

**To the Copenhagen Stock Exchange  
and the press**

**June 18 2001  
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## **Annual Accounts 2000/2001**

**Thrane & Thrane**

Lars Thrane, CEO  
Henrik Lunde, COO

tlf. +45 39 55 88 00  
tlf. +45 39 55 88 00

## Financial highlights and key ratios

(tdkk.)	1996/97	1997/98	1998/99	1999/00	2000/01
<b>Profit and loss account</b>					
Net turnover	273.997	428.856	395.771	452.930	492.995
Gross profit	84.351	114.302	85.599	113.796	122.371
Profit on primary operations	44.312	59.474	28.989	54.488	60.514
Net financial items	2.790	3.676	12.318	(2.164)	(2.446)
Ordinary result before taxation and extraordinary items	48.535	63.569	41.307	52.324	58.357
Ordinary result	32.487	42.377	31.386	35.440	41.174
Extraordinary expenses, relocation	-	-	-	-	(7.358)
Extraordinary result after tax	-	-	-	-	(5.151)
Profit for the year	32.487	42.377	31.386	35.440	36.023
<b>Share capital, end April</b>					
Share capital, end April	2.400	2.400	80.399	80.931	91.570
Shareholder's equity, end April	114.255	116.632	131.282	126.592	200.324
Total liabilities, provisions and equity	210.501	234.393	212.380	269.893	327.074
<b>Development expenses</b>					
Development expenses	24.123	32.235	48.758	57.733	70.451
Average number of employees	133	160	191	226	252
<b>Cash flow from operations</b>					
Cash flow from operations	2.898	12.281	36.522	15.559	47.031
Cash flow from investment activities	(15.490)	16.901	(2.770)	(12.023)	(12.635)
New issue of employee shares	-	-	264	336	418
Proceeds from IPO issue	-	-	-	-	55.606
Net cash flow for the year	(6.806)	7.488	(5.073)	7.936	32.295
<b>Equity ratio</b>					
Equity ratio	54,3%	49,8%	61,8%	46,9%	61,2%
Return on equity	31,4%	36,7%	25,3%	27,5%	22,0%
Return on capital invested (ROCE)	64,3%	50,6%	16,3%	35,9%	34,1%
Earnings pr. share (EPS)*	7,10	9,26	6,97	8,76	8,13
Cash flow from operations pr. share*	0,63	2,68	8,11	3,84	10,58
Dividend paid out pr. share	2,36	8,74	3,78	10,00	4,13
Equity pr. share	952	972	33	31	45

Note: The annual accounts are prepared and audited after the same provisions as last year.

\* The comparable figures for 1996/1997 – 1999/2000 is adjusted to the new capital structure.

## Highlights of the financial year

- May 2000: Thrane & Thrane implements a new product development process.
- June 2000: Thrane & Thrane sets up an RF ASIC development department.
- March 2001: Thrane & Thrane's shares are listed on the Copenhagen Stock Exchange.
- April 2001: Thrane & Thrane moves to a new head office in Lundtofte, close to the Technical University of Denmark.

## Directors' report

The financial year ended April 30, 2001 was characterised by progress and further development of Thrane & Thrane. The company's turnover and earnings met the financial targets defined at the start of the financial year and announced prior to the company's IPO. No doubt, the successful offer and listing of our shares on the Copenhagen Stock Exchange in the spring of 2001 was the year's most important event.

## Turnover, profit and dividend

Thrane & Thrane generated net turnover of DKK 493.0 million in the financial year ended April 30, 2001. Turnover was up 8.8% on the previous financial year (DKK 452.9 million). The growth in turnover was solely attributable to organic growth.

Development costs amounted to DKK 70.5 million, or approximately 14% of net turnover against approximately 13% of net turnover (DKK 57.7 million) in the financial year ended April 30, 2000.

Profit on primary operations was DKK 60.5 million with an operating margin of 12.3%. The corresponding figures were DKK 54.5 million and 12.0% for the financial year ended April 30, 2000.

The company recorded a pre-tax profit on ordinary operations of DKK 58.4 million, reflecting an increase of 11.7% on the previous year's pre-tax profit of DKK 52.3 million.

In April 2001, the company relocated to new headquarters near the Technical University of Denmark. In this connection, the company incurred extraordinary expenses of DKK 7.4 million.

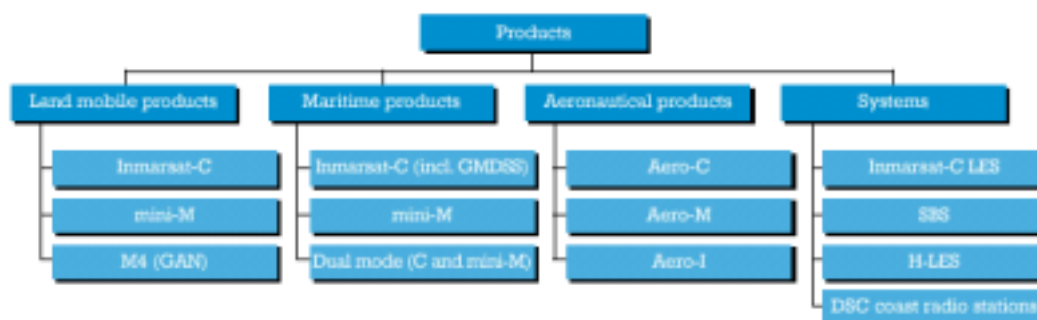
Profit for the year increased by 1.7% to DKK 36.0 million (DKK 35.4 million in the financial year ended April 30, 2000). The directors recommend a dividend for the financial year equivalent to approximately 50% of the profit for the year. This deviation from the company's policy of paying out 30% of the profit for the year is part of our efforts to optimise the company's capital structure.

