

Interim report for the three months ended July 31, 2003

Thrane & Thrane A/S

The Board of Directors of Thrane & Thrane has approved the company's interim report for the three months ended July 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 1:00 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 Q1 2003/04

- Revenue in Q1 increased 32.4% to DKK 149.0 million (DKK 112.5 million). Operating profit increased 30.8% to DKK 11.9 million (DKK 9.1 million). The company recorded a cash inflow from operating activities of DKK 19.3 million (DKK 17.8 million).
- As anticipated, the high demand for land mobile terminals, which Thrane & Thrane experienced at the beginning of the Iraq conflict, weakened.
- Thrane & Thrane introduced the Fleet55, a new maritime high-speed terminal which enhances Thrane & Thrane's position in the market for maritime high-speed terminals.
- Thrane & Thrane won the first orders for the Aero-HSD⁺, the new aeronautical high-speed terminal expected to be launched in Q3 2003/04.
- Thrane & Thrane won system orders worth more than DKK 45 million.
- Since July 31, 2003, Thrane & Thrane has signed an agreement to purchase its largest North American distributor LandSea Systems, Inc. For the full 2003/04 financial year, Thrane & Thrane therefore expects revenue of around DKK 640-660 million (DKK 610 million) and an operating profit of around DKK 80-90 million (DKK 82 million).

FINANCIAL HIGHLIGHTS AND KEY RATIOS

The interim financial statements are unaudited.

(DKK '000)	Q1 2003/04	Q1 2002/03	12 months 2002/03
Revenue	149.008	112.522	610.362
Gross profit	34.378	28.591	165.981
Operating profit	11.859	9.076	82.143
Profit on ordinary activities before tax	12.113	6.030	76.358
Profit on ordinary activities	8.451	4.199	53.868
Net profit for the period	8.451	4.199	53.868
Equity at end of period	377.164	321.080	363.638
Total assets	559.445	465.969	538.398
Capital employed	316.089	281.298	290.063
Development costs	12.083	10.475	42.675
Development costs as % of revenue	8,1%	9,3%	7,0%
Net development investments	20.522	3.309	30.482
Cash inflow from operating activities	19.282	17.833	126.554
Cash inflow/(outflow) from investing activities	(24.413)	2.492	(33.007)
Net cash inflow/(outflow) for the period	(5.131)	20.325	75.597
Organic revenue growth	32,4%	112,3%	28,0%
Operating margin	8,0%	8,1%	13,5%
Return on capital employed	4,1%	3,2%	29,3%
Equity ratio	67,4%	68,9%	67,5%
Earnings per share	1,84	0,9	11,7
Cash flow from operating activities per share	4,20	3,9	27,5
Dividend per share	-	-	4,0
Net asset value per share	82	70,1	79,0
Average number of employees	375	327	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's revenue in Q1 increased 32.4% to DKK 149.0 million (DKK 112.5 million). Operating profit increased 30.8% to DKK 11.9 million (DKK 9.1 million), equivalent to an operating margin of 8.0% (8.1%). The profit for the period was DKK 8.5 million (DKK 4.2 million).

The company generated a cash inflow from operating activities of DKK 19.3 million (DKK 17.8 million) in Q1, while the cash flow for the period was negative at DKK 5.1 million (DKK 20.3 million).

Market

Thrane & Thrane recorded revenue growth of more than 32% in Q1 relative to the same quarter of 2002/03. The significant increase in revenue was primarily attributable to revenue on the RAN (Radio Access Network) project being higher in Q1 2003/04 than in Q1 2002/03. In the maritime market, the company furthermore experienced positive demand driven by the introduction of the new Fleet55 terminal and generally improved market conditions.

Revenue by market

(DKK million)	Q1 2003/04	% of total revenue	Q1 2002/03	% of total revenue
Land mobile	31,4	21%	36,8	33%
Maritime	49,5	33%	39,7	35%
Aeronatical	4,6	3%	9,8	9%
Systems	63,5	43%	26,2	23%
Total	149,0	100%	112,5	100%

Land mobile products

Revenue generated in the land mobile market amounted to DKK 31.4 million in Q1, which was 14.7% lower than in Q1 2002/03 (DKK 36.8 million).

