

**To the Copenhagen Stock Exchange  
& the press**

**June 26, 2002  
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**Annual Report 2001/02**

**Thrane & Thrane A/S**

At its meeting today, the Board of Directors of Thrane & Thrane approved the company's annual report for the year ended April 30, 2002 as attached.

The annual report will be presented by the Management Board at a press meeting to be held at 2:00 p.m. today at the company's address, Lundtoftegårdsvej 93D, 2800 Kgs. Lyngby, Denmark.

**Thrane & Thrane A/S**

Waldemar Schmidt  
Chairman of the Board of Directors

Lars Thrane  
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## Summary of the financial year ended April 30, 2002

- Turnover was DKK 506.7 million (DKK 493.0 million.). The company reported an operating profit of DKK 31.0 million (DKK 60.5 million).
- DKK 78.9 million was applied for product development and product maintenance (DKK 70.5 million), equivalent to 15.6% of turnover (14.3%).
- The company generated a net cash inflow from operations of DKK 53.6 million (DKK 47.0 million).
- Thrane & Thrane intends to recommend at the company's annual general meeting that a dividend of DKK 4 per share be paid (DKK 4).
- In August 2001, Thrane & Thrane was awarded a contract with Inmarsat for the development, production and installation of the RAN for Inmarsat's next-generation satellite communication system, the BGAN. The contract had a value of DKK 360 million.
- In October 2001, Thrane & Thrane launched the new mini-C tracking terminal in order to strengthen the company's position in the market for tracking equipment.
- In December 2001, the Board of Directors of Thrane & Thrane decided not to go through with the acquisition of its competitor, Nera SatCom, and the investment in Broadband. The costs related to the transaction were DKK 6.0 million, which was charged as extraordinary expenses.
- In February 2002, Thrane & Thrane was awarded a DKK 125 million contract with Inmarsat for the development, production and sale of a BGAN user terminal and a user terminal core module.
- In February 2002, Thrane & Thrane entered into a contract with Honeywell/Thales on the development and production of an aeronautical high-speed unit integrating with Honeywell/Thales' aeronautical satellite communication system. The contract will enable Thrane & Thrane to access new market segments.
- In March 2002, Thrane & Thrane launched the Fleet77, a new maritime high-speed terminal, which opens a new market segment to Thrane & Thrane.
- Thrane & Thrane will change its accounting policies starting from the financial year ending April 30, 2003.
- Under the new accounting policies, the company expects turnover for 2002/03 to increase by 30-35% to about DKK 620-640 million (DKK 477 million). Comparable figures are prepared according to new accounting policies. Operating profit is expected to increase by 70-90% to a level of DKK 75-85 million (DKK 42 million).
- The company's annual general meeting will be held at 4:00 p.m. on August 27, 2002.

## Financial highlights and key ratios

The financial information is prepared according to the same accounting policies as used in previous years.

(DKK '000)	As of and for the year ended April 30				
	1998	1999	2000	2001	2002
Net turnover	428,856	395,771	452,930	492,995	<b>506,661</b>
Gross profit	114,302	85,599	113,796	122,371	<b>104,235</b>
Operating profit	59,474	28,989	54,488	60,514	<b>31,024</b>
Pre-tax profit on ordinary operations	63,569	41,307	52,324	58,357	<b>31,598</b>
Profit on ordinary operations	42,377	31,386	35,440	41,174	<b>22,041</b>
Loss on extraordinary operations	0	0	0	(5,151)	<b>(4,155)</b>
Profit for the year	42,377	31,386	35,440	36,023	<b>17,886</b>
Share capital at April 30	2,400	80,399	80,931	91,570	<b>91,570</b>
Shareholders' equity at April 30	116,632	131,282	126,592	200,324	<b>199,777</b>
Total assets	234,393	212,380	269,893	327,074	<b>343,596</b>
Development costs	32,235	48,758	57,733	70,451	<b>78,945</b>
Development costs as % of sales	7.5%	12.3%	12.7%	14.3%	<b>15.6%</b>
Average number of employees	160	191	226	252	<b>284</b>
Cash inflow from operating activities	12,281	36,522	15,559	47,031	<b>53,558</b>
Cash inflow/(outflow) from investment activities	16,901	(2,770)	(12,023)	(12,636)	<b>(6,512)</b>
Net cash inflow/(outflow) for the year	7,488	(5,073)	7,936	32,295	<b>24,294</b>
<i>Organic turnover growth</i>	<i>56.5%</i>	<i>(7.7%)</i>	<i>14.4%</i>	<i>8.8%</i>	<i>2.8%</i>
<i>Operating margin</i>	<i>13.9%</i>	<i>7.3%</i>	<i>12.0%</i>	<i>12.3%</i>	<i>6.1%</i>
<i>Return on capital employed</i>	<i>50.6%</i>	<i>16.3%</i>	<i>35.9%</i>	<i>34.1%</i>	<i>13.5%</i>
Equity ratio	49.8%	61.8%	46.9%	61.2%	<b>58.1%</b>
Earnings per share	10.39	7.83	8.69	8.67	<b>3.91</b>
Cash flow from operating activities per share	3.01	9.11	3.81	11.28	<b>11.70</b>
Dividend per share	9.81	4.17	9.92	4.00	<b>4.00</b>
Equity per share	972	33	31	44	<b>44</b>

### Definitions of ratios:

Equity ratio	=	Shareholders' equity at year-end / Total liabilities at year-end
Return on equity	=	Profit for the year / Average shareholders' equity
Return on capital employed	=	Profit before financial items / Capital employed at beginning of year
Earnings per share of DKK 20	=	Profit on ordinary operations / Average number of shares
Cash flow per share of DKK 20	=	Cash flows for the year / Average number of shares
Equity per share of DKK 20	=	Shareholders' equity at year-end / Number of shares at year-end

The financial ratios have been calculated in accordance with Recommendations & Ratios, 1997, published by the Danish Association of Financial Analysts.

## Directors' report

Thrane & Thrane generated net turnover of DKK 506.7 million in the financial year ended April 30, 2002, up 2.8% on the previous year. Operating profit was DKK 31.0 million. Due to the general global recession, the company's turnover and earnings fell short of the financial targets of double-digit percentage organic growth and an operating margin of at least 12%. The recession had an adverse impact on, in particular, sales of aeronautical and land mobile tracking-based products. On the other hand, considerations of security policy following the September 11, 2001 terrorist attacks against the USA had a positive effect on demand for portable terminals.

Thrane & Thrane launched two new products in 2001/02 and signed several contracts of significant strategic importance for the company's long-term market opportunities. This enabled the company to consolidate its position as one of the world's leading suppliers of mobile satellite communication equipment. The product launches and contracts provided Thrane & Thrane with orders on hand of more than DKK 500 million at the beginning of the 2002/03 financial year with a horizon up to 2004/05.

### Turnover and profit for Q4 2001/02

Thrane & Thrane generated turnover of DKK 180.8 million in the fourth quarter of 2001/02 (DKK 136.7 million). Operating profit was DKK 33.1 million (DKK 25.8 million) and the operating margin 18.3% (18.9%).

#### Quarterly highlights 2001/02:

(DKK '000)	Q1 2001/02	Q2 2001/02	Q3 2001/02	Q4 2001/02	12 months 2001/02	Q4 2000/01	12 months 2000/01
Net turnover	52,966	144,809	128,096	<b>180,790</b>	506,661	<b>136,707</b>	492,995
Gross profit/(loss)	(10,368)	36,159	24,490	<b>53,954</b>	104,235	<b>41,088</b>	122,371
Operating profit/(loss)	(27,551)	18,697	6,815	<b>33,063</b>	31,024	<b>25,844</b>	60,514
Operating margin	(52.0%)	12.9%	5.3%	<b>18.3%</b>	6.1%	<b>18.9%</b>	12.3%
Profit/(loss) for the period	(18,261)	12,884	1,145	<b>22,118</b>	17,886	<b>12,715</b>	36,023

Thrane & Thrane saw turnover improvements in all markets in the fourth quarter of the financial year relative to the first three quarters. Turnover improved in the land mobile market as the company achieved milestones on the BGAN terminal contract with Inmarsat. The company recognised DKK 16 million in the fourth quarter of 2001/02 based on this contract. Thrane & Thrane also recorded a small increase in demand for tracking equipment in the last months of the financial year.

Thrane & Thrane's launch of the new Fleet77 high-speed terminal to the maritime market in the fourth quarter added some DKK 7 million to turnover, while the company's achievement of milestones relating to the development and delivery of the Fleet77 triggered payments from Inmarsat.

Conditions in the aeronautical market improved for Thrane & Thrane over the past three months and combined with a milestone payment from Honeywell International Inc., USA, and Thales

Avionics Ltd., UK, (Honeywell/Thales), this brought turnover to a level with total turnover for the first nine months of the financial year.

Finally, turnover in the systems market was affected by the RAN contract with Inmarsat, under which SED Systems, a division of Calian Ltd. of Canada, made substantial supplies, which were recognised in the profit and loss account. Thrane & Thrane furthermore delivered an Inmarsat-C land earth station in the fourth quarter of 2001/02.

Thrane & Thrane incurred development costs of approximately DKK 25 million in the fourth quarter, some 47% more than in the third quarter of the financial year. This was primarily attributable to software purchases for ASIC development for the BGAN terminal.

### **Turnover and profit for the twelve months ended April 30, 2002**

Thrane & Thrane generated turnover of DKK 506.7 million in the financial year ended April 30, 2002. Turnover was up 2.8% on the previous financial year (DKK 493.0 million).

Development costs were DKK 78.9 million, equivalent to approximately 15.6% of turnover against approximately 14.3% of turnover (DKK 70.5 million) in the financial year ended April 30, 2001.

Operating profit was DKK 31.0 million with an operating margin of 6.1%. The corresponding figures were DKK 60.5 million and 12.3% for the financial year ended April 30, 2001.

The company recorded a pre-tax profit on ordinary operations of DKK 31.6 million, reflecting a decrease of 45.9% on the previous year's pre-tax profit of DKK 58.4 million.

The company generated a net cash inflow from operations of DKK 53.6 million (DKK 47.0 million).

DKK 6.0 million extraordinary expenses were incurred as advisory fees in connection with Thrane & Thrane's negotiations with Nera ASA on the proposed acquisition of Nera SatCom AS and the investment in Broadband AS.

The company posted a profit of DKK 17.9 million for the year (DKK 36.0 million), which was 50.3% lower than the previous year.

### **Dividend**

The directors recommend a dividend for the financial year of DKK 4 per share, equivalent to 102.4% of the profit for the year. This deviation from the company's policy of paying out 30% of the profit for the year by way of dividend is part of the company's efforts to optimise the capital structure and the anticipation of strong earnings in the 2002/03 financial year.

Thrane & Thrane's shareholders' equity stood at DKK 199.8 million at April 30, 2002.

### **Market description**

Thrane & Thrane is one of the world's leading suppliers of terminals and land earth stations for land mobile, maritime and aeronautical satellite communication based on Inmarsat services. At the

end of 2001, more than 240,000 Inmarsat terminals had been commissioned and were in operation globally, approximately 35% of which had been delivered by Thrane & Thrane.

*Thrane & Thrane turnover*

General market conditions inevitably affected Thrane & Thrane's sales of terminals in 2001/02, and the first six to nine months of the year were especially hard hit. Improved market conditions towards the end of the financial year, the launch of the Fleet77 and the award of important RAN and BGAN contracts, however, lifted Thrane & Thrane's turnover in the latter half of the year.

*Turnover by market segment:*

(DKK million)	Financial year ended April 30				
	1998	1999	2000	2001	2002
<b>Land mobile</b>	<b>211.2</b>	<b>116.8</b>	<b>172.3</b>	<b>156.7</b>	<b>184.9</b>
% of total turnover	49%	29%	38%	32%	37%
<b>Maritime</b>	<b>180.1</b>	<b>227.8</b>	<b>162.0</b>	<b>179.6</b>	<b>137.8</b>
% of total turnover	42%	58%	36%	36%	27%
<b>Aeronautical</b>	<b>7.9</b>	<b>9.6</b>	<b>55.7</b>	<b>83.5</b>	<b>38.9</b>
% of total turnover	2%	2%	12%	17%	8%
<b>Systems</b>	<b>29.7</b>	<b>41.6</b>	<b>62.9</b>	<b>73.2</b>	<b>145.0</b>
% of total turnover	7%	11%	14%	15%	29%
<b>Total</b>	<b>428.9</b>	<b>395.8</b>	<b>452.9</b>	<b>493.0</b>	<b>506.7</b>
Growth in turnover	56.5%	(7.7%)	14.4%	8.8%	2.8%

Over the period from 1997/98 to 2001/02, Thrane & Thrane's turnover has increased by 18.1% from DKK 428.9 million in the financial year ended April 30, 1998 to DKK 506.7 million in the financial year ended April 30, 2002, equivalent to a compound annual growth rate of 4.3 per cent. The growth in turnover was solely generated organically and primarily reflected the company's ability to develop and launch new products.