## Market description

Thrane & Thrane is one of the world's leading suppliers of terminals and land earth stations for maritime, land mobile and aeronautical satellite communication for Inmarsat services. At April 30, 2001, more than 200,000 Inmarsat terminals had been commissioned and were in operation globally, approximately 35% of which had been delivered by Thrane & Thrane.

A summary of Thrane & Thrane's product portfolio is illustrated below. For a further description of Thrane & Thrane's products, please see the glossary definitions at the end of this announcement.

### Thrane & Thrane's product portfolio:



### Thrane & Thrane's turnover by market segments

<i>(mill. DKK)</i>	Fiscal year ended April 30				
	1997	1998	1999	2000	2001
<b>Land mobile</b>	86,0	211,1	116,8	172,3	156,7
<i>In % of total sales</i>	31%	49%	29%	38%	32%
<b>Maritime</b>	80,7	180,1	227,8	162,0	179,6
<i>In % of total sales</i>	30%	42%	58%	36%	36%
<b>Aeronautical</b>	25,6	7,9	9,6	55,7	83,5
<i>In % of total sales</i>	9%	2%	2%	12%	17%
<b>Systems</b>	81,7	29,7	41,6	62,9	73,2
<i>In % of total sales</i>	30%	7%	11%	14%	15%
<b>Total</b>	<b>274,0</b>	<b>428,9</b>	<b>395,8</b>	<b>452,9</b>	<b>493,0</b>

Over the past five years, Thrane & Thrane's turnover has increased by 80% from DKK 274 million in the financial year ended April 30, 1997 to DKK 493 million in the financial year ended April 30, 2001, equivalent to a CAGR of 15.8%. The growth in turnover was solely attributable to organic growth and primarily reflected the company's ability to develop and launch new products.

Thrane & Thrane generated net turnover of DKK 493.0 million in the financial year ended April 30, 2001, equivalent to an increase of 8.8% over the previous year (DKK 452.9 million). The increase was attributable to growth in sales to the maritime, aeronautical and systems segments of 11%, 50% and 16%, respectively. Sales to the land mobile segment, on the other hand, were 9% lower. In the financial year ended April 30, 2000, this segment generated 14.4% turnover growth. Thrane & Thrane did not launch

new products in the financial year ended April 30, 2001, while three new products were launched the previous year.

Systems are sold directly to service providers and to Inmarsat, while Thrane & Thrane's terminals are sold through two channels:

- To distributors under the company's own brands (Thrane & Thrane and Capsat®)
- To OEM customers, which implies that the terminals are supplied with the customer's brand (at present, this only applies to maritime products).

In March 2001, Thrane & Thrane stopped selling its products via the Internet as sales through this channel were disappointing. At April 30, 2001 the company had more than 100 distributors and five OEM customers in more than 60 countries.

The figure below shows the company's turnover by geographical areas.

**Geographic breakdown of turnover for the financial years ended April 30, 2000 and 2001:**

<b>DKK million</b>	<b>1999/2000</b>	<b>Percentage distribution</b>	<b>2000/2001</b>	<b>Percentage distribution</b>
Europe, excl. Nordic countries	186	41%	225	46%
North America	119	26%	115	23%
Nordic countries	89	20%	66	13%
Asia	24	5%	43	9%
South America	7	2%	21	4%
Australia & Oceania	20	4%	13	3%
Others	8	2%	10	2%
<b>Total</b>	<b>453</b>	<b>100%</b>	<b>493</b>	<b>100%</b>

Like the previous year, Europe, North America and the Nordic countries were Thrane & Thrane's principal markets, accounting for 82% of the company's total turnover in the financial year ended April 30, 2001. In the previous financial year, these markets accounted for 87% of turnover.

As a result of the increased focus on the Asian market, which offers attractive growth opportunities, turnover increased to DKK 43 million in the financial year ended April 30, 2001 from DKK 24 million the previous year, equivalent to an increase of 79%. A Thrane & Thrane employee was posted in Singapore for a period of three months. The posting enhanced Thrane & Thrane's insight into the regional market and competition environment and provided inspiration for Thrane & Thrane on ways to increase the company's share of the Asian market.

In addition, Thrane & Thrane has for some time focused on the South American market for tracking and security systems for trucks. In the financial year ended April 30, 2001,

the company was able to gain a real foothold in the market, which holds substantial potential but is also characterised by fierce competition from alternative satellite systems. This contributed to increasing turnover from DKK 7 million to DKK 21 million, equivalent to an increase of 200%.

### ***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. The customers in this segment are mainly shipyards as well as commercial and private ship owners.

Thrane & Thrane generated turnover of DKK 179.6 million in the maritime sector in the financial year ended April 30, 2001, an increase of 11% compared with the previous year (DKK 162.0 million). On product level, sales of Inmarsat-C for GMDSS fell as expected. Sales of Inmarsat-C for GMDSS were high in the financial year ended April 30, 2000 because of the requirement that all vessels of 300 gross registered tonnes or more had to be fitted with GMDSS before February 1, 1999. This deadline was not met and several installations were made subsequently, which had a positive effect in the financial year ended April 30, 2000.