As anticipated, the high demand for land mobile terminals (M4 and mini-M), which Thrane & Thrane experienced at the beginning of the Iraq conflict, weakened. This trend was particularly strong in the US market. Thrane & Thrane still believes that the land mobile market for tracking equipment offers growth potential, and products sold by the company in Q1 included approximately 500 mini-C terminals to Schahin of Brazil.

Maritime products

Revenue generated in the maritime market amounted to DKK 49.5 million in Q1, which was 24.7% higher than in Q1 2002/03 (DKK 39.7 million).

The satisfactory growth in revenue relative to Q1 2002/03 was driven by the new Fleet55 terminal, which Thrane & Thrane launched at the start of the 2003/04 financial year, and by demand for GMDSS and Inmarsat-C equipment. The Fleet55 has a smaller antenna than the Fleet77 terminal, and the Fleet55 has been especially well received in the categories private yachts, coast guard vessels and fishing vessels.

The first quarter was also marked by the upcoming launch of the new and smallest terminal in the Fleet product family, the Fleet33. Thrane & Thrane expects to launch the new terminal before the end of 2003, but intends to introduce the Fleet33 to its distributors already at the annual distributor seminar to be held in Copenhagen on September 3-4, 2003. The Fleet33 will also be introduced to end-users in connection with the Monaco Yacht Show on September 24-27, 2003.

Aeronautical products

Revenue generated in the aeronautical market amounted to DKK 4.6 million in Q1, which was 53.1% lower than in Q1 2002/03 (DKK 9.8 million).

Although the current level of sales is considered unsatisfactory, Thrane & Thrane does not expect any major improvement before the launch of its new aeronautical high-speed unit, Aero-HSD⁺ (previously referred to as TT-5000HSD⁺), which is scheduled for Q3 2003/04. Q1 was therefore marked by extensive marketing of the Aero-HSD⁺ to selected business jet manufacturers. As a result of these efforts, Thrane & Thrane took in the first Aero-HSD⁺ orders worth some DKK 4 million in Q1 and the company is generally experiencing positive interest in the product.

Furthermore, Thrane & Thrane saw reasonable demand in Q1 for the HS-700 aeronautical high-speed unit launched at the end of the 2002/03 financial year.

Systems

Systems generated DKK 63.5 million in revenue in Q1, which was 142.4% higher than in Q1 2002/03 (DKK 26.2 million). Of this amount, revenue on the RAN project amounted to DKK 53.4 million (DKK 17.2 million).

In Q1, Thrane & Thrane won an order for delivery of an Inmarsat-C land earth station and an MPDS land earth station to China. The order is worth some DKK 30 million, and the company expects to deliver the land earth stations in Q3 2003/04. Following delivery of the Inmarsat-C land earth station, Thrane & Thrane will have supplied 14 of the 22 Inmarsat-C land earth stations currently in operation. The 14 land earth stations handle about 80% of the global Inmarsat-C traffic.

In Q1, the company furthermore received a RAN contract amendment worth DKK 16 million, bringing the total value of the RAN contract to DKK 455 million.

Product development

Development costs were DKK 12.1 million in Q1 2003/04 (DKK 10.5 million). Maintenance and depreciation of existing products accounted for DKK 5.4 million and DKK 6.7 million, respectively. During the period, capitalised development costs increased by a net amount of DKK 20.5 million (DKK 3.3 million).

Thrane & Thrane's product development in Q1 focused on the RAN development and a terminal for Inmarsat's future BGAN (Broadband Global Area Network) satellite system. Development of the RAN and BGAN terminal is progressing according to schedule, and both projects are fully staffed. A total of around 110 development engineers are working on the development of these two projects.

