband Global Area Network) satellite system. The development of ASIC (Application Specific Integrated Circuit), which will facilitate a reduction in the size and cost of the BGAN terminal, is progressing as planned.

The development of the Fleet33 terminal and the associated upgrade of the SBS land earth stations experienced a minor delay. The terminal was scheduled for launch in late 2003, but the scheduled launch has now been moved to Q4 2003/04.

Development of the new Aero-HSD⁺ system is progressing as planned, and Thrane & Thrane expects to ship the first systems to Dassault Falcon Jet in December, 2003. The Aero-HSD⁺ will initially be used with an EMS Technologies antenna. Later on, the product is expected to be able to use a smaller antenna from Omnipless Antenna System Ltd.

Finally, the company focused on developing two solutions aimed to satisfy the new IMO requirements for alarm systems on board vessels. The first solution, which is based on the company's mini-C terminal, is scheduled for launch in mid-December, 2003. The second solution is an upgrade of Thrane & Thrane's existing Inmarsat-C terminal and scheduled for launch in Q4 2003/04.

Shareholdings

In Q2, Lars Thrane and Per Thrane both reduced their shareholdings by 170,000 shares (equivalent to 3.8% of the share capital). Lars Thrane and Per Thrane now hold 28.0% and 16.0%, respectively, of the company's share capital.

Warrant programme

The Board of Directors has resolved to issue an additional 51,300 warrants to 27 management employees and key employees under Thrane & Thrane's warrant programme. Of these warrants, 49,050 were granted to employees, who had not previously received warrants. The Management

Board did not receive warrants in connection with the latest grant. The warrants entitle the employees to subscribe up to DKK 1,026,000 nominal value of shares in Thrane & Thrane. A total of 85 management employees and key employees in Thrane & Thrane have received warrants.

Events after October 31, 2003

No events have occurred since October 31, 2003 which significantly affect the company.

Outlook

For the full 2003/04 financial year, Thrane & Thrane still expects revenue of around DKK 640-660 million (DKK 610 million) and an operating profit of around DKK 80-90 million (DKK 82 million).

Thrane & Thrane A/S

INCOME STATEMENT

The interim financial statements are unaudited

(DKK '000)	H1 2003/04	H1 2002/03	Q2 2003/04	Q2 2002/03	12 months 2002/03
Revenue	297.969	315.094	148.961	202.572	610.362
Cost of sales					
- Cost of goods sold	(197.132)	(211.634)	(94.585)	(138.178)	(401.706)
- Development costs	(25.536)	(20.228)	(13.453)	(9.753)	(42.675)
Gross profit	75.301	83.232	40.923	54.641	165.981
Distribution costs	(23.735)	(22.091)	(14.094)	(11.759)	(43.774)
Administrative expenses	(22.845)	(19.468)	(9.967)	(10.285)	(40.064)
Operating profit	28.721	41.673	16.862	32.597	82.143
Net financial items	2.345	(3.238)	2.091	(192)	(5.785)
Profit on ordinary activities before tax and extraordinary items	31.066	38.435	18.953	32.405	76.358
Tax on profit on ordinary activities	(9.375)	(11.572)	(5.713)	(9.741)	(22.490)
Net profit for the period	21.691	26.863	13.240	22.664	53.868

STATEMENT OF CHANGES IN EQUITY

(DKK '000)	Share capital	Share premium	Retained earnings	Proposed dividend	Total
Equity at May 1, 2003	92.088	284	252.892	18.374	363.638
Payment of dividend				(18.374)	(18.374)
Value adjustment of hedging instruments, end of period	-	-	37.085	-	37.085
Reversal of value adjustment of hedging instruments, beginning of period	-	-	(31.240)	-	(31.240)
Net profit for the period			21.691		21.691
Equity at October 31, 2003	92.088	284	280.428	-	372.800