At the same time, sales of Inmarsat-C for surveillance of fishing dropped as EU member states increasingly implemented the surveillance requirements. New requirements are expected to be implemented in new geographical areas and for small vessels, and this will have a positive effect on Thrane & Thrane's turnover. In the financial year ended April 30, 2001, the company took in orders for 760 systems to Italy, for up to 470 systems to Greece over a two-year period, for 103 systems to Portugal and for 68 systems to Madagascar.

Sales of the mini-M increased considerably for several reasons. Ship owners are demanding communication equipment other than that based on GMDSS, while crews need enhanced communication capabilities. Furthermore, Thrane & Thrane enhanced its maritime distribution network and, finally, the liquidation of satellite operator Iridium had a certain impact.

In the financial year ended April 30, 2001, Thrane & Thrane made targeted efforts to strengthen its global network of distributors to reduce the company's dependency on OEM customers and to improve the sales potential for the future high-speed data terminal.

The strengthened distribution of products under the company's own brand combined with the slowdown in sales of Inmarsat-C for GMDSS, which is primarily sold to OEM customers, reduced OEM sales from 48% of maritime sales in the financial year ended April 30, 2000 to approximately 38% in the financial year ended April 30, 2001.

At April 30, 2001, Thrane & Thrane's market shares within the maritime segment were approximately 50% for Inmarsat-C systems and approximately 58% for mini-M systems.

### ***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 corporates and international organisations, private and public organisations such as the UN, international aid organisations, governments, the media and oil, gas and mining companies.

Thrane & Thrane generated turnover of DKK 156.7 million in the land mobile segment, a fall of 9% compared with the previous year (DKK 172.3 million).

The drop in sales was mainly attributable to lower sales of land mobile mini-M products compared with the previous year, primarily because many customers bought the mini-M as a backup system in connection with the millennium change, which had a positive effect on sales. Thrane & Thrane's mini-M terminals are also affected by growing competition from other satellite systems.

Sales of the M4 are increasing, probably because the M4 was only sold for four months of the financial year ended April 30, 2000. M4 order intake and sales generally did not match the company's expectations. However, the company expects that the introduction of Inmarsat's new MPDS service in the Summer 2001 will result in increased sales of M4 terminals. Users of MPDS are charged on the basis of kbps transmitted while the previous charge was based on number of minutes consumed. This provides cost advantages in connection with applications that are not data intensive, such as Internet and LAN connections, and enables users of M4 terminals to be online around the clock, since they only pay for data transmitted.

Thrane & Thrane's sales of Inmarsat-C for land mobile applications increased in the financial year ended April 30, 2001, primarily through increased efforts in the South American market for vehicle tracking and security systems. A specific result was an order for delivery of 4,200 Inmarsat-C terminals to one of the largest players within tracking and security systems in Brazil.

In the spring of 2001, Thrane & Thrane furthermore received type approval of a variety of the Inmarsat-C system for use with the Mexican satellite system Solidaridad. The company has not yet sold any of the systems due to an outstanding approval from the Mexican authorities, but some sales are expected to be generated in the current financial year.

At April 30, 2001, Thrane & Thrane's market shares within the land mobile segment were approximately 51% for Inmarsat-C systems, approximately 41% for mini-M and approximately 48% for M4 systems.

### ***Aeronautical products***

The aeronautical market differs from the land mobile market and the maritime market in a number of ways. The market covers communication equipment for installation in aircraft used for company specific, commercial or military purposes. The equipment is costly; a single installation costing DKK 200,000 and upwards. The high cost of purchasing and installing the equipment limits the number of systems sold, but on the other hand offers attractive profit margins.

Thrane & Thrane generated turnover of DKK 83.5 million in the aeronautical segment, an increase of approximately 50% compared with the previous year (DKK 55.7 million).

A large part of Thrane & Thrane's sales of aeronautical equipment is made through Universal Avionics Systems Corporation, Inc., USA. In November 2000, Thrane & Thrane received a large framework order from Universal Avionics for monthly deliveries of some seven Aero-I and some 18 Aero-M systems over the following 12 months. The US recession has since caused Universal Avionics to reduce the order. The reduction had only a slight effect on turnover in the financial year ended April 30, 2001, but is expected to have a significant, adverse effect on turnover in the financial year ending April 30, 2002.

In the financial year ended April 30, 2001, Thrane & Thrane sold a number of Aero-I core modules to its partner in France, Detexis-Thomson, which primarily sold its Aero-I system to Airbus and Dessault Falcon.

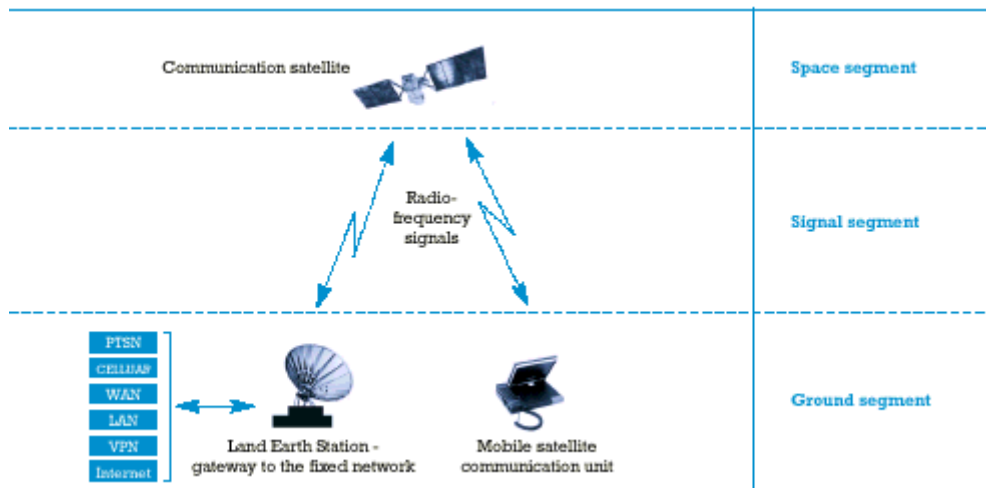
At April 30, 2001, Thrane & Thrane's market shares within the aeronautical segment were approximately 100% for Aero-C equipment, approximately 87% for Aero-M and approximately 43% for Aero-I equipment. These figures exclude Detexis-Thomson's market share for Aero-I.