The development department was also involved in developing the new Fleet33 terminal, which is scheduled for launch before the end of 2003. The development of the Fleet33 terminal has now progressed to the stage where Thrane & Thrane expects that Inmarsat will very soon authorise testing of the interoperability of the Fleet33 terminal and the Inmarsat satellite system.

Thrane & Thrane also developed a data (MPDS) terminal based on a conventional M4 terminal in Q1. Thrane & Thrane believes that a data terminal will provide access to new customer groups as such a type of terminal is very suitable for automatic monitoring of infrastructure such as oil and gas pipelines. Thrane & Thrane is currently working on a pilot project for the new terminal.

Finally, Thrane & Thrane has investigated the possibility of adapting the company's maritime products to meet the new requirements in respect of alarm systems on board vessels. The IMO (International Maritime Organisation) ruled in December, 2002 that all vessels of more than 500 gross registered tonnes must be fitted with new and enhanced alarm systems by July 2004. For vessels of less than 500 gross registered tonnes, the deadline is July, 2006. Thrane & Thrane expects to be able to adapt the company's existing GMDSS equipment and mini-C terminal to comply with the new, stricter requirements. Some details of the new IMO regulation still remain to be settled, and it is therefore too early to judge the impact of the implementation of enhanced alarm systems for Thrane & Thrane.

Service etc.

In Q1, Thrane & Thrane appointed new service centres in China and North America, respectively, bringing the total number of certified service centres to nine globally. In addition, Thrane & Thrane appointed a number of existing distributors Fleet service centres in order to ensure fast and efficient support of the company's Fleet product portfolio.

Annual general meeting

The annual general meeting of Thrane & Thrane will be held at 4:30 p.m. on Wednesday, August 27, 2003 at the company's address, Lundtoftegårdsvej 93D, DK-2800 Kgs. Lyngby, Denmark.

The Board of Directors proposes a dividend of DKK 4 per share, equivalent to approximately DKK 18.4 million.

Events after July 31, 2003

Since July 31, 2003, Thrane & Thrane has signed an agreement to purchase its largest North American distributor LandSea Systems, Inc., a company based in Virginia, USA, with approximately 20 employees. The purchase agreement is conditional on an exon-florio approval from the US Department of Treasury. Under the purchase agreement Thrane & Thrane will acquire all outstanding shares of LandSea Systems in a cash transaction. Thrane & Thrane and LandSea Systems' selling shareholders have agreed not to disclose the consideration paid.

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 will therefore use LandSea Systems to strengthen its distribution network in the commercial markets as well as to market its products directly to US government and military segments.

The acquisition is expected to have a positive impact on Thrane & Thrane's revenue in 2003/04 whereas no impact on operating profit is expected due to goodwill amortisation and initial investments in marketing of Thrane & Thrane's coming Aero-HSD⁺ terminal and the mini-C terminal.

Outlook

Following the acquisition of LandSea Systems, Thrane & Thrane expects revenue of around DKK 640-660 million (DKK 610 million) for the full 2003/04 financial year 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)	Q1 2003/04	Q1 2002/03	12 months 2002/03
Revenue	149.008	112.522	610.362
Cost of sales			
- Cost of goods sold	(102.547)	(73.456)	(401.706)
- Development costs	(12.083)	(10.475)	(42.675)
Gross profit	34.378	28.591	165.981
Distribution costs	(9.641)	(10.332)	(43.774)
Administrative expenses	(12.878)	(9.183)	(40.064)
Operating profit	11.859	9.076	82.143
Net financial items	254	(3.046)	(5.785)
Profit on ordinary activities before tax and extraordinary items	12.113	6.030	76.358
Tax on profit on ordinary activities	(3.662)	(1.831)	(22.490)
Net profit for the period	8.451	4.199	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
Value adjustment of hedging instruments, end of period	-	-	36.315	-	36.315
Reversal of value adjustment of hedging instruments, beginning of period	-	-	(31.240)	-	(31.240)
Net profit for the period	-	-	8.451	-	8.451
Equity at July 31, 2003	92.088	284	266.418	18.374	377.164