BALANCE SHEET

The interim financial statements are unaudited

(DKK '000)	Oct. 31, 2003	Oct. 31, 2002	April 30, 2003
ASSETS			
Fixed assets			
Intangible assets			
Software	2.016	-	1.827
Completed development projects	59.338	73.814	60.396
Development projects in progress	84.150	50.756	69.539
	145.504	124.570	131.762
Property, plant and equipment			
Land and buildings	1.136	1.269	1.203
Airplanes	6.785	8.985	7.885
Plant and machinery	21.255	19.071	22.336
Other fixtures and fittings, tools and equipment	7.179	4.170	6.506
Plant and equipment in progress	3.739	3.629	843
	40.094	37.124	38.773
Total fixed assets	185.598	161.694	170.535
Current assets			
Inventories			
Raw materials and consumables	34.058	40.266	36.490
Work in progress	33.238	30.421	37.106
Manufactured goods and goods for resale	22.017	12.140	20.028
	89.313	82.827	93.624
Receivables			
Trade receivables	77.096	115.868	100.625
Contract work in progress	81.746	66.252	2.327
Other receivables	21.389	16.369	19.985
Prepayments	7.419	4.520	4.946
	187.650	203.009	127.883
Securities	50.660	3	1
Cash	47.074	44.522	146.355
Total current assets	374.697	330.361	367.863
TOTAL ASSETS	560.295	492.055	538.398

BALANCE SHEET - CONTINUED*The interim financial statements are unaudited*

(DKK '000)	Oct. 31, 2003	Oct. 31, 2002	April 30, 2003
EQUITY AND LIABILITIES			
Equity			
Share capital	92.088	91.650	92.088
Share premium	284	284	284
Retained earnings	280.428	236.750	252.892
Proposed dividend	-	-	18.374
	372.800	328.684	363.638
Provisions			
Deferred tax	73.853	46.421	46.068
Other provisions	5.619	7.221	5.778
	79.472	53.642	51.846
Debt			
Short-term debt			
Prepayments from customers re development projects	-	2.136	1.033
Prepayments from customers	4.891	3.721	6.533
Trade payables	53.315	69.082	58.827
Income taxes	6.562	7.401	20.936
Other payables	40.820	17.764	26.324
Deferred income	2.435	9.625	9.261
	108.023	109.729	122.914
Total debt	108.023	109.729	122.914
TOTAL EQUITY AND LIABILITIES	560.295	492.055	538.398

CASH FLOW STATEMENT*The interim financial statements are unaudited*

(DKK '000)	H1 2003/04	H1 2002/03	Q2 2003/04	Q2 2002/03	12 months 2002/03
Revenue	297.969	315.094	148.961	202.572	610.362
Costs	(249.279)	(256.232)	(122.069)	(161.309)	(491.860)
Cash generated from operations (operating activities) before change in working capital	48.690	58.862	26.892	41.263	118.502
Change in inventories	4.311	(13.380)	1.497	(11.048)	(24.177)
Change in receivables	(49.014)	(18.345)	(41.746)	(54.208)	72.440
Change in trade payables etc.	(676)	(21.510)	(829)	8.741	(23.302)
Change in working capital	(45.379)	(53.235)	(41.078)	(56.515)	24.961
Cash generated from operations (operating activities)	3.311	5.627	(14.186)	(15.252)	143.463
Net financial items	2.345	(3.238)	2.091	(192)	(5.785)
Cash generated from operations (ordinary activities)	5.656	2.389	(12.095)	(15.444)	137.678
Income tax paid	1.531	-	-	-	(11.124)
Cash inflow from operating activities	7.187	2.389	(12.095)	(15.444)	126.554
Investments					
Intangible assets	(30.103)	(3.100)	(9.518)	(8.391)	(18.033)
Property, plant and equipment	(7.331)	(7.573)	(3.504)	(4.774)	(14.974)
Cash outflow from investing activities	(37.434)	(10.673)	(13.022)	(13.165)	(33.007)
Cash inflow/(outflow) before financing	(30.247)	(8.284)	(25.117)	(28.609)	93.547
Financing					
New issue of employee shares	-	364	-	364	364
Dividend paid	(18.374)	(18.314)	(18.374)	(18.314)	(18.314)
Cash outflow from financing activities	(18.374)	(17.950)	(18.374)	(17.950)	(17.950)
Net cash inflow/(outflow)	(48.621)	(26.234)	(43.491)	(46.559)	75.597
Cash, cash equivalents and securities, beginning of period	146.355	70.756	141.225	91.081	70.759
Cash, cash equivalents and securities, end of period	97.734	44.522	97.734	44.522	146.356