### ***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 networks on the other hand. In addition to Inmarsat, the products are bought by the about 30 existing service providers, including France Telecom (France), Telenor (Norway) and Stratos (Canada). Nera Satcom of Norway and Thrane & Thrane are the largest suppliers of land earth stations in the

market. Thrane & Thrane develops, manufactures and sells systems products on an order basis.

**Basic structure of a satellite communication system:**



Thrane & Thrane generated turnover of DKK 73.2 million in the systems segment (DKK 62.9 million in the financial year ended April 30, 2000), an increase of 16%.

Thrane & Thrane took orders for and delivered two SBS for Inmarsat in the financial year ended April 30, 2001. Thrane & Thrane has developed the SBS with a view to handling data traffic for Inmarsat’s new MPDS service, which is expected to come into operation in the Summer 2001.

Thrane & Thrane also took orders for and delivered updates of two SBS it had earlier delivered, and delivered two Inmarsat-C land earth stations to Russia and France, respectively.

At April 30, 2001, Thrane & Thrane had market shares within systems of approximately 64% for Inmarsat-C land earth stations and 100% for SBS stations.

**Co-operation with Inmarsat**

***Development of high-speed terminal***

In the spring of 2001, Thrane & Thrane signed an agreement with Inmarsat relating to the development and production of a new terminal for the maritime market, enabling mobile voice and high-speed transmission of data. The agreement represents a total value of up to USD 800,000. In order to receive the full amount, Thrane & Thrane has

undertaken to comply with certain deadlines relating to the development, approval and production of terminals.

Thrane & Thrane has not previously addressed the market for maritime high-speed terminals. The company estimates that the annual value of this market is approximately DKK 250 million. At present, the company expects to be one of the first players to introduce the new product, and it therefore expects to be able to win an attractive market share.

### ***B-GAN***

In 2004 Inmarsat expects to introduce a new satellite system capable of providing voice and data services at transmission rates of up to 432 kbps, almost seven times faster than the maximum transmission rate available today via Inmarsat's GAN service. These higher bandwidth services, named B-GAN, are expected to be attractive to enterprises and businesses when operating in areas outside the coverage area of UMTS services.

Thrane & Thrane expects to be one of the leading suppliers of equipment for the new satellite system, and in March 2001 Thrane & Thrane submitted quotations to Inmarsat for the development, production and installation of the land earth stations for the new system, called RAN. The company has quoted based on two different technologies, one of them involving the MPDS technology developed by the company. The company expects Inmarsat's final position on placement of the RAN order to be made some time during the third quarter of 2001.

## **Service & Quality assurance**

### ***Service centres***

In early 2000, Thrane & Thrane set up five service centres in the USA, Spain, Switzerland, Singapore and Australia in order to provide a better service to the customers by reducing the process time from the terminal is handed in for service until it is returned to the customer. The company also wished to outsource repairs in order to sharpen its focus on product development and in-house production.

Initially, the centres only serviced Thrane & Thrane mini-M products, but in October 2000 the scope was extended to include repairing and servicing the M4. It is expected that Inmarsat-C will be the next product to be included in the work of the service centres. The establishment of the five service centres has reduced the average service time for Thrane & Thrane's products from five weeks to two weeks.

An efficient service organisation is considered an important competitive factor for positioning the company vis-à-vis its competitors, and the new service centres definitely

strengthen the company's position. The company intends to increase the number of service centres in the future.

### **Quality**

Thrane & Thrane is certified to the ISO 9001 standard, which helps ensure the high and consistent quality of the company's products. A new ISO 9001 standard was adopted in late 2000, and Thrane & Thrane has begun preparing for certification to the new ISO 9001 standard, which is expected to take place before the end of 2001.

### **New areas of business**

Thrane & Thrane possesses unique technological know-how, which it can use in new, related business areas. Thrane & Thrane therefore currently looks for new, attractive business areas, possibly outside Inmarsat. During the past financial year, Thrane & Thrane has investigated the possibility of developing products for DVB-RCS, the new standard for two-way high-speed data communication via satellite. The company has not yet decided whether to focus on this business area. A decision is expected to be made during the financial year 2001/2002.

### **Product development**

Product development and design is the backbone of Thrane & Thrane's business and the key to organic growth. Since its incorporation, the company has aimed to be among the leading manufacturers with respect to technological development and design. The success criteria are development time, roll-out time, product features, production and development costs, and production. The company believes that it has a strong development department compared with its peers. In the financial years ended April 30, 2000 and 2001, the company's development costs amounted to 13% and 14% of net turnover, respectively.