Thrane & Thrane generated turnover of DKK 506.7 million in the financial year ended April 30, 2001, equivalent to an increase of 2.8% over the previous year (DKK 493.0 million), primarily attributable to turnover based on deliveries from third-party suppliers under the RAN contract equivalent to DKK 69.7 million. Turnover in the systems and the land mobile markets increased by 98% and 18%, respectively, while turnover in the maritime and the aeronautical markets fell by 23% and 53%, respectively.

*Turnover by geographic market:*

(DKK million)	Financial year ended April 30					
	2000	% distribution	2001	% distribution	2002	% distribution
Europe, excl. Nordic countries	186	41%	225	46%	277	55%
North America	119	26%	115	23%	96	19%
Nordic countries	89	20%	66	13%	50	10%
Asia	24	5%	43	9%	45	9%
Australia & Oceania	20	4%	13	3%	11	2%
South America	7	2%	21	4%	1	0%
Others	8	2%	10	2%	27	5%
<b>Total</b>	<b>453</b>	<b>100%</b>	<b>493</b>	<b>100%</b>	<b>507</b>	<b>100%</b>

Thrane & Thrane's most important geographic markets continue to be Europe, North America and the Nordic countries, which accounted for 84% of the company's turnover in 2001/02. These markets accounted for 82% of turnover in 2000/01.

The growth in Europe was primarily due to the RAN and BGAN contracts with Inmarsat, while reduced aeronautical sales triggered a smaller turnover in North America. The reduction in South America was attributable to lower sales of tracking equipment due to a component error in the company's land mobile Inmarsat-C equipment and to the financial environment in the area.

#### *Land mobile products*

Thrane & Thrane's products targeting the land mobile segment comprise portable terminals for personal communication systems, tracking and security equipment as well as phones for vehicular use. Typical customers are corporations, private and public organisations such as the UN, international aid organisations, governments, the media and oil, gas and mining companies.

Sales to the land mobile segment amounted to DKK 184.9 million, which was 18.0% higher than in 2000/01 (DKK 156.7 million).

Contributing to the higher turnover was an increase in demand for Thrane & Thrane's portable M4 satellite terminals relative to 2000/01 due to considerations of security policy following the September 11, 2001 terrorist attacks against the USA and to the market's general greater awareness of the M4.

In February 2002, Thrane & Thrane signed an important strategic contract with Inmarsat relating to the development, production and sale of a user terminal and a user terminal core module for Inmarsat's future BGAN satellite system with expected launch in 2004. The BGAN will offer telephony and data services at speeds up to 432 kbps, almost seven times the rate of ordinary ISDN, the maximum transmission rate available today via Inmarsat's GAN service. The network will complement fixed terrestrial and cellular mobile networks whilst also enabling Inmarsat to continue to serve customers within the land mobile, maritime and aeronautical sectors. The network is intended as a satellite-based counterpart to the land-based 3G IMT-2000/UMTS.

The agreement will impact Thrane & Thrane's turnover by an amount of DKK 125 million (USD 15 million), which will cover part of Thrane & Thrane's estimated development costs of DKK 165 million. The company has recognised DKK 25 million of the DKK 125 million in the 2001/02 financial year.

In the autumn of 2001, Thrane & Thrane launched a new tracking product, the mini-C. While the company has high expectations for this product, sales have failed to meet expectations so far. However, Thrane & Thrane's hopes for the tracking market remain high, especially for the US and South American markets, the world's largest and second-largest markets for tracking equipment. Thrane & Thrane has intensified its efforts in these markets through the permanent presence in the USA of its sales force for tracking equipment since April, 2002. From its US basis, the sales force covers the North and South American markets, and the company intends to keep the sales force in the USA for six months.

In South America, Thrane & Thrane expects to strengthen its market position significantly following the exit of Trimble Navigation Limited, the company's principal competitor on Inmarsat-

based tracking systems, and the resolution of Thrane & Thrane's technical problem involving a defect component. It is therefore encouraging that Thrane & Thrane received an order for 800 mini-C terminals to a Brazilian customer in 2001/02.

### *Maritime products*

Thrane & Thrane's products for the maritime segment target the professional market and are used, among other purposes, for the GMDSS distress and safety system. The terminals are typically used for merchant and fishing vessels as well as large pleasure craft. Customers in this segment include mainly shipyards and commercial and private shipowners.

Thrane & Thrane generated turnover of DKK 137.8 million in the maritime segment in the financial year ended April 30, 2002, which was 23.3% down on the previous year (DKK 179.6 million).

One of the factors attributing to the lower turnover was that the market for Inmarsat-C for monitoring fishing was saturated as largely all EU member states have implemented monitoring of fishing vessels exceeding 24 metres. The company expects the market for fishing monitoring to pick up as and when EU directives on monitoring of fishing vessels exceeding 15 metres are implemented.

Furthermore, sales of GMDSS equipment fell due to lower third quarter demand for accessories and the introduction of consignment stocks with a major Thrane & Thrane customer. Fourth quarter demand was back at the usual level.

Finally, Thrane & Thrane sees growing competition from terminal manufacturers who use mobile satellite systems other than Inmarsat, such as Iridium Satellite LLC, Globalstar LP and Emsat, resulting in lower sales of the maritime mini-M terminals relative to 2000/01. However, Thrane & Thrane is still confident that the company and Inmarsat are competitive compared with the above-mentioned competing terminal products and satellite systems. The company expects to consolidate its market position through the introduction of new products such as the Fleet77 and mini-C and through new applications of products.

The new Fleet77 terminal is an attractive and competitive alternative to the present Inmarsat-B terminals, which are typically used on large merchant and fishing vessels. This new market for Thrane & Thrane has an annual value of about DKK 250 million and Thrane & Thrane expects to gain a large share of the market. When Thrane & Thrane launched the new terminal in March 2002, the company already had orders on hand worth more than DKK 12 million for Fleet77 terminals. Since the launch, Thrane & Thrane has seen a satisfactory inflow of new orders, and the company entered 2002/03 with a fairly substantial Fleet77 product backlog.

Turnover in the maritime segment includes DKK 6.4 million (USD 800,000), which Thrane & Thrane has invoiced to Inmarsat for achieving certain milestones relating to the development, approval and delivery of Fleet77 terminals.

### *Aeronautical products*

Thrane & Thrane's aeronautical products comprise communication equipment for installation in corporate jets and private and military airplanes. The products support safety, operational, cockpit and passenger voice and data applications.

Turnover in the aeronautical segment was DKK 38.9 million in the 2001/02 financial year, a sharp 53.4% fall on 2000/01 (DKK 83.5 million). A large part of Thrane & Thrane's sales of aeronautical equipment is handled by Universal Avionics Systems Corporation, Inc., USA, and the recession in the US economy and the general slowdown in the aeronautical industry therefore caused turnover to drop. Thrane & Thrane has seen indications of demand for aeronautical products beginning to pick up during the past six months, but does not expect demand in 2002/03 to reach the level of 2000/01.

So far, Thrane & Thrane's aeronautical products have primarily been used in small corporate jets and small military transport planes, but in February 2002, Thrane & Thrane entered into a co-operation agreement with Honeywell/Thales for the development and production of an aeronautical high-speed unit. The agreement with Honeywell/Thales gives Thrane & Thrane access to two new market segments: large corporate jets and military transport planes.

The minimum amount which will be added to Thrane & Thrane's turnover is at DKK 18 million (USD 2.25 million) over two years. A part of the DKK 18 million was recognised in the fourth quarter of 2001/02, and Thrane & Thrane expects to add further turnover in excess of the DKK 18 million when the first order for high-speed units has been delivered to Honeywell/Thales in the financial year ending April 30, 2004.

Thrane & Thrane is also developing an aeronautical high-speed product targeting Thrane & Thrane's traditional market for small corporate jets. Besides Thrane & Thrane and Honeywell/Thales, it is expected that Rockwell Collins, Inc. and Teledyne Controls together with EMS Technologies, Inc. will launch aeronautical high-speed products based on the Inmarsat system. Thrane & Thrane estimates the market for these products to have an annual value of approximately DKK 250 million.

### *Systems*

The market for systems consists of land earth stations for the various Inmarsat services. The land earth stations are connected to the terrestrial network, providing the interface between the satellite system on the one hand and the public switched telephone network, cellular networks, the Internet or corporate intranets on the other hand.

Thrane & Thrane generated turnover of DKK 145.0 million in the systems segment, up 98.1% on the previous year (DKK 73.2 million). Most of the increase was attributable to the RAN contract awarded by Inmarsat to Thrane & Thrane in August 2001 in competition with international players. The contract, which is worth DKK 360 million, relates to the development, production and installation of the radio access network for Inmarsat's future BGAN satellite system. Towards the end of the third quarter of 2001/02, Thrane & Thrane secured an order from Inmarsat for add-on services to the RAN project worth DKK 15 million, most of which will, however, be services from third-party suppliers. DKK 88.0 million of the company's total turnover of DKK 145.0 million in this segment relates to the RAN project.

The RAN project comprises supplies from a third-party supplier worth DKK 152.0 million and development work to be carried out by Thrane & Thrane worth DKK 223.0 million. There were originally two third-party suppliers to the project, but in March 2002 Thrane & Thrane suspended its partnership with Logica UK Limited for the development and supply of the RAN interfaces to various telecommunications networks such as UMTS. The value of this contract was DKK 70.0 million, and supplies worth DKK 16.0 million had been made before the contract was terminated.

RAN turnover is recognised in line with the project's progress based on the stage of completion of Thrane & Thrane's in-house RAN development. Third-party supplies are recognised as and when invoiced to Thrane & Thrane. The project's momentum was slower in 2001/02 than expected at the start of the project, resulting in lower-than-expected turnover primarily because the assumed percentage of completion for the financial year was subject to great uncertainty in relation to the timing of the project. Of the total turnover for 2001/02 of DKK 88.0 million, DKK 18.0 million represented the sales value of Thrane & Thrane's development efforts, which is some 50% less than assumed when the RAN contract was announced in August 2001.

Finally, in April 2002 Thrane & Thrane received a DKK 12 million amendment to the original SBS contract with Inmarsat signed in June 1998. The purpose of the amendment is for Thrane & Thrane to develop a voice over MPDS demonstration system using the same channel structure as in the current GAN MPDS system but with service enhancements. The current separate circuit switched and packet switched system requires the user to use either a voice or data connection depending of the service required. If commercialised, the voice over MPDS technology will provide user service enhancements by enabling simultaneous usage of a voice and a data connection. Thrane & Thrane expects to complete development of the voice over MPDS demonstration system in the financial year ending April 30, 2003.

### *Service*

Since early 2000, Thrane & Thrane has maintained five service centres in Australia, Switzerland, Singapore, Spain and the USA. In order to provide improved support to distributors and users, Thrane & Thrane signed agreements to set up service centres with Elcome International L.L.C of the United Arab Emirates, HDW-Hagenuk Schiffstechnik GmbH of Germany and Pertec (Pty) Ltd. of South Africa in 2001/02. Effective June 2002, these three Thrane & Thrane distributors will be Certified Thrane & Thrane Service Centres, bringing the total number of Thrane & Thrane Certified Service Centres to eight.

Thrane & Thrane also expanded the scope of the support offered by the Service Centres. Previously, the Service Centres only offered support of Thrane & Thrane's mini-M terminals and the portable M4 terminal. The Service Centres attended courses and continuous training programmes during 2001/02 in order to include support of Thrane & Thrane's Inmarsat-C terminals, the land mobile M4 terminal and the Fleet77 in the services offered by all Service Centres as from June 2002.

