


## ■ Ordinary General Meeting 2002



Thrane & Thrane A/S  
August 27, 2002

Lars Thrane, CEO

Thrane & Thrane  
**Thrane**

## ■ Important Notice

- During the course of this presentation, we may make certain forward-looking statements. These forward-looking statements represent the company's internal projections, expectations or beliefs concerning, among other things, future operating results and various components thereof or the company's future economic performance.

We would like to caution you that actual results might differ materially from those projected in the forward-looking statements that we may make today. Such projections, expectations or beliefs involve known and unknown risks and uncertainties that may cause Thrane & Thrane's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied in the statements that we make today.

This presentation has been prepared and shall be construed in accordance with Danish law.

## ■ Strengthened Market Position

- Thrane & Thrane's leading position has been further strengthened in 2001/02 due to
  - The RAN contract for Inmarsat's future BGAN system
  - The user terminal contract for the BGAN system
  - The Fleet77 maritime high-speed terminal introduction
  - The mini-C tracking terminal introduction and
  - An agreement with Honeywell/Thales on development and production of an aeronautical high-speed unit for large business jets and military transport airplanes
  
- These products and contracts are the foundation for Thrane & Thrane's future growth in sales and earnings
  
- In 2001/02 Thrane & Thrane received orders for approx. DKK 925 mill. providing an order backlog by end 2001/02 of almost DKK 500 mill. going forward to 2004/05



## ■ Financial Summary 2001/02

27-08-2002

(mDKK)	For the financial year ended April 30		
	2001/02	2000/01	Change
<b>Land mobile</b>	<b>184.9</b>	156.7	<b>18.0%</b>
<b>Maritime</b>	<b>137.8</b>	179.6	<b>(23.3%)</b>
<b>Aeronautical</b>	<b>38.9</b>	83.5	<b>(53.4%)</b>
<b>Systems</b>	<b>145.0</b>	73.2	<b>98.1%</b>
<b>Total turnover</b>	<b>506.7</b>	493.0	<b>2.8%</b>
<b>Development costs</b>	<b>78.9</b>	70.5	<b>11.9%</b>
<b>Operating profit</b>	<b>31.0</b>	60.5	<b>(48.8%)</b>
<b>Profit for the year</b>	<b>17.9</b>	36.0	<b>(50.3%)</b>

- The downturn in the global economy slowed down sales – especially within the aeronautical and tracking segments
- Despite the downturn Thrane & Thrane has decided to expand product development activities

## ■ Land Mobile Market

- Turnover in 2001/02 was DKK 184.9 mill. (156.7 mill.)
- Sales of M4 increased owing to considerations of security policy following the September 11 and increased awareness. Consequently the M4 market grew 65% in 2001/02
- In 2001/02 Thrane & Thrane took DKK 25 mill. to income regarding the BGAN terminal development
- The deterioration of the economy in South America and a component failure in the Inmarsat-C equipment affected tracking sales negatively
- Thrane & Thrane has, however, high expectations to the newly launched mini-C targeting a 2001 market of approx. 50,000 terminals in the U.S. and South America
- Consequently Thrane & Thrane intensified its efforts in the U.S. and South America



## ■ Maritime Market

27-08-2002

- Turnover in 2001/02 was DKK 137.8 mill. (179.6 mill.)
- Turnover was affected by reduced sales of mini-M terminals as the mini-M market decreased by approx. 15% in 2001/02
- As the first manufacturer Thrane & Thrane introduced in March 2002 the Fleet77 which has been well received in the market
- The Fleet77 targets a market estimated to DKK 250 mill. annually
- Thrane & Thrane received the full Inmarsat Fleet77 challenge of USD 800,000 in 2001/02
- In the fourth quarter of 2001/02 Fleet77 generated sales of DKK 7 mill.



## ■ Aeronautical Market

- Turnover in 2001/02 was DKK 38.9 mill. (83.5 mill.)
- Turnover was affected by the economical downturn. However, market conditions have improved in the last part of 2001/02
- The aeronautical market is still considered a growth opportunity and Thrane & Thrane moved forward in developing a high-speed product for smaller business jets
- In addition, a contract was entered into regarding development and production of a high-speed unit. The unit integrates with Honeywell & Thales' Inmarsat Aero-H/H<sup>+</sup> aeronautical satellite communication system
- The two products will provide Thrane & Thrane with access to a new market estimated to DKK 250 mill. annually