To further sharpen the company's develop efforts, a new product development process was implemented in May 2000 in order to enhance compliance with the overall success criteria. The new tools increase the focus on planning and design in order to make implementation more transparent. The process also involved integrated product development so as to provide for a higher degree of involvement of employees from production, logistics and sales. As yet, no development projects have gone through the entire new product development process, but the company believes that the process has had a positive effect on the existing development projects.

The figure shows Thrane & Thrane's new development process:



The main focus of Thrane & Thrane's development efforts is on the Inmarsat satellite system. The aim is to improve or supplement the existing product portfolio with new products as and when new or more advanced services or technologies are introduced to the market.

During the period under review, Thrane & Thrane's product development efforts focused on:

- A high-speed data terminal for the maritime market.
- A high-speed data terminal for the aeronautical market.
- A new, compact surveillance terminal for the land mobile and the maritime markets.
- Software to support Inmarsat's MPDS service.
- Completion of the SBS.
- Further development of the M4 terminal and Aero-I.
- Building of competence within ASIC development.

Thrane & Thrane expects to introduce MPDS for M4 in the Summer 2001; the surveillance terminal for the land mobile and the maritime markets during the fourth quarter of 2001, and the maritime high-speed data terminal during the first quarter of 2002.

### ***RF ASIC development***

In June 2000, Thrane & Thrane set up an RF ASIC development department in order to build competence within ASIC development. ASIC makes it possible to develop smaller and less costly terminals, which is expected to generate competitive advantages in connection with the development, production and sale of terminals for Inmarsat's next satellite system, the B-GAN.

The investment in building ASIC competence was DKK 5.6 million in the financial year ended April 30, 2001 and a similar investment is expected for the financial year ending April 30, 2002.

## Employees and organisation

At April 30, 2001, Thrane & Thrane had a total of 260 employees, 19 more than the previous year. Of these, 120 employees were engaged in development work compared with 94 by the end of the previous financial year.

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

The company also uses untraditional means to enhance its profile, such as sponsoring a Danish mountaineering expedition to Mount Everest in the spring of 2000. This expedition is an example of marketing efforts which positively enhance knowledge of the company and strengthen the view of Thrane & Thrane as an attractive and innovative workplace.

Continued training, especially of the engineers, has a high priority to ensure that the company possesses state-of-the-art technology know-how and the tools necessary to develop new products. Continued training enhances the competences of the individual employees and thus the output of the development department with respect to:

- Technology
- Development time
- Roll-out dates
- Production costs
- Product features
- Design
- Production

In May 2000, a system involving professional teams for development staff was therefore set up. The head of each team is responsible for maintaining and building the team's competences. Furthermore, the head shall help ensure that each employee in the team is offered training on an ongoing basis. The experience gained in the first year of the new professional teams was satisfactory.

During the weekend April 7/8, 2001, Thrane & Thrane moved from its former premises in Søborg near Copenhagen to a new head office in Lundtofte near the Technical University of Denmark. The location close to the Technical University was strategically chosen based on considerations such as to be advantageous for recruiting new employees and the opportunity of a closer collaboration with the Technical University. The new head office is approximately 13,000 m<sup>2</sup>, and the premises will accommodate approximately 315 employees. Thrane & Thrane has an option to extend the lease by approximately 5,500 m<sup>2</sup>, which will accommodate about another 110 employees.

## IPO

Thrane & Thrane's shares were listed on the Copenhagen Stock Exchange on March 6, 2001. The listing was based on a wish to secure access to new capital for Thrane & Thrane's further growth and development, thereby strengthening the company's market position. Furthermore, the listing was intended to enhance Thrane & Thrane's profile and increase its visibility to customers, partners and present and potential future employees. Finally, the company wished to have a broader ownership and to establish an incentive program to attract and retain employees.

The offer comprised a public offer and an institutional offer in Denmark and private placements outside Denmark. It comprised 2,030,000 shares of DKK 20 nominal value each, comprising 500,000 new shares and 1,530,000 existing shares. The existing shares were offered by Lars Thrane and Per Thrane.

The offer price interval was DKK 110 - DKK 130 per share. The final offer price was DKK 120 per share, resulting in gross proceeds to Thrane & Thrane of DKK 60 million and net proceeds of DKK 55.6 million.

The offer met with much interest and was oversubscribed more than three times. The shares were placed with more than 2,200 private investors in Denmark and a large number of Danish and international institutional investors. Approximately 60% of the shares were placed in Denmark, and approximately 40% were placed with international institutional investors, primarily in the other Scandinavian countries, Germany, Switzerland and France.

Following the offer, Lars Thrane holds 31.9% of the shares in Thrane & Thrane, and Per Thrane holds 19.8% of the company's shares. No shareholder holds more than 5% of the shares.

## Changes to the company's Board of Directors and Management Board

In connection with the offer, Erland Thrane, chairman of Thrane & Thrane since the company's incorporation, retired as chairman of the Board of Directors. Waldemar Schmidt, former Group Chief Executive of ISS A/S, was elected new chairman.

Arne Bierfreund has also retired from the Board of Thrane & Thrane and has been replaced by Morten Eldrup-Jørgensen, attorney-at-law and a partner of the law firm Nielsen & Nørager.

As announced in stock release of May 17, 2001, Per Thrane retired from the company's board of Directors in mid-May 2001. It is expected that a director to replace him will be elected by the shareholders at the annual general meeting of Thrane & Thrane to be held on August 20, 2001.