### **Product development**

Despite the recession seen in the first six to nine months of the financial year, Thrane & Thrane leveraged its core competences within product development in 2001/02 by maintaining and initiating new development projects, increasing the number of product development staff by 50% to 180 at April 30, 2002 from 120 at April 30, 2001.

Terminal development costs amounted to DKK 78.9 million, corresponding to 15.6% of turnover against 14.3% of turnover (DKK 70.5 million) in the financial year ended April 30, 2001.

#### *BGAN terminal development*

In January 2002, Thrane & Thrane began designing and developing a BGAN user terminal, and in February 2002 the company made a contract with Inmarsat relating to the development, production and sale of a BGAN user terminal and a user terminal core module. Thrane & Thrane estimates that the development of the BGAN user terminal and the user terminal core module will require more than 120 man-years.

The object is to develop a compact, low-cost terminal by integrating terminal and antenna in one unit and using ASICs developed by Thrane & Thrane. The BGAN terminal will be able to receive data at speeds up to 432 kbps and transmit data at speeds up to 200 kbps. Thrane & Thrane also expects the terminal to have a Bluetooth interface enabling wireless use of handsets and PCs in combination with the terminal. Thrane & Thrane expects that putting a terminal with these qualities on the market will enable the company to attract new users of mobile satellite communication and generate annual turnover in the range of DKK 200-250 million. Market introduction of the BGAN terminal is expected in 2004/05. At April 30, 2002, some 35 employees were committed to the preliminary design of the terminal and the user terminal core module.

#### *Development of aeronautical high-speed solutions*

In February 2002, Thrane & Thrane signed a contract with Honeywell/Thales on the development and production of an aeronautical high-speed unit integrating with Honeywell/Thales' Aero-H/H<sup>+</sup> aeronautical satellite communication system. At April 30, 2002, the project was fully staffed and progressing as planned. Thrane & Thrane expects to complete development of the high-speed unit during the first quarter of 2003/04.

Throughout 2001/02, Thrane & Thrane also worked on developing an aeronautical high-speed system targeting small corporate jets and military airplanes and using an antenna being developed by Omnipless. As a consequence of the contract with Honeywell/Thales, Thrane & Thrane expects its in-house development of an aeronautical high-speed system to be completed by the second quarter of 2003/04.

#### *RAN project*

In August 2001, Thrane & Thrane was awarded a contract by Inmarsat in competition with international players relating to the development, production and installation of the RAN for Inmarsat's planned BGAN satellite system. While Thrane & Thrane is the principal contractor to the project, the company had expected to collaborate extensively with two primary third-party suppliers. Logica, a global provider of IT solutions, was to provide the interface to various telecommunication networks, and SED, a leading antenna provider, was to be in charge of the antenna part of the project. Thrane & Thrane has, however, terminated the agreement with Logica, as Thrane & Thrane intends to develop the RAN interfaces to various telecommunications networks such as UMTS in-house.

The company believes that by assuming this task itself, it reduces the overall risk in relation to the RAN project while also slightly increasing the number of staff committed to RAN development.

Furthermore, it will help Thrane & Thrane build additional UMTS competences. At April 30, 2002, some 45 Thrane & Thrane employees were working on this project.

## **Other matters**

### *Negotiations with Nera*

In August 2001, Thrane & Thrane announced that the company had begun negotiations with Nera of Norway to acquire Nera SatCom and invest in Broadband. The Board of Directors of Thrane & Thrane decided, however, in early December 2001 that the company did not wish to go through with the acquisition of Nera SatCom and the investment in Broadband. Thrane & Thrane's total costs in connection with the planned transaction were DKK 6.0 million, which was charged as extraordinary expenses.

### *Cancellation of airplane contract*

Thrane & Thrane finds that its needs for having an airplane available in connection with the development and production of aeronautical products are adequately covered by the company's existing airplane. In late January 2002, Thrane & Thrane and Beechcraft Scandinavia A/S therefore agreed to cancel a contract previously signed for the purchase of a Raytheon aircraft. The planned net investment was USD 2.1 million.

### *Trade debtor*

A major customer of Thrane & Thrane has for some time experienced liquidity problems, and on October 24, 2001, the company therefore made an agreement with this customer for repayment of the outstanding amount. The agreement provides for repayment over the next two years up to November 20, 2003. The customer has performed so far, and the outstanding amount was USD 1.7 million at April 30, 2002.

## **Employees, management and organisation**

As a natural consequence of the large number of new employees, Thrane & Thrane strengthened its management by appointing managers in charge of terminal development, systems, supply chain and sales & marketing. The company also strengthened its terminal development by appointing a technology executive, who is charged with ensuring that the company has the required technologies at all times. The executive also participates in preliminary product design and project follow-up.

At April 30, 2002, Thrane & Thrane had a total of 322 employees, 62 more than the previous year. Of these, 180 employees were engaged in development work compared with 120 at April 30, 2001. The new employees were primarily recruited during the latter half of the year as a consequence of the RAN and BGAN contracts.

## **Changes to the Board of Directors of Thrane & Thrane**

In May 2001, Per Thrane, one of the founders of Thrane & Thrane, announced his resignation from the company's Board of Directors. At the extraordinary general meeting of Thrane & Thrane held on December 19, 2001, the shareholders elected Walther Thygesen, Vice President of Compaq Computer Northern Europe and Managing Director of Compaq Computer ApS Denmark, new member of the company's Board of Directors.

## Warrant programme

Thrane & Thrane has established a warrant programme, under which members of the Board of Directors, management employees and key employees may be granted warrants free of charge, giving the holder a right, but not an obligation, to subscribe for shares in Thrane & Thrane.

Pursuant to an authority contained in article 3.A.4 of the company's Articles of Association, the Board of Directors of Thrane & Thrane issued another 30,750 warrants to management employees and key employees in 2001/02, entitling such employees to subscribe for shares in Thrane & Thrane with a nominal value of up to DKK 615,000. Furthermore, the shareholders at the extraordinary general meeting held in December 2001 passed a resolution to grant 45,000 warrants to the Board of Directors, entitling Board members to subscribe for shares in Thrane & Thrane with a nominal value of up to DKK 900,000. The company's articles of association were changed accordingly.

### *Warrants granted:*

Date granted	Number of grantees	Number of warrants	Exercise price (DKK)	Exercise period	Value when issued* (DKK million)	Value at April 30, 2002* (DKK million)
Feb. 01	4	240,000	120.0-145.2	Feb. 02 - Feb. 08	13.3	7.9
May 01	39	107,500	120.0-145.2	May 02 - May 08	4.5	3.7
Dec. 01	9	30,750	120.0-145.2	Dec. 02 - Dec. 08	1.1	1.1
Dec. 01	5	45,000	** 91.0-110.0	Dec. 02 - Dec. 08	1.9	1.9

\* Calculated according to the Black-Scholes option pricing formula. The standard deviation has been set at 39%, the term is the period until expiry, and no adjustment has been made for dividends. The risk-free rate of interest at April 30, 2002 has been set at 5%. As Thrane & Thrane shares were listed in 2001, no standard deviation can be calculated for calculating the value of the warrants at the time of issue. Consequently, the standard deviation used is identical for both calculations.

\*\* The price is fixed once a year based on the price of the company's shares five days after announcement of the company's annual results. The calculation includes the price plus 10% annual growth.

The value does not include any dilution of the share price caused by exercise of warrants.

## 2001/02 performance relative to expectations

### *Financial expectations*

In the annual report 2000/01, Thrane & Thrane expected turnover of DKK 500 million and a profit on ordinary activities before tax of DKK 60 million. In connection with the RAN contract in August 2001, Thrane & Thrane revised its expectations to turnover of DKK 570 million and an unchanged operating profit of DKK 60 million based on expected large third-party supplies.

Prior to releasing the interim report for the six months ended October 31, 2001, Thrane & Thrane found that the markets for terminals were stagnant. Thrane & Thrane consequently believed it would not be able to recover the period's shortfall in sales and earnings during the second half of the year. At the time, the company estimated Thrane & Thrane to generate turnover in the range of DKK 510-520 million and an operating profit of DKK 25-30 million.

In connection with the BGAN terminal contract, Thrane & Thrane revised its turnover expectations to DKK 520-530 million while reiterating the expectations operating profit of DKK 25-30 million since the expected higher turnover would be offset by corresponding costs.

The turnover generated by Thrane & Thrane was thus slightly below the most recent expectations. Operating profit at DKK 31.0 million was slightly above the most recent expectations.

#### *Commercial expectations*

In the annual report 2000/01, Thrane & Thrane announced that it expected the company's new tracking terminal to be completed in the fourth quarter of 2001 and the new maritime high-speed terminal to be completed in the first quarter of 2002. The company also announced that it expected to initiate development activities related to Inmarsat's new satellite system, BGAN.

Thrane & Thrane met all commercial expectations by launching the mini-C terminal and the Fleet77 in October 2001 and March 2002, respectively. Thrane & Thrane also initiated major development activities in connection with the BGAN following the contracts with Inmarsat relating to the RAN and the BGAN terminal.

#### **Events after the balance sheet date**

No events have occurred since April 30, 2002 which affect the financial statements for the financial year ended April 30, 2002.

#### **Proposed resolutions for the annual general meeting**

The company's Board of Directors intends to recommend to the annual general meeting to be held on August 27, 2002 that a dividend of DKK 4 per share (DKK 4), equivalent to DKK 18.3 million (DKK 18.3 million), be paid of the profit for the year and that DKK 0.4 million reserves be used.

#### **Transition to presentation of financial statements under the new Danish Financial Statements Act with effect for the financial year ending April 30, 2003**

A new act on presentation of financial statements was passed in May 2001. The new Danish Financial Statements Act takes effect for financial years beginning on or after January 1, 2002. Consequently, Thrane & Thrane will change its accounting policies with effect for the financial year ending April 30, 2003, and future financial statements presented by the company will comply with the new Danish Financial Statements Act.

The major changes for Thrane & Thrane are that costs of developing future products will no longer be charged to the profit and loss account, but capitalised in the balance sheet under intangible fixed assets and amortised through the profit and loss account as and when the completed products start generating turnover for Thrane & Thrane. Development subsidies will also be capitalised in the balance sheet.

Furthermore, Thrane & Thrane will add production overheads when valuing stocks. Finally, provisions for dividends will be included in shareholders' equity.

The table below shows selected five-year financial highlights presented in accordance with the requirements of the new Danish Financial Statements Act.

*Selected five-year financial highlights under new accounting policies:*

(DKK '000)	As of and for the year ended April 30				2002
	1998	1999	2000	2001	
Net turnover	428,856	395,771	452,930	492,995	<b>476,762</b>
Gross profit	125,001	100,215	137,897	142,512	<b>115,690</b>
Operating profit	70,173	43,605	78,589	80,655	<b>42,479</b>
Profit for the year	50,233	41,325	53,398	50,123	<b>25,906</b>
Capitalised development costs for the year	15,056	24,522	29,650	41,373	<b>62,241</b>
Development subsidies for the year	0	0	0	0	<b>(15,687)</b>
Amortisation of development costs for the year	(4,357)	(9,906)	(5,549)	(20,160)	<b>(21,262)</b>
Capitalised development costs at April 30	39,764	54,380	78,481	99,694	<b>124,986</b>
Share capital at April 30	2,400	80,399	80,931	91,570	<b>91,570</b>
Shareholders' equity at April 30	183,672	185,260	223,327	289,009	<b>296,481</b>
Total assets	274,157	266,760	347,580	427,601	<b>469,790</b>
<i>Organic turnover growth</i>	56.5%	(7.7%)	14.4%	8.8%	<b>(3.3%)</b>
<i>Operating margin</i>	16.4%	11.0%	17.4%	16.4%	<b>8.9%</b>
<i>Return on capital employed</i>	48.0%	20.0%	38.0%	31.0%	<b>13.0%</b>
Equity ratio	67.0%	69.4%	63.8%	67.6%	<b>65.8%</b>
Equity per share	1.531	46	55	63	<b>65</b>

**Financial targets**

In consequence of the transition to comply with the requirements of the new Danish Financial Statements Act, Thrane & Thrane has defined the following financial targets:

- Thrane & Thrane aims to achieve double-digit organic growth in turnover every financial year
- Thrane & Thrane aims to achieve an operating margin of around 12-15% within mobile satellite communication
- Thrane & Thrane aims to generate a return on capital employed of at least 20% made up as the company's profit before financial items relative to assets at the beginning of the year less non-interest bearing liabilities

**Outlook for the financial year ending April 30, 2003 under new accounting policies**

For the full year 2002/03, the company expects to generate turnover in the range of DKK 620-640 million (DKK 477 million), an increase of 30-35% relative to 2001/02. The expectations include an amount of approximately DKK 57 million (DKK 70 million) based on supplies from third parties in connection with the RAN contract. Thrane & Thrane expects an operating margin of around 12-14%, corresponding to an operating profit of DKK 75-85 million (DKK 42 million), and equivalent to a 70-90% increase in operating profit relative to 2001/02.