BALANCE SHEET*The interim financial statements are unaudited.*

(DKK '000)	July 31, 2003	July 31, 2002	April 30, 2003
ASSETS			
Fixed assets			
Intangible assets			
Software	1.890	-	1.827
Completed development projects	53.687	48.621	60.396
Development projects in progress	90.061	73.631	69.539
	145.638	122.252	131.762
Property, plant and equipment			
Land and buildings	1.170	1.303	1.203
Airplanes	7.335	9.535	7.885
Plant and machinery	20.933	18.897	22.336
Other fixtures and fittings, tools and equipment	6.966	3.535	6.506
Plant and equipment in progress	2.965	1.674	843
	39.369	34.944	38.773
Total fixed assets	185.007	157.196	170.535
Current assets			
Inventories			
Raw materials and consumables	36.239	36.513	36.490
Work in progress	38.002	23.379	37.106
Manufactured goods and goods for resale	16.569	11.887	20.028
	90.810	71.779	93.624
Receivables			
Trade receivables	60.045	82.187	100.625
Contract work in progress	55.897	25.826	2.327
Other receivables	19.896	32.789	19.985
Prepayments	6.565	5.108	4.946
	142.403	145.910	127.883
Securities	59.331	3	1
Cash	81.894	91.081	146.355
Total current assets	374.438	308.773	367.863
TOTAL ASSETS	559.445	465.969	538.398

BALANCE SHEET - CONTINUED

The interim financial statements are unaudited.

(DKK '000)	July 31, 2003	July 31, 2002	April 30, 2003
EQUITY AND LIABILITIES			
Equity			
Share capital	92.088	91.570	92.088
Share premium	284	45.486	284
Retained earnings	266.418	165.710	252.892
Proposed dividend	18.374	18.314	18.374
	377.164	321.080	363.638
Provisions			
Deferred tax	51.905	44.081	46.068
Other provisions	5.778	7.221	5.778
	57.683	51.302	51.846
Debt			
Short-term debt			
Prepayments from customers re development projects	-	12.955	1.033
Prepayments from customers	5.955	4.137	6.533
Trade payables	61.575	43.264	58.827
Income taxes	22.467	-	20.936
Other payables	28.139	25.222	26.324
Deferred income	6.462	8.009	9.261
	124.598	93.587	122.914
Total debt	124.598	93.587	122.914
TOTAL EQUITY AND LIABILITIES	559.445	465.969	538.398

CASH FLOW STATEMENT*The interim financial statements are unaudited.*

(DKK '000)	Q1 2003/04	Q1 2002/03	12 months 2002/03
Revenue	149.008	112.522	610.362
Costs	(127.210)	(94.923)	(491.860)
Cash generated from operations (operating activities) before change in working capital	21.798	17.599	118.502
Change in inventories	2.814	(2.332)	(24.177)
Change in receivables	(7.268)	35.863	72.440
Change in trade payables etc.	153	(30.251)	(23.302)
Change in working capital	(4.301)	3.280	24.961
Cash generated from operations (operating activities)	17.497	20.879	143.463
Net financial items	254	(3.046)	(5.785)
Cash generated from operations (ordinary activities)	17.751	17.833	137.678
Income tax paid	1.531	-	(11.124)
Cash inflow from operating activities	19.282	17.833	126.554
Investments			
Intangible assets	(20.585)	5.291	(18.033)
Property, plant and equipment	(3.828)	(2.799)	(14.974)
Cash inflow/(outflow) from investing activities	(24.413)	2.492	(33.007)
Cash inflow/(outflow) before financing	(5.131)	20.325	93.547
Financing			
New issue of employee shares	-	-	364
Dividend paid	-	-	(18.314)
Cash outflow from financing activities	-	-	(17.950)
Net cash inflow/(outflow)	(5.131)	20.325	75.597
Cash, cash equivalents and securities beginning of period	146.356	70.759	70.759
Cash, cash equivalents and securities end of period	141.225	91.084	146.356