Thrane & Thrane increased the number of members of its Management Board in the autumn of 2000. The current Management Board consists of: Lars Thrane, Chief Executive Officer, Svend Åge Lundgaard Jensen, Chief Financial Officer, and Henrik Lunde, Chief Operating Officer.

## **Warrant programme for employees, Board of Directors and Management Board**

During the past three financial years, Thrane & Thrane has granted and sold shares to all employees. At April 30, 2001, the employees held approximately 1.8% of the shares in Thrane & Thrane.

In connection with the IPO, Thrane & Thrane established a warrant programme, under which management employees and key employees may be granted warrants free of charge, giving the employee a right, but not an obligation, to subscribe for shares in Thrane & Thrane.

Following the IPO, the Board of Directors of Thrane & Thrane issued 109,000 warrants to 41 management employees and key employees, entitling the employees to subscribe for shares with a nominal value of up to DKK 2,180,000 in Thrane & Thrane.

In addition to warrants to management employees and key employees, the Board of Directors of Thrane & Thrane resolved, prior to the IPO, to issue a total of 210,000 warrants to the Management Board, entitling the Management Board to subscribe for shares with a nominal value of up to DKK 4,200,000 in one or more tranches. At the same time, the Board resolved to issue a total of 30,000 warrants to the chairman of the Board of Directors, entitling the chairman to subscribe for shares with a nominal value of up to DKK 600,000 in one or more tranches. These warrants were issued in consideration of the performance of certain specific duties under a consultancy agreement signed between the parties.

## **Proposals to the annual general meeting**

The Board of Directors intends to recommend to the company's annual general meeting to be held on August 20, 2001 that a dividend of DKK 4 per share, equivalent to DKK 18.3 million, be paid out of the net profit for the financial year ended April 30, 2001, and that DKK 17.7 million be transferred to retained profit.

## Outlook for the financial year ending April 30, 2002

The financial year ended April 30, 2001 was characterised by growth in the aeronautical segment, increased market shares for Inmarsat-C and progress in the growth markets in Asia and South America. The recession in the USA, which has now hit the rest of the world, has started to affect Thrane & Thrane in the form of a reduced order volume for aeronautical equipment and a slowdown in the order intake in the maritime and land mobile markets.

In the short term the recession is expected to result in reduced sales of aeronautical products in the USA. However, the reduction is offset by anticipated increased sales of land mobile terminals, partly resulting from the introduction of a simple, less costly surveillance terminal during the fourth quarter of 2001, partly resulting from continued improvement in the new markets in South and Central America. Sales of maritime products and sales of systems are expected to be on a level with sales in the financial year ended April 30, 2001.

In the financial year ending April 30, 2002, the company's focus will be on completing and introducing a new, compact surveillance terminal and a high-speed data terminal for the maritime market. The surveillance terminal, expected to be introduced in the fourth quarter of 2001, targets both the maritime and the land mobile markets. Land mobile surveillance terminals are an attractive opportunity for Thrane & Thrane. So far, the company has only focused slightly on this market, and the product is believed to be very competitive. On the maritime market, the terminal will primarily target surveillance of fishing.

The new maritime terminal, enabling mobile voice and high-speed transmission of data, is expected to be launched during the first quarter of 2002. The global market for maritime high-speed terminals is approximately DKK 250 million, and Thrane & Thrane has not previously addressed this market.

The development of a high-speed data terminal for the aeronautical market continues, as does the building of competence within RF ASIC development. In addition to this, the development activities related to Inmarsat's new satellite system, the B-GAN, which is expected to come into operation in 2004, will be started.

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.

Apart from possible acquisitions, the company expects turnover of approximately DKK 500 million for the whole of the financial year ending April 30, 2002, which is in line with turnover for the financial year ended April 30, 2001. Based on tight cost management, Thrane & Thrane expects to maintain an operating margin of approximately 12%, equivalent to an unchanged operating profit of DKK 60 million.

Based on the development activities mentioned above, the financial year ending April 30, 2002 is expected to be a year which strengthens Thrane & Thrane's foundation for future growth, enabling the company to meet its objective of two-digit organic sales growth in the following years. Given the organic growth targets and the company's intention to make acquisitions, the company aims to generate turnover of DKK 1 billion in the financial year ending April 30, 2006.

## The company's financial position

### *Profit and loss account*

Thrane & Thrane generated net turnover of DKK 493.0 million in the financial year ended April 30, 2001, an increase of 8.8% over the financial year ended April 30, 2000 (DKK 452.9 million). The improvement primarily reflected an increase in sales of aeronautical equipment, which amounted to DKK 83.5 million in the financial year ended April 30, 2001 (DKK 55.7 million).

Development costs were DKK 70.5 million, equivalent to 14.3% of turnover and an increase of 22% over the previous year (DKK 57.7 million).

Profit on primary operations was DKK 60.5 million with an operating margin of 12.3%, which was on a level with the operating margin of 12.0% realised in the financial year ended April 30, 2000.

Profit before financial items was DKK 60.8 million against DKK 54.5 million last year.

The company recorded a pre-tax profit on ordinary operations of DKK 58.4 million, reflecting an increase of DKK 6.1 million on the previous year's pre-tax profit of DKK 52.3 million.

Tax charged to the profit and loss account was DKK 15.0 million, of which DKK 0.4 million was prior-year adjustments. The tax rate was 30% against 32% last year.