In the financial year ended April 30, 2002, Thrane & Thrane's turnover and results were impacted by the global economic recession. Despite this, the year also saw Thrane & Thrane entering into very important strategic contracts with Inmarsat and Honeywell/Thales. Thrane & Thrane launched two significant new products: the mini-C tracking product and the maritime Fleet77 terminal. Combined, these contracts and products launches provide a solid foundation for growth in Thrane & Thrane in 2002/03. The company therefore expects the financial year 2002/03 to strongly reflect these very important events in turnover, profit and activities.

Based on the RAN project, the launch of the Fleet77 and improved market conditions for the aeronautical products, Thrane & Thrane expects higher turnover in the systems segment, the maritime segment and the aeronautical segment. Sales of land mobile terminals are expected to be on a level with those of 2001/02.

The company expects higher sales of tracking equipment due to the launch of the mini-C and Thrane & Thrane's focus on the North and South American markets. On the other hand, the company expects sales of portable terminals to decrease relative to 2001/02, which was positively affected by considerations of security policy following the September 11, 2001 terrorist attacks against the USA. Overall, the company expects turnover of land mobile products to be unchanged for the financial year ending April 30, 2003.

This also implies that Thrane & Thrane expects to achieve its financial targets of double-digit percentage organic growth and an operating margin of around 12-15% for the coming financial year.

In 2002/03, the company intends to focus its development resources on developing RAN, a BGAN terminal, an aeronautical high-speed unit integrating with Honeywell/Thales' aeronautical Aero-H/H<sup>+</sup> communication system, and Thrane & Thrane's own aeronautical high-speed system. The investment in terminal development is expected to rise from DKK 62.2 million in 2001/02 to DKK 75-80 million in 2002/03.

Thrane & Thrane expects to achieve its target of generating a return on capital employed of at least 20% in the financial year ending April 30, 2003.

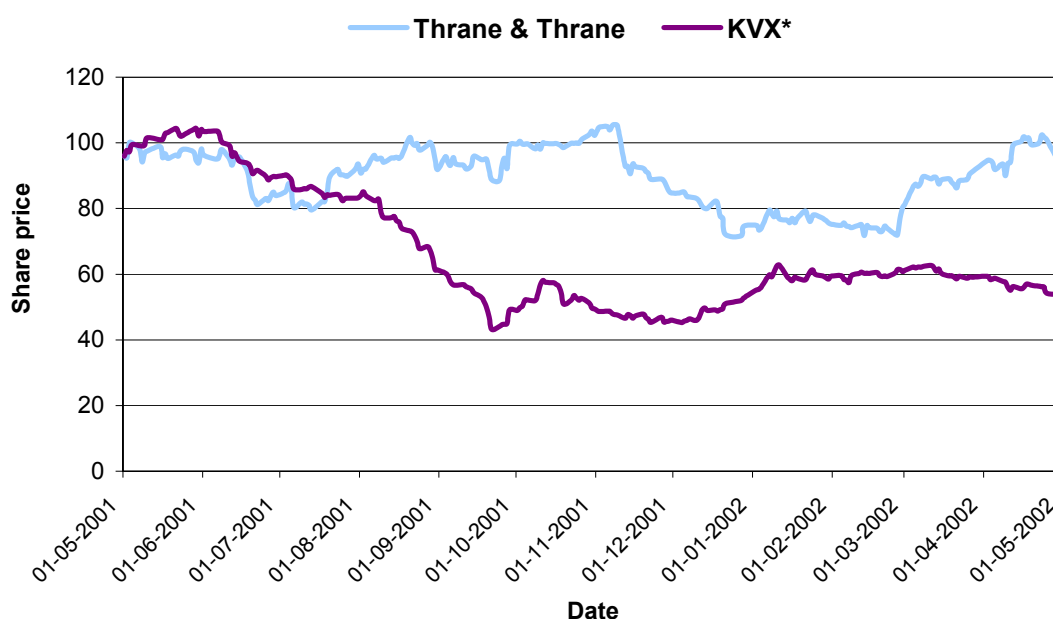
Given Thrane & Thrane's financial resources and the low valuation of technology stocks, Thrane & Thrane intends to actively search the market for acquisition candidates in order to expand the company's technology and market platforms and enable it to meet the objective of creating shareholder value. Thrane & Thrane also intends to investigate the potential for using the company's technologies and competences within other related business areas.

## Shareholder information

Thrane & Thrane's share capital totals DKK 91,569,680 nominal value and is divided into 4,578,484 shares of DKK 20 each. The company's shares are listed on the Copenhagen Stock Exchange, and no shares confer any special rights upon any shareholder. Thrane & Thrane shares are included in the K VX index, the Copenhagen Stock Exchange growth index comprising 13 technology and biotech companies.

The price fluctuated between DKK 70 and DKK 107 per Thrane & Thrane share over the 2001/02 financial year. Since the end of February 2002, when the share price bottomed out, until April 30, 2002, the price increased by more than 37%. The performance of the Thrane & Thrane share price has been stable and positive relative to the K VX index.

*Thrane & Thrane share price performance 2001/02*



\* Relative to Thrane & Thrane.

A total of about 1.7 million shares were traded over the year, equivalent to a market value of DKK 154 million. The average monthly trading volume was around 143,000 shares. As only 2,214,623 shares were in free circulation for most of the year (the 10 first out of 12 months), this is equivalent to the shares in circulation being traded .75 times during the financial year. Although the share is considered to have sufficient liquidity, the company aims to increase longer-term share liquidity. The remaining 2,363,861 shares were subject to a 12-month lock-up period for Lars Thrane and Per Thrane. This period has now expired.

Following the IPO in March 2001, Thrane & Thrane had around 1,500 shareholders. The total number of shareholders remained almost unchanged throughout 2001/02. Around 86% of the

shares in Thrane & Thrane are registered in the name of the holder. Between them, the 50 largest institutional and private investors hold some 80% of the share capital, and the ten largest institutional and private investors hold more than 76%. Members of the Board of Directors, the Management Board and employees hold a total of some 34% of the share capital.

Over the past three years, Thrane & Thrane has issued employee shares corresponding to 1.7% of the share capital, and the Board of Directors is authorised to issue shares for another DKK 2,361,800 nominal value.

Two shareholders hold more than 5% of the shares in Thrane & Thrane: the founders of Thrane & Thrane, Lars Thrane and Per Thrane, hold 31.9% and 19.8%, respectively, of the company's shares.

*Thrane & Thrane shareholders:*

	<i>At April 30, 2002</i>		
	<i>Number of shares</i>	<i>Ownership interest</i>	<i>Number of warrants</i>
Large shareholders (>5%)			
Lars Thrane*	1,458,954	31.87%	90,000
Per Thrane	904,907	19.76%	-
Board of Directors			
Waldemar Schmidt	16,250	0.35%	30,000
Walter Thygesen	3,000	0.07%	9,000
Morten Eldrup-Jørgensen	2,000	0.04%	9,000
Michael Cederström	1,624	0.03%	10,500
Peter Madsen	537	0.01%	12,000
Helle Christoffersen	441	0.01%	9,000
Management Board			
Henrik Lunde	1,100	0.02%	60,000
Svend Å.L. Jensen	2,187	0.05%	60,000
Employees	74,753	1.60%	133,500
Total	2,470,630	53.99%	423,000

\* Member of both the Board of Directors and the Management Board.

*Warrants:*

<i>Number of warrants granted at April 30, 2002</i>	<i>Number of warrants vested at</i>	<i>Exercise period</i>	<i>Exercise price per share of DKK 20 nominal value</i>
Management Board 210,000	Feb. 2002: 70,000	Feb. 2002 – Feb. 2006	DKK 120.0
	Feb. 2003: 70,000	Feb. 2003 – Feb. 2007	DKK 132.0
	Feb. 2004: 70,000	Feb. 2004 – Feb. 2008	DKK 145.2
Chairman of the Board of Directors 30,000	Feb. 2002: 10,000	Feb. 2002 – Feb. 2006	DKK 120.0
	Feb. 2003: 10,000	Feb. 2003 – Feb. 2007	DKK 132.0
	Feb. 2004: 10,000	Feb. 2004 – Feb. 2008	DKK 145.2
Other Board members 45,000	Vesting at the rate of 1/36 per month from Dec. 2001	Dec. 2002 – Dec. 2008	approx. DKK 100*
Employees 138,000	May 2002: 35,750	May 2002 – May 2006	DKK 120.0
	May 2003: 35,750	May 2003 – May 2007	DKK 132.0
	May 2004: 35,750	May 2004 – May 2008	DKK 145.2
	Dec. 2002: 10,250	Dec. 2002 – Dec. 2006	DKK 120.0
	Dec. 2003: 10,250	Dec. 2003 – Dec. 2007	DKK 132.0
	Dec. 2004: 10,250	Dec. 2004 – Dec. 2008	DKK 145.2

\* The exercise price is fixed once a year after announcement of the annual results.

**Dividend policy**

Thrane & Thrane aims to pay a dividend to shareholders of 30% of the profit for the year, taking into consideration the company's future capital requirement.

**Investor Relations**

Thrane & Thrane aims to be one of the leading Danish listed companies in terms of Investor Relations. The company releases frequent information on such matters as developments in its activities, new contracts and product launches and holds a number of meetings with investors and analysts each year. Presentations in connection with such meetings are posted on Thrane & Thrane's website immediately after the meetings. The website also contains a wide range of other relevant information. The company intends to enhance its Investor Relations activities on an ongoing basis, including by using state-of-the art technology to reach an even broader audience and meet the information requirements of different target groups.

Thrane & Thrane's contact to the stock market is governed by an Investor Relations policy which provides, *inter alia*, for open and accurate information to be given. Thrane & Thrane also has rules for disclosure of inside information and for trading in the company's shares, applicable to all employees, the Management Board and the Board of Directors.

*Investor Relations contact person*

John Alexandersen, Investor Relations Manager  
Tel.: +45 39 55 88 35  
Email: ja@tt.dk

### Equity analysts

Thrane & Thrane shares are covered by the following analysts:

- **Carnegie Bank**

Jepp Hoff Nielsen  
Overgaden neden Vandet 9B  
DK-1414 Copenhagen K  
Tel.: +45 32 88 03 53

- **Danske Securities**

Klaus Kehl  
Meldahlsvej 5  
DK-1613 Copenhagen V  
Tel.: +45 33 64 92 34

### Releases to the Copenhagen Stock Exchange

May 17, 2001            01

Change in Thrane & Thrane's Board of Directors

June 7, 2001            02

Publication of financial results for 2000/2001

June 18, 2001           03

Annual Accounts 2000/2001 Thrane & Thrane A/S

June 27, 2001           04

Thrane & Thrane receives authorisation from Inmarsat to proceed on RAN development

August 6, 2001           05

Thrane & Thrane awarded DKK 360 million RAN project

August 10, 2001        06

Notice of annual general meeting of Thrane & Thrane A/S

August 20, 2001        07

Thrane & Thrane A/S combines with Nera ASA's satellite activities to create world leader

August 21, 2001        08

Annual general meeting of Thrane & Thrane A/S

October 4, 2001        09

New timetable for integration of Thrane & Thrane A/S and Nera ASA satellite activities

November 12, 2001     10

Due diligence completed for the integration of Thrane & Thrane A/S and Nera ASA satellite activities and revised forecast for the current financial year

November 21, 2001	11	Interim report for the six months ended October 31, 2001 - Thrane & Thrane A/S
December 2, 2001	12	Discontinuance of planned transaction between Thrane & Thrane A/S and Nera ASA
December 11, 2001	13	Notice of extraordinary general meeting of Thrane & Thrane A/S
December 20, 2001	14	Extraordinary general meeting of Thrane & Thrane A/S
January 7, 2002	15	Thrane & Thrane receives authorisation from Inmarsat to proceed on BGAN user terminal development
February 15, 2002	16	Thrane & Thrane A/S financial calendar
February 21, 2002	17	Thrane & Thrane enters DKK 125 million agreement with Inmarsat on BGAN user terminals
February 26, 2002	18	Thrane & Thrane enters into a contract with Honeywell and Thales
February 27, 2002	19	Interim report for the nine months ended January 31, 2002 - Thrane & Thrane A/S
March 4, 2002	20	Thrane & Thrane introduces new maritime high-speed terminal
April 18, 2002	21	Thrane & Thrane to demonstrate future technology

**Financial calendar**

Profit announcement for the year ended April 30, 2002	June 26, 2002
Annual general meeting	August 27, 2002
Interim report for the three months to July 31, 2002	August 27, 2002
Interim report for the six months to October 31, 2002	November 25, 2002
Interim report for the nine months to January 31, 2003	February 26, 2003
Profit announcement for the year ended April 30, 2003	June 19, 2003

## Corporate governance

A committee established by the Danish Ministry of Trade and Industry, named the Nørby Committee, published a number of recommendations for good corporate governance in late November 2001. The Copenhagen Stock Exchange announced its support of the Committee's recommendations immediately afterwards.