## ■ Systems Market

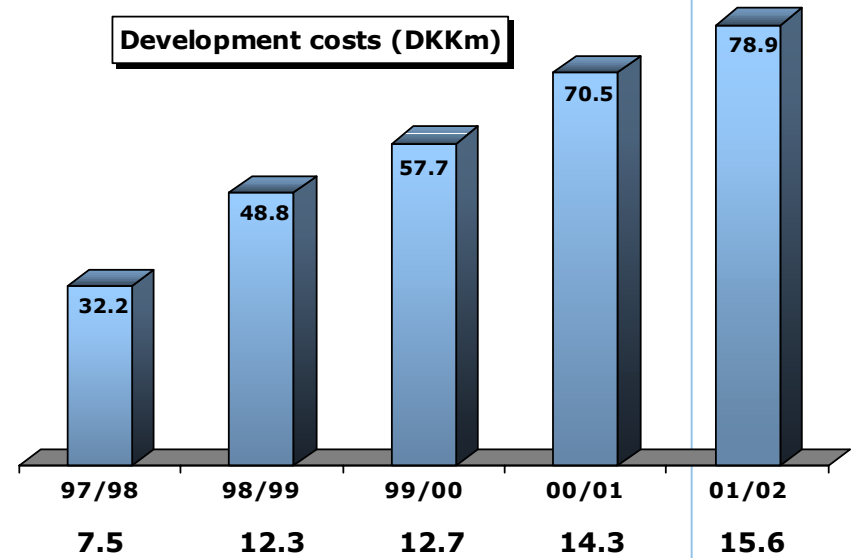
27-08-2002

- Turnover in 2001/02 was DKK 145.0 mill. (73.2 mill.)
- Turnover was particular driven by the RAN contract with Inmarsat - DKK 88.0 mill. DKK 70.0 mill. represents sub-supplier deliveries
- New major development contracts in 2001/02:
  - A RAN contract of DKK 375 mill. for the future BGAN system
  - A DKK 12 mill. Satellite Base Station contract amendment for development of a voice over MPDS demonstration system
- Entering 2002/03 the systems group had an order backlog of DKK 350 mill. going forward to 2004/05



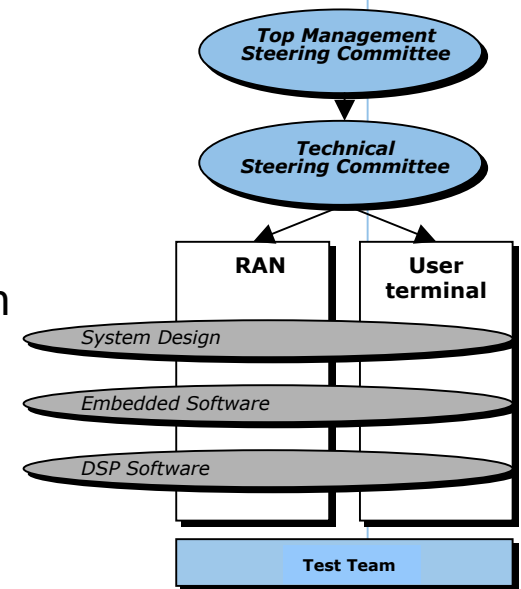
# ■ Product Development

- Terminal development costs in 2001/02
  - DKK 78.9 mill. (DKK 70.5 mill.)
  - DKK 30.0 mill. was taken to sales based on development contracts
  - Terminal development costs accounted for 15.6% of turnover (14.3% in 2000/01)
  
- In 2001/02 development activities focused on
  - Mini-C
  - Fleet77
  - Aeronautical high-speed units
  - BGAN terminal and core module
  - RAN



## ■ Radio Access Network (RAN)

- In August 2001 Thrane & Thrane won a DKK 360 mill. contract for development of the RAN for Inmarsat's future BGAN system
- Amendment contracts of DKK 55 mill. has been concluded with Inmarsat following the initial contract
- Approximately 65 engineers are currently involved in developing the RAN which shall be in operation in 2004
- Development of the RAN for Inmarsat's BGAN system represents a strategic advantage
- Integration of the RAN and the BGAN user terminal development will reduce development time and cost



## ■ **BGAN Terminal**

27-08-2002

- In February 2002 Thrane & Thrane won a DKK 125 mill. contract for development and production of a BGAN user terminal and a user terminal core module
- The user terminal will target users within the land mobile segment e.g. international aid organisations, the media, oil and gas companies etc.
- New users are also expected to be attracted by BGAN's UMTS services and reduced terminal and airtime prices
- Annual turnover of the user terminal is estimated to be between DKK 200 - 250 mill. when introduced by end 2004



# ■ Development of Terminal & Core Module

27-08-2002

- Core module
  - Development cost of DKK 125 mill.
  - Need for ASICs to reduce terminal size and cost
  - Use of ASICs increases the development cost
  - 35 engineers required
  
- User terminal
  - Based on core module
  - Development cost of DKK 40 mill.
  - 20 engineers required
  
- Development of the user terminal and core module will require more than 120 man-years
  
- Currently 45 engineers are working on the project



## ■ Profit & Loss Statement

27-08-2002

(tDKK)	For the financial year ended April 30	
	2001/02	2000/01
Net turnover	<b>506,661</b>	492,995
Development costs	<b>(78,945)</b>	(70,451)
Cost of goods sold	<b>(323,481)</b>	(300,173)
Gross profit	<b>104,235</b>	122,371
Distribution costs	<b>(36,042)</b>	(29,487)
Administrative expenses	<b>(37,169)</b>	(32,370)
Profit on primary operations	<b>31,024</b>	60,514
Tax	<b>(9,557)</b>	(17,813)
Ordinary profit	<b>22,041</b>	41,174
Extraordinary profit	<b>(4,155)</b>	(5,151)
Profit for the year	<b>17,886</b>	36,023