In April 2001, the company relocated to new headquarters. In this connection, the company incurred extraordinary expenses of DKK 7.4 million for consultancy services, removal and refurbishment of the former premises. Extraordinary activities recorded a loss of DKK 5.2 million after tax.

The profit for the year amounted to DKK 36.0 million against DKK 35.4 million in the financial year ended April 30, 2000.

### ***Balance sheet***

Total assets amounted to DKK 327.1 million at April 30, 2001, an increase of DKK 57.2 million over the previous year. The increase was attributable to an increase in debtors and bank deposits.

Stocks at April 30, 2001 amounted to DKK 104.0 million, a small increase over last year, when stocks amounted to DKK 102.7 million.

Trade debtors increased by DKK 17.0 million to DKK 125.5 million, primarily due to a large volume of turnover in March and April 2001.

Cash at bank and in hand increased by DKK 32.2 million to DKK 46.4 million. The net proceeds received by the company in connection with the IPO in March 2001 amounted to DKK 55.6 million.

Trade creditors increased by DKK 26.1 million from DKK 31.3 million at April 30, 2000 to DKK 57.4 million at April 30, 2001.

Shareholders' equity stood at DKK 200.3 million at April 30, 2001, an increase of DKK 73.7 million over last year.

Movements in shareholders' equity:

In November 2000, the company's share capital was increased by a nominal amount of DKK 638,200 through the issue of free employee shares of DKK 220,560 nominal value and the sale of employee shares of DKK 417,640 nominal value at a purchase price equal to the nominal value.

In March 2001, the company's share capital was increased by a nominal amount of DKK 10.0 million in an IPO. The net proceeds after costs in connection with the issue were DKK 55.6 million.

### ***Cash flow***

Cash flow from operating activities was DKK 47.0 million compared with DKK 15.6 million last year. The increase was primarily due to the fact that the working capital at April 30, 2001 was unchanged compared with last year, which saw a significant increase in the working capital.

The company's investments amounted to DKK 12.6 million, of which DKK 3.7 million was a deposit in connection with the move to the new head office.

Net cash flow from financing activities was DKK 38.4 million, which included a cash inflow of DKK 55.6 million from the capital increase and a cash outflow of DKK 17.7 million to reduce short-term bank loans.

## Profit and loss account

(DKK '000)		<u>2000/01</u>	<u>1999/00</u>
Net turnover.....	1	492.995	452.930
Development costs .....		(70.451)	(57.733)
Cost of goods sold .....		(300.173)	(281.401)
Production costs.....	2	<u>(370.624)</u>	<u>(339.134)</u>
<b>Gross profit</b>		<b>122.371</b>	<b>113.796</b>
Distribution costs.....	2	(29.487)	(25.597)
Administrative expenses.....	2	<u>(32.370)</u>	<u>(33.711)</u>
<b>Profit on primary operations</b>		<b>60.514</b>	<b>54.488</b>
Other operating income .....		289	0
<b>Profit before financial items</b>		<b>60.803</b>	<b>54.488</b>
Interest receivable etc.....		2.542	1.371
Interest payable etc. ....		<u>(4.988)</u>	<u>(3.535)</u>
<b>Ordinary profit before taxation and extraordinary expenses</b>		<b>58.357</b>	<b>52.324</b>
Calculated tax payable, on ordinary profit.....	3	(23.394)	(13.244)
Adjustment of deferred taxation, on ordinary profit.....	4	6.211	(3.640)
<b>Ordinary profit for the year</b>		<b>41.174</b>	<b>35.440</b>
Extraordinary expenses, relocation		(7.358)	0
Tax on extraordinary expenses	3	2.207	0
<b>Extraordinary result</b>		<b>(5.151)</b>	<b>0</b>
<b>Profit for the year</b>		<b>36.023</b>	<b>35.440</b>

## Allocation of profit

(DKK '000)		<u>2000/01</u>	<u>1999/00</u>
Dividend.....		18.314	40.466
Retained profit.....		17.709	(5.026)
<b>Profit for the Year</b>		<b>36.023</b>	<b>35.440</b>

## Balance sheet

(DKK '000)	30.04.2001	30.04.2000
<b>Assets</b>		
Intangible fixed assets	5	
Leasehold improvements	0	150
Deposits	6.517	2.836
	<b>6.517</b>	<b>2.986</b>
<b>Tangible fixed assets</b>	6	
Land and buildings	1.470	1.604
Planes	12.285	14.499
Plant and machinery	19.013	17.890
Other plant, tools and equipment	3.802	4.033
Payments on account for planes	1.320	1.320
Plant under construction	636	155
	<b>38.526</b>	<b>39.501</b>
<b>Total fixed assets</b>	<b>45.043</b>	<b>42.487</b>
<b>Stocks</b>		
Raw materials and consumables	51.048	45.950
Work in progress	43.862	44.848
Finished goods and goods for resale	9.116	9.241
Work in progress on behalf of third parties	7	0
	<b>104.026</b>	<b>102.738</b>
<b>Debtors</b>		
Trade debtors	125.508	108.528
Other debtors	2.342	1.172
Prepayments and accrued income	3.687	787
	<b>131.537</b>	<b>110.487</b>
Securities	10	6
Cash at bank and in hand	46.462	14.167
	<b>282.031</b>	<b>227.406</b>
<b>TOTAL ASSETS</b>	<b>327.074</b>	<b>269.893</b>