The Board of Directors of Thrane & Thrane takes a positive view of the Nørby Committee's recommendations. Thrane & Thrane already complies with most recommendations. Thrane & Thrane's practice does, however, deviate from the recommendations in a few respects. The main principles of corporate governance for Thrane & Thrane are described below.

The Nørby Committee's recommendations are set out under the seven headings defined as the main areas for recommendations:

1. The role of the shareholders and their interaction with the management of the company
2. The role of stakeholders and their importance to the company
3. Openness and transparency
4. The tasks and responsibilities of the Board of Directors
5. Composition of Board of Directors
6. Remuneration to members of the Board of Directors and members of the Management Board
7. Risk management

### **1. The role of the shareholders and their interaction with the management of the company**

The shareholders in general meeting have the superior decision-making authority in Thrane & Thrane. All shareholders have the right to attend and vote at general meetings if their shares are recorded in the company's register of shareholders by the time the general meeting is convened. All registered shareholders receive notices of general meetings by mail, and the company advertises general meetings in the press.

Thrane & Thrane also regularly communicates with its shareholders. Such information is provided in annual and interim profit announcements and announcements to the Copenhagen Stock Exchange and is also posted on the company's website.

In addition, it is Thrane & Thrane's policy to notify the Copenhagen Stock Exchange promptly and accurately of all material events.

All shareholders are treated equally: they have the same access to information from the company, and all shares carry the same voting rights, without any restrictions or division into share classes.

The Board of Directors has adopted guidelines on trading in the company's shares. These guidelines apply to trading by the company as well as by members of the Board of Directors and management employees. Similarly, the company has rules prohibiting abuse and the passing on of inside information. The Board of Directors, the Management Board and other employees subject to the guidelines are permitted to buy and sell shares in the company only from the day after the release of a profit announcement and the following six weeks, and only if they do not possess inside information.

## 2. The role of stakeholders and their importance to the company

Thrane & Thrane makes an annual customer satisfaction survey to ensure that business relationships are rewarding and to enable the company to retain its customers. The survey is designed to identify the customers' perception of Thrane & Thrane as a business partner. Employee satisfaction is measured regularly to ensure the well-being of the company's employees and to recruit new employees.

## 3. Openness and transparency

Thrane & Thrane's communication policy defines the overall guidelines on how, when and with whom the company communicates. Furthermore, it is firm company policy that all important information is available in both a Danish-language and an English-language version.

Within the boundaries of the Copenhagen Stock Exchange Code of Ethics, Thrane & Thrane endeavours to maintain a high and uniform level of information to shareholders and analysts. Information is provided through releases to the Copenhagen Stock Exchange and the company's annual report. As from the third quarter of the 2001/02 financial year, Thrane & Thrane began issuing quarterly interim reports. Furthermore, management participates in a number of meetings with shareholders and analysts in Denmark and abroad.

Thrane & Thrane also aims to present its financial statements in accordance with the highest legislative provisions and best practice for presentation of annual financial statements .

## 4. The tasks and responsibilities of the Board of Directors

It is the overall task of Thrane & Thrane's Board of Directors

- To ensure that the company has the best possible day-to-day management and organisational structure
- To supervise the financial performance and day-to-day management of the company by the Management Board
- To participate in the general management of the company and in defining the company's strategy
- To ensure that statutory corporate matters are reviewed and approved

The Board of Directors has elected a chairman of the Board. The duties of the chairman and of the other Board members are described in rules of procedure, which the Board of Directors reviews at least once a year and amends as necessary. All resolutions are generally passed by all members of the Board of Directors. Board meetings are held at least six times a year.

The Board of Directors appoints the Management Board, which is responsible for the day-to-day management of the company. The specific allocation of duties between the Board of Directors and the Management Board is defined in the rules of procedure. The Management Board briefs the Board of Directors at meetings and through written and oral communication.

The Board of Directors is given a weekly briefing on turnover and order intake, and receives monthly reports on the company's financial performance. For the quarterly Board meetings in connection with the presentation of the quarterly interim reports, the Board is issued with written

reporting on the past three months including, *inter alia*, strategic opportunities, developments in the external environment, business performance and financial position, and expectations for the full year. In addition, the Chairman is regularly briefed on any special events in the company.

The Board held 12 meetings in the 2001/02 financial year, and at least six meetings are planned for the 2002/03 financial year. At one long annual meeting, the Board of Directors and the Management Board discuss the overall strategy of Thrane & Thrane.

## **5. Composition of Board of Directors**

The company's articles of association provide that the Board shall consist of from three to seven members elected by the shareholders at the general meeting. At present, the Board has four members elected by the shareholders. Furthermore, the Board has three members elected by the company's employees as provided by the Danish Companies Act.

The members elected by the shareholders hold office for terms of one year at a time, while the employee representatives on the Board are elected for terms of four years. There is no time limit on the total period a person may serve on the Board of Directors. A Board member is eligible for re-election until the year in which such member reaches the age of 69.

The Board of Directors is partially independent of special interests since three out of the four members elected by the shareholders have not been employed by the company at any time. The last member is Lars Thrane, one of the two founders of Thrane & Thrane, who holds the position as CEO of the company. The Board of Directors believes it is appropriate for Lars Thrane to be a member of both the Board of Directors and the Management Board to ensure the smoothest possible transition for Thrane & Thrane from a privately owned company to a listed company. In connection with the IPO, three out of four Board members elected by the shareholders were replaced and it was therefore expedient that Lars Thrane should stay on the Board to ensure some continuity. The Board also believes that Lars Thrane's extensive knowledge of the company and its products is important to the Board's work. The Board intends regularly to review the expediency of retaining Lars Thrane both as a member of the Board of Directors and of the Management Board.

Directorships and shareholdings held by the Board members are disclosed in the company's annual report.

Before nominating new Board members, the Board carefully considers the qualifications that can help strengthen the company and its Board of Directors. New Board members are offered a thorough introduction to Thrane & Thrane and the mobile satellite communication industry.

Thrane & Thrane does not use Board committees and systematic assessments of the Board of Directors and the Management Board or the collaboration between these bodies.

## **6. Remuneration to members of the Board of Directors and members of the Management Board**

Members of the Board of Thrane & Thrane receive a fixed annual remuneration for their work as Board members. Thrane & Thrane discloses the total amount of remuneration and emoluments to the Management Board and the Board of Directors, respectively, in its annual report. In addition, the company's Board of Directors, Management Board and certain management employees have

been granted warrants. The proportion of warrants held by the Board of Directors and the Management Board is also disclosed in the annual report.

The warrant programme for the Board of Directors had been planned before the Nørby Committee published its recommendations. The company does not intend to introduce other warrant programmes for the Board of Directors.

## **7. Risk management**

### *Product liability and insurance*

A large part of the products sold by Thrane & Thrane are used under circumstances where they can be a matter of life and death, such as in connection with distress calls and other vital forms of communication. This applies, in particular, to many of the products for the maritime segment and some of the products for the land mobile segment. Although all products are subjected to a functional test, there can be no assurance that the products will function properly under all circumstances. To cover these risks and other product-related risks, the company has an ordinary product liability insurance with insurers Tryg-Baltica A/S

Other policies taken out by Thrane & Thrane include: general liability, property damage, business interruption, travel, employees, directors' and officers' liability and airplanes. Overall, the company believes that the insurance portfolio provides adequate coverage in respect of its present activities.

### *Financial resources*

The company has credit facilities to finance planned operations and investments. Such credit facilities are not sufficient to finance any major acquisitions.

The company's financial resources consisting of unused credit facilities and cash funds amounted to DKK 123 million at April 30, 2002.

"Risk factors" in the annual report describes some of the principal risk factors that may influence Thrane & Thrane's operations.

## Financial review

The accounting policies for the financial year ended April 30, 2002 are unchanged compared with the financial statements for the financial year ended April 30, 2001.

### Profit and loss account

Thrane & Thrane posted a profit of DKK 31.6 million (DKK 58.4 million.) before tax and extraordinary expenses. Extraordinary expenses after tax amounted to DKK 4.2 million against DKK 5.2 million last year.

The profit for the year after tax amounted to DKK 17.9 million against DKK 36.0 million last year.

*Net turnover* at DKK 506.7 million was up 2.8% from DKK 493.0 million last year. DKK 69.7 million of this amount represented settlement of third-party supplier RAN services. Adjusted for this amount, turnover was DKK 436.9 million.

*The cost of sales* in the 2001/02 financial year was DKK 323.5 million, equivalent to 63.8% (60.9%) of turnover compared with DKK 300.1 million in 2000/01. The increase was primarily attributable to the cost of third-party supplier RAN services of DKK 69.7 million, which was recognised without any profit. If both turnover and cost of sales are adjusted for this item, the cost of sales was 58.1% (60.9%). The 2.8% improvement was primarily attributable to lower component prices.

*Development costs* were DKK 78.9 million, equivalent to 15.6% of turnover (DKK 70.5 million and 14.3%), and an increase of 12% over the previous year .

*The gross profit* was DKK 104.2 million, a decline of DKK 18.1 million from last year primarily due to a reduction of DKK 56.0 million in turnover of the company's own products and secondarily to a DKK 8.4 million increase in development costs.

*Distribution costs* totalled DKK 36.0 million, equivalent to 7.1% of turnover (DKK 29.5 million and 6.0%).

*Administrative expenses* amounted to DKK 37.2 million, equivalent to 7.3% of turnover (DKK 32.4 million and 6.5%).

*Profit before financial items (EBIT)* was DKK 31.0 million (DKK 60.8 million), equivalent to an operating margin of 6.1% (12.3%).

*Net financial items* amounted to DKK 0.6 million (net expense of DKK 2.4 million).

*Profit on ordinary activities before tax and extraordinary items* was DKK 31.6 million, which was DKK 26.8 million less than last year (DKK 58.4 million).

*Corporation tax* on the profit from ordinary activities is estimated at DKK 9.6 million (DKK 17.2 million).

*Extraordinary expenses* amounted to DKK 6.0 million, which was incurred in connection with the company's negotiations with Nera of Norway on an acquisition of Nera SatCom and an investment in Broadband. The net amount after tax was DKK 4.2 million.

*The profit for the year* was DKK 17.9 million as compared with DKK 36.0 million in 2000/01.

### Balance sheet

The company's equity ratio was 58.1% at April 30, 2002 against 61.2% at April 30, 2001.

*Fixed assets* fell by DKK 3.9 million and totalled DKK 34.6 million at April 30, 2002. Capital investments in the financial year totalled DKK 6.5 million (DKK 12.6 million), while depreciation and amortisation amounted to DKK 10.3 million (DKK 9.9 million).

*Stocks* at April 30, 2002 amounted to DKK 80.4 million, which was DKK 23.6 million less than at April 30, 2001, when stocks stood at DKK 104.0 million. The reduction was largely attributable to improved logistics management and the fact that stocks were extraordinarily high at April 30, 2001.

*Trade debtors* increased by DKK 7.1 million to DKK 132.6 million, primarily due to a large volume of turnover towards the end of the financial year. Other debtors comprise primarily a long-term trade debt of DKK 14.1 million, DKK 9.2 million of which falls due for payment in the coming financial year. Bad debt provisions were duly made and amounted to DKK 1.2 million at April 30, 2002.

*Cash at bank and in hand* increased by DKK 24.3 million to DKK 70.8 million at April 30, 2002.

*Shareholders' equity* fell by DKK 0.5 million in 2001/02 due to dividend payments of DKK 18.3 million, of which only DKK 17.9 million was covered by the profit for the year. Furthermore, an additional DKK 0.1 million was paid in 2001/02 relating to the IPO in 2000/01.

Movements in shareholders' equity in the financial year ended April 30, 2002:

	DKK '000
<b>At March 31, 2001</b>	<b>200,324</b>
Profit for the year	17,886
Dividend 2001/02	(18,314)
Costs of IPO	(119)
<b>At April 30, 2002</b>	<b>199,777</b>

*Provisions* were exclusively provisions for deferred tax.

*Trade creditors* increased by DKK 21.0 million to DKK 78.4 million at April 30, 2002 from DKK 57.4 million at April 30, 2001.

*Total assets* increased from DKK 327.1 million to DKK 343.6 million at April 30, 2002.

**Cash flows**

Operating activities generated a net cash inflow of DKK 53.6 million (DKK 47.0 million). The improvement was attributable to the operating profit and to a DKK 28.4 million improvement in working capital.

DKK 18.3 million was paid by way of dividend for the year.

The company invested DKK 6.4 million in tangible fixed assets (DKK 9.0 million) and DKK 0.1 million in leasehold improvements (DKK 3.9 million).

The company had no interest-bearing liabilities at April 30, 2002.

## Risk factors

Based on Thrane & Thrane's activities, the risk factors facing the company's operations can be divided into the following four key areas:

- Strategy and commercial matters
- Operational matters
- Financial matters
- Employees

### Strategy and commercial matters

#### *Dependence on Inmarsat and the development of Inmarsat services*

Thrane & Thrane's product portfolio is primarily based on equipment for services offered by Inmarsat and its service providers, and Thrane & Thrane is therefore highly dependent on the continued development of the Inmarsat system. Thrane & Thrane is not currently marketing products for satellite systems other than Inmarsat and has never done so in the past.

Thrane & Thrane is deliberately focusing on Inmarsat since the company believes that Inmarsat is the largest and most important mobile satellite operator by far. Given the forthcoming introduction of the BGAN, Thrane & Thrane expects Inmarsat to consolidate its position as the leading operator. Furthermore, Inmarsat is the only major operator to achieve both commercial and financial success.

Thrane & Thrane would not be able to change its dependence on Inmarsat in the short term. Thrane & Thrane is, however, regularly considering new business opportunities in related areas that might reduce its dependence on Inmarsat.

#### *Dependence on regulatory matters*

The sale of maritime satellite communication equipment depends on a number of factors, including legislative measures (such as GMDSS), which are difficult to predict and which are beyond Thrane & Thrane's control. New or revised requirements, including approval of new products, would require Thrane & Thrane to have the necessary resources to adapt product development and production.

### Operational matters

#### *Customers*

Thrane & Thrane has a large number of customers within its business areas. Historically, however, a relatively small number of customers have accounted for a significant part of the company's sales.

In the aeronautical market, Thrane & Thrane relies heavily on a single customer. Thrane & Thrane has attempted to become less reliant on this customer by signing a contract with Honeywell/Thales on the development and production of an aeronautical high-speed unit integrating with Honeywell/Thales' Aero-H/H<sup>+</sup> aeronautical communication system.

Inmarsat is the primary customer in the system segment. The overall risk in relation to Inmarsat has increased because the RAN project is expected to account for a relatively large proportion of 2002/03 turnover.

Sales to the maritime and land mobile segments are sourced from a relatively large number of customers. However, the BGAN terminal contract with Inmarsat makes Thrane & Thrane dependent on Inmarsat also in the land mobile segment to some extent.

#### *Dependence on Omnipless*

Some of the antennas used in the company's products are developed and manufactured by Omnipless. The company relies, in particular, on Omnipless' ability to supply antennas for certain of the company's products because such antennas are difficult to replace by antennas from other suppliers and, if replaced, would impair the company's competitiveness. Thrane & Thrane is constantly considering whether other antenna suppliers could be used.

#### *Pricing in the markets for Thrane & Thrane's products*

The mobile satellite communication industry is undergoing rapid developments as new satellite communication systems and new technologies hit the market. Competition among equipment suppliers is expected to become fierce in the years ahead. The introduction of new systems and the related investments could, for example, cause satellite operators to use subsidy schemes to make terminals available to customers at a reduced price in order to increase the number of subscribers.

The new systems compete with the Inmarsat system in some respects, and the price of Thrane & Thrane's equipment system could be squeezed should one or more new satellite operators decide to subsidise communication equipment based on their system in order to make it more readily available to customers.

Inmarsat and Inmarsat's service providers might also introduce subsidies if the competition does, but there can be no assurance in this respect. Should equipment for competing satellite communication systems be priced substantially lower than the current price of Thrane & Thrane's equipment, either because of subsidies for competing systems or because of other factors, such as technological improvements, it may have a significant adverse effect on the company's operations.

#### *Ability to develop new business areas*

Thrane & Thrane aims to leverage on its technological know-how in other business areas. The company believes that the technological competences built within mobile satellite communication equipment offer several opportunities for expanding the activities into other, closely related areas.

### **Financial matters**

#### *Dependence on global economic trends*

Most of Thrane & Thrane's sales are generated from exports, and the company's turnover is therefore greatly affected by the international economy. Thrane & Thrane seeks to mitigate the dependence on individual markets by being active in all mobile satellite communication market segments, by offering products designed for segments within each of the four markets, and by cultivating new geographical areas.

*Foreign exchange risk*

Thrane & Thrane's policy is to hedge major commercial foreign exchange exposure on large contracts denominated in foreign currencies, from which the cash flow can be predicted with reasonable certainty. This policy does not apply to contracts denominated in EUR. Hedging is primarily based on foreign currency accounts and financial instruments. Thrane & Thrane does not take speculative currency positions.

At April 30, 2002, the company had USD options in respect of net cash flows from the RAN and BGAN contracts. The net cash flow from the RAN contract has been hedged at a minimum USD/DKK rate of 8.40 and a maximum rate of 9.32. When the contract was signed in August 2001, the company made an interest swap to hedge the interest rate risk when the remaining proceeds are to be hedged in August 2002 on expiry of the option. The net cash flow from the BGAN contract has also been hedged by an option expiring in June 2002 at a minimum USD/DKK rate of 8.45 and a maximum rate of 8.91.

Thrane & Thrane furthermore seeks to have its purchases from all suppliers, both domestic and international, denominated in either EUR or USD in order to minimise its foreign exchange exposure.

Some 60% of the company's sales in 2001/02 was denominated in EUR, which is not hedged under company policy. Some 30% was denominated in USD, about 65% of which has been hedged through options. The company primarily uses the remaining USD to pay foreign suppliers, thus reducing its USD exposure significantly.

*Concentration of ownership*

If acting in concert, the company's founders, Lars Thrane and Per Thrane, would be able to block corporate actions requiring approval by a qualified majority of shareholders pursuant to sections 78 and 79 of the Danish Companies Act, and could consequently exert negative control over the company in such cases. Such persons would, in particular, be able to block resolutions in respect of (i) amendments of the articles of association of the company, including resolutions to increase or reduce the share capital; (ii) the dissolution or demerger of the company; and (iii) the merger of the company with another company. No shareholders' agreement has been made between Lars Thrane and Per Thrane.

**Employees***Ability to attract and retain qualified employees*

The continued development of new and competitive products relies strongly on the company's ability to attract and retain highly qualified employees, especially engineers and technicians. Thrane & Thrane strives to be an attractive place to work by offering competitive salaries, bonus schemes, employee shares, incentive pay, challenging positions in an international environment, personal training and a creative and innovative corporate culture.

## Management's statement on the annual accounts

The Board of Directors and the Management Board today discussed and adopted the annual accounts and annual report for the year ended April 30, 2002 of Thrane & Thrane A/S.

The accounts and the Directors' report are presented in accordance with the Danish Company Accounts Act and the rules imposed by the Copenhagen Stock Exchange on the presentation of accounts by Danish listed companies. We consider the accounting policies to be appropriate to the effect that the annual report gives a true and fair view of the company's assets and liabilities, financial position and results of operations.

We recommend that the annual report and the proposed profit allocation be approved by the shareholders at the annual general meeting.

Lyngby, June 26, 2002

### Management Board

Henrik Lunde  
COO

Lars Thrane  
CEO

Svend Åge Lundgaard Jensen  
CFO

### Board of Directors

Waldemar Schmidt  
Chairman

Walter Thygesen

Lars Thrane

Morten Eldrup-Jørgensen

Michael Cederström

Helle Christoffersen

Peter Madsen

## Auditor's report

We have audited the annual accounts of Thrane & Thrane A/S for the financial year ended April 30, 2002 presented by the Board of Directors and the Management Board.

### Basis of opinion

We planned and conducted our audit in accordance with generally accepted Danish auditing principles to obtain reasonable assurance that the annual accounts are free from material misstatements. Based on an evaluation of materiality and risk we have, during the audit, tested the basis and documentation for the amounts and disclosures in the annual accounts. Our audit included an assessment of the accounting policies applied and estimates made. In addition, we evaluated the overall adequacy of the presentation in the annual accounts.

Our audit did not give rise to any qualifications.

### Opinion

In our opinion the annual accounts have been prepared in accordance with the accounting provisions of Danish legislation and give a true and fair view of the company's assets and liabilities, financial position and profit for the year.

Copenhagen, June 26, 2002

### KPMG C. Jespersen

Arne Nielsen  
State Authorised Public  
Accountant

Finn Steffensen  
State Authorised Public  
Accountant

Erik Stener Jørgensen  
State Authorised Public  
Accountant

### Grant Thornton

Statsautoriseret Revisionsaktieselskab

René Poulsen  
State Authorised Public  
Accountant

## Accounting policies

### General information

The financial statements are prepared in accordance with the Danish Company Accounts Act, existing Danish accounting standards and the Copenhagen Stock Exchange's guidelines for listed companies.

The accounting policies are unchanged as compared with last year.

### Net turnover

Turnover is recognised as invoiced. Work in progress on behalf of third parties is recognised according to the percentage-of-completion method, according to which the value of the production for the year, including a calculated profit, is recognised in the profit and loss account progressively in line with completion. Services from certain third-party suppliers are recognised when invoiced to the company's customers. The degree of completion of projects is calculated as the ratio of the cost of engineer hours etc. spent to date on the development, production and installation of the product relative to the estimated total cost of engineer hours etc. at the completion of the projects.

Expected losses on projects not completed are charged to the profit and loss account.

The recognised gross profit on work in progress on behalf of third parties is disclosed in the notes.

Service and maintenance contracts are accrued and recognised over the term of the contracts.

### Production costs

Production costs comprise cost of sales and costs, including depreciation and salaries, incurred to obtain the net turnover for the year. Costs for current maintenance and improvement of products and costs for the development of new products are charged to the profit and loss account as incurred and are included in the item Production costs.

### Tangible and intangible fixed assets

Tangible fixed assets are valued on a cost basis. Depreciation is charged over the expected useful lives of the assets on a straight-line basis.

Properties on leasehold land are depreciated over the period of the lease, i.e. 20 years.

Airplanes are depreciated over 10 years. For plant and machinery, fixtures and fittings, tools and equipment, the useful lives have been determined at 4-7 years.

Assets with a cost of less than DKK 10,100 per unit are charged to the profit and loss account in the year of acquisition.

Leasehold improvements are amortised over three years.

**Investments**

Investments are valued at cost or the value at the balance sheet date, where this is lower for reasons not considered temporary.

**Stocks**

Raw materials are recorded at purchase price according to the FIFO principle. Semi manufactures and finished goods are recorded at a calculated cost price consisting of costs incurred for materials and wages/salaries. Production overheads and interest are not included in cost.