## BALANCE SHEET

<i>(DKK '000)</i>	<u>30.04.2001</u>	<u>30.04.2000</u>
Liabilities		
<b>Shareholders' equity</b>	<b>8</b>	
Share capital	<b>91.570</b>	<b>80.931</b>
Premium on issue IPO	<b>45.606</b>	<b>0</b>
<b>Retained profit</b>		
Retained profit from previous years	45.439	50.687
Retained profit for the period	17.709	(5.026)
<b>Total retained profit</b>	<b>63.148</b>	<b>45.661</b>
<b>Total shareholders' equity</b>	<b>200.324</b>	<b>126.592</b>
<b>Provisions</b>		
Deferred taxation	4 879	7.090
<b>Total provisions</b>	<b>879</b>	<b>7.090</b>
<b>Creditors</b>		
<b>Short-term creditors</b>		
Bank loans and overdrafts	4.318	21.976
Payments on account from customers	408	2.756
Trade creditors	57.350	31.274
Corporation tax	3 10.842	4.127
Other creditors	26.443	28.564
Dividend for the financial year	18.314	40.466
Accrued expenses and deferred income	8.196	7.048
	<b>125.871</b>	<b>136.211</b>
<b>Long-term creditors</b>	<b>0</b>	<b>0</b>
<b>Total creditors</b>	<b>125.871</b>	<b>136.211</b>
<b>TOTAL LIABILITIES</b>	<b>327.074</b>	<b>269.893</b>

## Cash Flow statement

<i>(DKK '000)</i>	<u>2000/01</u>	<u>1999/00</u>
Turnover	492.995	452.930
Other operating income/expenses	289	0
Costs	(429.760)	(389.596)
Net financial income	(2.438)	(2.164)
Taxes paid for the period	(14.472)	(8.761)
<b>Profit adjusted for items of a non-cash nature</b>	<b>46.614</b>	<b>52.409</b>
Change in stocks	(1.288)	(40.389)
Change in debtors	(21.050)	(6.367)
Change in trade creditors etc.	22.755	9.906
<b>Cash flow from operating activities</b>	<b>47.031</b>	<b>15.559</b>
Dividends paid for the period	(40.466)	(17.000)
<b>Cash flow from operating activities less dividends paid for the period</b>	<b>6.565</b>	<b>(1.441)</b>
Intangible fixed assets	(3.681)	(272)
Tangible fixed assets	(8.955)	(11.769)
Securities	0	17
<b>Cash flow from investment activities</b>	<b>(12.636)</b>	<b>(12.024)</b>
Loans and overdrafts	(17.658)	21.065
New issue of employee shares	418	336
Net Premium on issue, IPO	55.606	0
<b>Cash flow from financing activities</b>	<b>38.366</b>	<b>21.401</b>
<b>Cash flow for the year</b>	<b>32.295</b>	<b>7.936</b>
Cash and cash equivalents, beginning of year	14.167	6.231
<b>Cash and cash equivalents, end of year</b>	<b>46.462</b>	<b>14.167</b>

## Glossary of definitions

**B-GAN:** Broadband - Global Area Network is a future Inmarsat network comprising satellites and land earth stations; permits data speeds up to 432 kbps.

**CAGR:** Compound Annual Growth Rate.

**DVB-RCS:** Digital Video Broadcast – Return Channel over Satellite, a new standard for two-way high-speed communication via satellite.

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

**MPDS:** Mobile Packet Data Service, previously named IPDS (Inmarsat Packet Data Service); a packet data service from Inmarsat permitting the user to stay on-line even if data is not transmitted. The fee charged is based on kbit transmitted.

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

**Inmarsat mini-M og Aero-M:** Inmarsat service that provides mobile communication, including voice, fax and data communication; is used in all market segments.

**Inmarsat Aero-I:** Inmarsat's latest aeronautical communication service is perfect for short and intermediate range planes. Thrane & Thrane's Aero-I products comprise a terminal supporting safety, operational, cockpit and passenger voice and data applications.

**Iridium:** A satellite system particularly focusing on the land mobile market.

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

**Kbps:** Kilo bits per second.

**LAN:** Local Area Network, a data communications network functioning within a limited area (typically within a range of 1 km).

**LES:** Land Earth Station.

**M4:** Another term for GAN. Thrane & Thrane's M4 terminal is a mobil voice and data terminal for Inmarsat's GAN service.

**OEM:** Original Equipment Manufacturer, a producer of equipment to be delivered to another company and sold under that company's brand name.

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

**RAN:** Radio Access Network is a network station in the B-GAN system.

**RF ASIC:** Radio Frequency Application Specific Integrated Circuits. A chip designed for special applications; makes it possible to develop and produce smaller and cheaper terminals.

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

**Solidaridad:** A satellite system in Mexico.

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

## Ratio definitions

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Equity ratio	=	$\frac{\text{Share capital ultimo}}{\text{Total liabilities ultimo}}$
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Return on equity	=	$\frac{\text{Profit for the year}}{\text{Average share capital}}$
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Return on capital invested	=	$\frac{\text{Profit before financial items}}{\text{Invested capital primo}}$
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Earnings per share (EPS)	=	$\frac{\text{Ordinary result}}{\text{Average number of shares}}$
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Cashflow per share	=	$\frac{\text{Cash flow for the year excl. dividend}}{\text{Average number of shares}}$
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Equity per share	=	$\frac{\text{Share capital ultimo}}{\text{Number of shares ultimo}}$
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