Slow-moving raw materials etc. are written down to estimated net realisable value.

**Work in progress on behalf of third parties**

Work in progress on behalf of third parties is recorded at the sales value of the production. The sales value is calculated in consideration of costs of completion adjusted for any recorded losses.

Prepayments received on account are deducted from the item Work in progress on behalf of third parties. Payments on account received over and above the performed part of the project are stated separately for each contract and included in the item Payments on account from customers.

**Debtors**

Debtors are recorded at the estimated amounts recoverable.

**Foreign currency**

Assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the profit and loss account.

Short-term monetary items hedged by forward exchange transactions are recorded at the forward exchange rate, and exchange adjustments are recognised in the profit and loss account.

Unrealised exchange adjustments of other forward exchange transactions are not recorded in the balance sheet. Unrealised net gains and losses relative to market value at the balance sheet date are disclosed in a note.

**Securities**

Securities are recorded at the lower of acquisition cost and market capitalisation at the end of the financial year. Realised and unrealised gains and losses are recognised in the profit and loss account.

**Corporation tax**

The company pays corporation tax in accordance with the on-account tax scheme. Additions, deductions and compensations regarding tax payments are included in financial income and expenses when realised.

Estimated tax payable and adjustment of deferred tax are charged to the profit and loss account.

Deferred tax is provided at 30% of the difference between the book value and the tax value of depreciation and writedowns on fixed assets, stocks and debtors.

### **Cash flow statement**

#### *Cash flow from operating activities*

Cash flows from operating activities are calculated as turnover adjusted for non-cash operating items, financial items and corporation tax paid and changes to the working capital. Working capital includes current assets less short-term liabilities, exclusive of the items included in cash and cash equivalents.

#### *Cash flow from investment activities*

Cash flows from investment activities include acquisition and sale of intangible and tangible assets and investments.

#### *Cash flow from financing activities*

Cash flows from financing activities include borrowing, the raising and repayments of mortgage debt and other long-term debt as well as proceeds from capital increases.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash at bank and in hand without deduction of short-term bank loans and overdrafts.

## Profit and loss account

(DKK '000)	Year ended April 30	
	2002	2001
Net turnover	1 506,661	492,995
Development costs	(78,945)	(70,451)
Cost of goods sold	(323,481)	(300,173)
Production costs	2 (402,426)	(370,624)
<b>Gross profit</b>	<b>104,235</b>	<b>122,371</b>
Distribution costs	2 (36,042)	(29,487)
Administrative expenses	2 (37,169)	(32,370)
<b>Operating profit</b>	<b>31,024</b>	<b>60,514</b>
Other operating income	0	289
<b>Profit before financial items (EBIT)</b>	<b>31,024</b>	<b>60,803</b>
Interest receivable etc.	5,573	2,542
Interest payable etc.	(4,999)	(4,988)
<b>Profit on ordinary activities before tax and extraordinary expenses</b>	<b>31,598</b>	<b>58,357</b>
Tax on profit on ordinary activities	3 (9,557)	(17,183)
<b>Profit on ordinary activities</b>	<b>22,041</b>	<b>41,174</b>
Extraordinary expenses	5 (5,936)	(7,358)
Tax on extraordinary expenses	3 1,781	2,207
<b>Extraordinary loss</b>	<b>(4,155)</b>	<b>(5,151)</b>
<b>Profit for the year</b>	<b>17,886</b>	<b>36,023</b>

## Allocation of profit

(DKK '000)	2001/02	2000/01
Profit for the year	17,886	36,023
Retained profit	63,148	45,439
Available for allocation	81,034	71,462
Dividend	(18,314)	(18,314)
<b>Transferred to retained profit</b>	<b>62,720</b>	<b>53,148</b>

**Balance sheet**

(DKK '000)	April 30	
	<u>2002</u>	<u>2001</u>
<b>Assets</b>		
<b>Intangible fixed assets</b>	6	
Leasehold improvements	0	0
Deposits	<u>6,622</u>	<u>6,517</u>
	<b>6,622</b>	<b>6,517</b>
<b>Tangible fixed assets</b>		
	7	
Land and buildings	1,336	1,470
Airplanes	10,085	12,285
Plant and machinery	19,377	19,013
Other plant, tools and equipment	3,317	3,802
Payments on account for airplanes	0	1,320
Plant under construction	<u>510</u>	<u>636</u>
	<b>34,625</b>	<b>38,526</b>
<b>Total fixed assets</b>	<b>41,247</b>	<b>45,043</b>
<b>Stocks</b>		
Raw materials and consumables	35,119	51,048
Work in progress	22,746	43,862
Finished goods and goods for resale	10,375	9,116
Work in progress on behalf of third parties	<u>12,201</u>	<u>0</u>
	<b>80,441</b>	<b>104,026</b>
<b>Debtors</b>		
Trade debtors	132,562	125,508
Other debtors	14,649	2,342
Prepayments and accrued income	<u>3,938</u>	<u>3,687</u>
	<b>151,149</b>	<b>131,537</b>
Securities	3	6
Cash at bank and in hand	<u>70,756</u>	<u>46,462</u>
<b>Total current assets</b>	<b>302,349</b>	<b>282,031</b>
<b>TOTAL ASSETS</b>	<b>343,596</b>	<b>327,074</b>

**Balance sheet – continued**

(DKK '000)	April 30	
	<u>2002</u>	<u>2001</u>
<b>Liabilities and shareholders' equity</b>		
<b>Shareholders' equity</b>	9	
<b>Share capital</b>	<b>91,570</b>	<b>91,570</b>
<b>Premium on new issue</b>	<b>45,487</b>	<b>45,606</b>
<b>Retained profit</b>	<b>62,720</b>	<b>63,148</b>
<b>Total shareholders' equity</b>	<b>199,777</b>	<b>200,324</b>
<b>Provisions</b>		
Deferred tax	4 8,655	879
<b>Total provisions</b>	<b>8,655</b>	<b>879</b>
<b>Liabilities</b>		
<b>Short-term creditors</b>		
Bank loans and overdrafts	0	4,318
Payments on account from customers	1,316	408
Trade creditors	78,357	57,350
Corporation tax	3 0	10,842
Other creditors	29,068	26,443
Dividend for the financial year	18,314	18,314
Accrued expenses and deferred income	8,109	8,196
<b>Total liabilities</b>	<b>135,164</b>	<b>125,871</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>343,596</b>	<b>327,074</b>
Contingent liabilities	12	
Fees to auditors	13	
Related-party transactions	14	
Financial instruments	15	

## Cash flow statement

(DKK '000)	Year ended April 30	
	2002	2001
Turnover	506,661	492,995
Other operating income	0	289
Costs	(471,262)	(429,760)
Net financial income	574	(2,438)
Taxes paid for the year	(10,842)	(14,472)
<b>Profit adjusted for items of a non-cash nature</b>	<b>25,131</b>	<b>46,614</b>
Change in stocks	23,585	(1,288)
Change in debtors	(19,612)	(21,050)
Change in trade creditors etc.	24,454	22,755
<b>Change in working capital</b>	<b>28,427</b>	<b>417</b>
<b>Cash inflow from operating activities</b>	<b>53,558</b>	<b>47,031</b>
Intangible fixed assets	(105)	(3,681)
Tangible fixed assets	(6,410)	(8,955)
Securities	3	0
<b>Cash outflow from investment activities</b>	<b>(6,512)</b>	<b>(12,636)</b>
Bank loans and overdrafts	(4,319)	(17,658)
New issue of employee shares	0	418
Net proceeds on IPO	(119)	55,606
Dividend paid for the financial year	(18,314)	(40,466)
<b>Cash outflow from financing activities</b>	<b>(22,752)</b>	<b>(2,100)</b>
<b>Net cash inflow</b>	<b>24,294</b>	<b>32,295</b>
Cash and cash equivalents at May 1	46,462	14,167
<b>Cash and cash equivalents at April 30</b>	<b>70,756</b>	<b>46,462</b>

**Notes to the accounts**

(DKK '000)	As of and for the year ended April 30	
	<u>2002</u>	<u>2001</u>
<b>Note 1. Net turnover</b>		
Denmark	38,937	54,544
Exports	<u>467,724</u>	<u>438,451</u>
	<b><u>506,661</u></b>	<b><u>492,995</u></b>
<b>Note 2. Staff costs etc.</b>		
Production costs	70,625	70,448
Distribution costs	26,151	14,315
Administrative expenses	<u>19,121</u>	<u>16,200</u>
	<b><u>115,897</u></b>	<b><u>100,963</u></b>
Analysis of staff costs:		
Wages and salaries	112,172	97,536
Pensions	3,216	2,960
Social security costs	<u>509</u>	<u>467</u>
	<b><u>115,897</u></b>	<b><u>100,963</u></b>
Remuneration to the Management Board	5,267	4,587
Emoluments to the Board of Directors	778	700
Average number of employees	284	252
Number of employees at April 30	322	260
<b>Note 3. Corporation tax</b>		
Estimated corporation tax payable for the financial year	0	20,842
Prior-year adjustment	0	345
Deferred tax for the year	<u>7,776</u>	<u>(6,211)</u>
	<b><u>7,776</u></b>	<b><u>14,976</u></b>
Analysis of deferred tax for the year:		
Tax on profit from ordinary activities	9,557	17,183
Tax on extraordinary expenses	<u>(1,781)</u>	<u>(2,207)</u>
	<b><u>7,776</u></b>	<b><u>14,976</u></b>
<b>Corporation tax payable:</b>		
Corporation tax payable at May 1	10,842	4,127
Prior-year adjustment	0	345
Paid in the financial year in respect of prior years	<u>(10,842)</u>	<u>(4,472)</u>
	<b><u>0</u></b>	<b><u>0</u></b>
Estimated corporation tax payable for the financial year	0	20,842
Tax paid on account for the current financial year	<u>0</u>	<u>(10,000)</u>
	<b><u>0</u></b>	<b><u>10,842</u></b>
<b>Corporation tax payable at April 30</b>	<b><u>0</u></b>	<b><u>10,842</u></b>

Notes to the accounts - continued

(DKK '000)	As of and for the year ended April 30	
	2002	2001
<b>Analysis of tax rate:</b>		
Profit before tax and extraordinary expenses	31,598	58,357
Extraordinary expenses	(5,936)	(7,358)
Profit before tax	25,662	50,999
Estimated tax at Danish tax rate	7,699	15,300
	30%	30%
Tax effect of:		
Non-taxable income/non-tax deductible costs	77	(226)
	0,3%	(0,4%)
Tax in respect of prior years	0	345
	0%	0,7%
Adjustment of deferred tax to 32%	0	(443)
	0%	(0,9%)
<b>Effective tax for the year</b>	<b>7,776</b>	<b>14,976</b>
	<b>30,3%</b>	<b>29,4%</b>
<b>Note 4. Deferred tax</b>		
At May 1	879	7,090
Change	7,776	(6,211)
<b>At April 30</b>	<b>8,655</b>	<b>879</b>
Deferred tax by principal item:		
Current assets	5,878	(2,857)
Fixed assets	2,987	3,736
Tax loss	(210)	0
	<b>8,655</b>	<b>879</b>
<b>Note 5. Extraordinary expenses</b>		
Costs of Nera transaction	5,936	0
Relocation costs	0	7,358
	<b>5,936</b>	<b>7,358</b>
<b>Note 6. Intangible fixed assets</b>		
<b>Leasehold improvements:</b>		
Cost at May 1	0	3,664
Additions	0	0
Disposals	0	(3,664)
<b>Cost at April 30</b>	<b>0</b>	<b>0</b>
Amortisation at May 1	0	(3,514)
Amortisation for the year	0	(150)
Disposals	0	3,664
<b>Amortisation at April 30</b>	<b>0</b>	<b>0</b>
<b>Book value at April 30</b>	<b>0</b>	<b>0</b>

**Notes to the accounts - continued**

(DKK '000)	As of and for the year ended April 30	
	<u>2002</u>	<u>2001</u>
<b>Deposits:</b>		
Cost at May 1	6,517	2,836
Additions	105	6,366
Disposals	0	(2,685)
<b>Cost at April 30</b>	<b><u>6,622</u></b>	<b><u>6,517</u></b>
<b>Book value at April 30</b>	<b><u>6,622</u></b>	<b><u>6,517</u></b>
<b>Note 7. Tangible fixed assets</b>		
<b>Land and buildings:</b>		
Cost at May 1	2,674	2,674
<b>Cost at April 30</b>	<b><u>2,674</u></b>	<b><u>2,674</u></b>
Depreciation at May 1	(1,204)	(1,070)
Depreciation for the year	(134)	(134)
<b>Depreciation at April 30</b>	<b><u>(1,338)</u></b>	<b><u>(1,204)</u></b>
<b>Book value at April 30</b>	<b><u>1,336</u></b>	<b><u>1,470</u></b>
Official valuation of buildings at January 1	1,500	1,350
<b>Airplanes:</b>		
Cost at May 1	23,835	23,835
<b>Cost at April 30</b>	<b><u>23,835</u></b>	<b><u>23,835</u></b>
Depreciation at May 1	(11,550)	(9,336)
Depreciation for the year	(2,200)	(2,214)
<b>Depreciation at April 30</b>	<b><u>(13,750)</u></b>	<b><u>(11,550)</u></b>
<b>Book value at April 30</b>	<b><u>10,085</u></b>	<b><u>12,285</u></b>
<b>Plant and machinery:</b>		
Cost at May 1	55,100	47,590
Additions	7,464	7,521
Disposals	0	(11)
<b>Cost at April 30</b>	<b><u>62,564</u></b>	<b><u>55,100</u></b>
Depreciation at May 1	(36,087)	(29,700)
Depreciation on disposals	0	4
Depreciation for the year	(7,100)	(6,391)
<b>Depreciation at April 30</b>	<b><u>(43,187)</u></b>	<b><u>(36,087)</u></b>
<b>Book value at April 30</b>	<b><u>19,377</u></b>	<b><u>19,013</u></b>

Notes to the accounts - continued

(DKK '000)	As of and for the year ended April 30	
	2002	2001
<b>Other plant, tools and equipment:</b>		
Cost at May 1	15,967	16,160
Additions	392	1,370
Disposals	0	(1,563)
<b>Cost at April 30</b>	<b>16,359</b>	<b>15,967</b>
Depreciation at May 1	(12,165)	(12,127)
Depreciation on disposals	0	1,152
Depreciation for the year	(877)	(1,190)
<b>Depreciation at April 30</b>	<b>(13,042)</b>	<b>(12,165)</b>
<b>Book value at April 30</b>	<b>3,317</b>	<b>3,802</b>
<b>Payments on account for airplanes:</b>		
Cost at May 1	1,320	1,320
Disposals	(1,320)	0
<b>Cost at April 30</b>	<b>0</b>	<b>1,320</b>
<b>Depreciation at April 30</b>	<b>0</b>	<b>0</b>
<b>Book value at April 30</b>	<b>0</b>	<b>1,320</b>
<b>Plant under construction:</b>		
Cost at May 1	636	155
Additions	334	972
Disposals	(460)	(491)
<b>Cost at April 30</b>	<b>510</b>	<b>636</b>
<b>Depreciation at April 30</b>	<b>0</b>	<b>0</b>
<b>Book value at April 30</b>	<b>510</b>	<b>636</b>
Amortisation/depreciation is included in the following items:		
Production costs	5,072	4,330
Distribution costs	774	517
Administrative expenses	4,465	5,082
	<b>10,311</b>	<b>9,929</b>
<b>Note 8. Work in progress on behalf of third parties</b>		
Work in progress on behalf of third parties	89,242	0
Payments on account	(77,041)	0
<b>Total work in progress on behalf of third parties</b>	<b>12,201</b>	<b>0</b>
Profit recognised on account in respect of work in progress on behalf of third parties	4,372	0

**Notes to the accounts - continued**

(DKK '000)	As of and for the year ended April 30	
	<u>2002</u>	<u>2001</u>
<b>Note 9. Shareholders' equity</b>		
<b>Share capital:</b>		
Share capital at May 1	91,570	80,931
Increase by IPO	0	10,000
Increase by scrip issue	0	221
Increase by new issue of employee shares	0	418
<b>Total share capital</b>	<b><u>91,570</u></b>	<b><u>91,570</u></b>
No shares confer special rights upon their holder		
<b>Premium on issue:</b>		
Premium on issue	45,606	45,606
Costs of IPO	(119)	0
	<b><u>45,487</u></b>	<b><u>45,606</u></b>
<b>Retained profit:</b>		
Retained profit at May 1	63,148	45,661
Transferred to share capital	0	(222)
	<b><u>63,148</u></b>	<b><u>45,439</u></b>
Retained profit for the year	(428)	17,709
<b>Total retained profit</b>	<b><u>62,720</u></b>	<b><u>63,148</u></b>
<b>Shareholders' equity at April 30</b>	<b><u>199,777</u></b>	<b><u>200,324</u></b>
<b>Note 10. Other debtors</b>		
The following amount falls due for payment more than one year after the end of the financial year	4,667	0
<b>Note 11. Securities</b>		
Comprises securities at market value at April 30	3	6
<b>Note 12. Contingent liabilities</b>		
The company has signed a 10-year lease for the head office premises. The lease cannot be terminated before April 1, 2011. The rent for 2002/03 is DKK 13.1 million.		

**Notes to the accounts - continued**

(DKK '000)	As of and for the year ended April 30	
	2002	2001
<b>Note 13. Fees to auditors</b>		
<b>KPMG C. Jespersen</b>		
Statutory audit	250	200
Services on IPO	0	343
Services in prior years	55	0
	<b>305</b>	<b>543</b>
<b>Grant Thornton</b>		
Statutory audit	250	200
Other services	47	0
Services related to Nera transaction	1,310	0
Services on IPO	0	124
Services in prior years	47	0
	<b>1,654</b>	<b>324</b>
<b>Total fees to auditors</b>	<b>1,959</b>	<b>867</b>

**Note 14. Related-party transactions**

The Management Board, the Board of Directors etc. are considered related parties.

The company made no transactions with related parties during the financial year.

**Note 15. Financial instruments**

The company has made a number of financial contracts to hedge interest rate and foreign exchange risks, including currency options and interest swaps hedging the interest rate and foreign exchange risk of the net cash flow from the BGAN terminal contract and the contract relating to production and installation of RAN for Inmarsat's future BGAN satellite system. Unrealised gains and losses on financial contracts are not included in the profit and loss account and the balance sheet. At April 30, 2002, there was an unrealised net loss of DKK 1,888k in respect of the interest swaps and an unrealised net gain of DKK 6,717k in respect of currency options.

## Board of Directors and Management Board

<b>Board of Directors</b>	Number of shares	Number of warrants
<b>Waldemar Schmidt</b> (62), Chairman and member of the Board of Directors since September 2000. Chairman of the boards of directors of Energi E2 A/S, J.C. Hempel's Skibsfarve-Fabrik A/S, Navision A/S, Superfos a/s and Tholstrup Cheese Holding A/S. Member of the boards of directors of F-Group A/S, Group 4 Falck A/S and Ove Arkil A/S.	16,250	30,000
<b>Walther Thygesen</b> (52), member of the Board of Directors since December 2001. Civil engineer. Holds an MBA. Vice President, Compaq Computer, Northern Europe, and Managing Director, Compaq Computer ApS, Denmark. Chairman of the board of directors of Twinsoft Scandinavia ApS. Member of the boards of directors of Compaq Computer ApS and Novozymes A/S.	3,000	9,000
<b>Morten Eldrup-Jørgensen</b> (40), member of the Board of Directors since September 2000. Master of Laws. Holds an MBA. Lawyer and partner of the law firm Nielsen & Nørager. Chairman of the boards of directors of Apogent Holdings A/S, Ashtour Ltd. (UK) and Scibion A/S. Member of the boards of directors of Cultivator A/S, Cultivator Recruiting A/S, Cultivator Coaching A/S and World of Golf AB (Sweden).	2,000	9,000
<b>Lars Thrane</b> (53), Chief Executive Officer. One of the founders Thrane & Thrane. Holds an MSc in electronic engineering and a Ph.d.	1,458,954	90,000
<b>Michael Cederström*</b> (48), member of the Board of Directors since 1990. Production Manager. Qualified electronics engineer.	1,624	10,500
<b>Helle Christoffersen*</b> (37), member of the Board of Directors since April 2000. Financial Accountant. Qualified as an accounting assistant.	441	9,000
<b>Peter Madsen*</b> (40), member of the Board of Directors since 1994. Technology Manager. Holds a BSc in electronic engineering.	537	12,000

\* Employee representative coming up for election in 2002.

<b>Management Board</b>	<u>Number of shares</u>	<u>Number of warrants</u>
<b>Lars Thrane</b> (53), Chief Executive Officer. One of the founders Thrane & Thrane. Holds an MSc in electronic engineering and a Ph.d.	1,458,954	90,000
<b>Svend Åge Lundgaard Jensen</b> (41), Chief Financial Officer. Holds an MSc in accounting and auditing and a diploma in business economics and management accounting.	2,187	60,000
<b>Henrik Lunde</b> (36), Chief Operating Officer. Holds an MSc in mechanical engineering and an MBA.	1,100	60,000

## Glossary of technical terms

**Aero-H/H<sup>+</sup>:** Inmarsat service providing access to worldwide multi-channel voice and low-speed data facilities. Typically used on commercial airlines, large corporate jets and military airplanes. Combined with Thrane & Thrane's new high-speed unit, the service is expected to support ISDN and MPDS communications solutions via Inmarsat's SWIFT 64 service.

**ASIC:** Application Specific Integrated Circuits. Chip designed for specific applications enabling smaller and less costly terminals to be developed and manufactured.

**BGAN:** Broadband Global Area Network, a future Inmarsat network consisting of satellites and land earth stations; permits data speeds up to 432 kbps.

**Bluetooth:** Technology that enables short-range (up to 100 meters) wireless connectivity between, e.g., a PC and a satellite terminal.

**Fleet77:** Inmarsat's new maritime high-speed service is a competitive alternative to the present Inmarsat-B service, which is typically used on large merchant and fishing vessels. Fleet77 offers cost-effective voice and data transmission using 64 kbps ISDN or MPDS protocol and always-on-line capability.

**GAN:** Global Area Network, a global Inmarsat network consisting of satellites and land earth stations; permits data speeds up to 64 kbps.

**GMDSS:** Global Maritime Distress and Safety System, a global communication system enabling vessels in distress to transmit distress signals to nearby coast stations and vessels.

**Inmarsat:** Inmarsat Ltd., UK (International Maritime Satellite Organisation). Inmarsat operates a satellite network for global transmission of all types of global cellular services, including maritime, aeronautical and land-based services.

**Inmarsat-B:** Inmarsat's first digital service. Mainly used for transmission of voice and data at speeds up to 64 kbps.

**Inmarsat-C:** A data-based Inmarsat service mainly used for messaging, positioning and GMDSS.

**Inmarsat mini-M:** Inmarsat service providing mobile communication, including voice, fax and data communication; used in all market segments.

**ISDN:** Integrated Services Digital Network. A public global network able to transmit voice, data and images at rates up to 64 kbps.

**Land earth station:** LES, fixed terrestrial stations transmitting and receiving signals to and from satellites via land-based networks.

**Kbps:** Kilo bits per second.

**M4:** A land mobile voice and data terminal for Inmarsat's GAN service.

Mini-C: A new generation of the Inmarsat-C service. Thrane & Thrane's mini-C terminal is the first product to integrate antenna and terminal in one single unit. The Mini-C targets the land mobile tracking market and the maritime market.

MPDS: Mobile Packet Data Service, an Inmarsat packet service permitting the user stay on-line even if data is not transmitted. The fee charged is based on the volume of data transmitted.

Omnipless: Omnipless Antenna Systems Ltd. (South Africa) develops and manufactures active antennas for a number of Thrane & Thrane terminals.

Packet data: A data transmission method which transmits information as packets, each containing a certain amount of the information to be transmitted and the address of the receiver.

RAN: Radio Access Network, a network station in the BGAN system.

SBS: Satellite Base Station, a network station in MPDS.

UMTS: Universal Mobile Telecommunications System, a future mobile communications system.

## **Company information**

### **The company**

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DK-1553 Copenhagen V

### **Auditors**

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Borups Alle 177  
DK-2000 Frederiksberg

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