## ■ Balance Sheet

27-08-2002

(tDKK)	April 30, 2002	April 30, 2001
Intangible fixed assets	<b>6,622</b>	6,517
Tangible fixed assets	<b>34,625</b>	38,526
Stocks	<b>80,441</b>	104,026
Debtors	<b>151,149</b>	131,537
Cash at bank and in hand	<b>70,756</b>	46,462
<b>Total assets</b>	<b>343,596</b>	327,074
Shareholders' equity	<b>199,777</b>	200,324
Provisions	<b>8,655</b>	879
Bank loans	<b>0</b>	4,318
Trade creditors	<b>78,357</b>	57,350
Other creditors	<b>29,068</b>	26,443
<b>Total liabilities</b>	<b>343,596</b>	327,074

## ■ Cash Flow Statement

27-08-2002

(tDKK)	For the financial year ended April 30	
	2001/02	2000/01
Turnover	<b>506,661</b>	492,995
Costs	<b>(471,262)</b>	(429,760)
Net financial income	<b>574</b>	(2,438)
Taxes paid for the year	<b>(10,842)</b>	(14,472)
Profit adjusted for items of a non-cash nature	<b>25,131</b>	46,614
Change in working capital	<b>28,427</b>	417
Cash flow from operating activities	<b>53,558</b>	47,031
Cash flow from investment activities	<b>(6,512)</b>	(12,636)
Cash flow from financing activities *)	<b>(22,752)</b>	(2,100)
Cash flow for the year	<b>24,294</b>	32,295

\*) Including dividends paid for the year **(18,314)** (40,466)

# ■ Financial Expectations

27-08-2002

- The new Danish Financials Statements Act
  - Effective from financial years beginning on or after January 1, 2002
  - Development projects recognised as assets and amortised. The amortization period will typically be 3-5 years
- Expectations for 2002/03 based on new accounting principles
  - Increase in turnover by 30-35% to DKK 620-640 mill. (DKK 477 mill.)
    - Increased turnover within the maritime, aeronautical and systems segments compared to 2001/02
    - Land mobile turnover expected to be at same level as 2001/02
  - Increase in operating profit by 70-90% to DKK 75-85 mill. (DKK 42 mill.)
  - Increase in product investments to DKK 75-85 mill. (DKK 62 mill.)
    - Primarily BGAN user terminal and core module, Aero-HSD terminal and Aero high-speed unit to Honeywell and Thales



## ■ Financial Summary Q1 2002/03

27-08-2002

(mDKK)	For the period ended July 31		
	2002/03	2001/02	Change
<b>Land mobile</b>	<b>36.8</b>	17.2	114.0%
<b>Maritime</b>	<b>39.7</b>	28.7	28.3%
<b>Aeronautical</b>	<b>9.8</b>	2.3	326.1%
<b>Systems</b>	<b>26.2</b>	4.8	445.8%
<b>Total turnover</b>	<b>112.5</b>	53.0	112.3%
<b>Development costs</b>	<b>10.5</b>	11.2	
<b>Capitalised development costs</b>	<b>3.3</b>	12.9	
<b>Operating profit</b>	<b>9.1</b>	(19.7)	
<b>Profit for the period</b>	<b>4.2</b>	(12.8)	

- Thrane & Thrane experienced an increase in turnover in all segments in Q1 2002/03 relative to Q1 2001/02

## ■ Land Mobile Market

- Turnover in Q1 2002/03 was DKK 36.8 mill. (17.2 mill.)
- Expects turnover in 2002/03 to be on level with 2001/02
- Pursues M4 market opportunities in North America and look for new applications
- Expects penetration of mini-C in North and South America
  - Currently 18 North and South American fleet tracking integrators have agreed to test the mini-C
  - A framework agreement has been entered with a Brazilian customer on delivery of 4,800 land mobile mini-C terminals of which 800 terminals have already been delivered
- Thrane & Thrane expects to receive payments from Inmarsat in 2002/03 partly offsetting the product development investment for the BGAN terminal



## ■ Maritime Market

- Turnover in Q1 2002/03 was DKK 39.7 mill. (28.7 mill.)
- Expects increased turnover in 2002/03 based on the Fleet77
- Sales of the Fleet77 terminal has been satisfactorily in Q1 2002/03 and entering Q2 orders for Fleet77 equalled production capacity until beginning of October 2002
- Penetration of the maritime high-speed market with Fleet77
  - Retrofit of Inmarsat-A/B terminals on merchant ships and fishery boats
  - Focus on the mega yacht segment in the U.S.
  - Integrate with OEM customers in pursuing the merchant new build market in Asia. Has concluded an OEM agreement with EuroCom Industries A/S in Q1 2002/03
- Pursue crew communication opportunities
  - Half the crew are not allowed to use the onboard satellite terminals
  - Crew spend \$88 a month - mainly on cellular phones
  - The crew complain about the cost of calls and the cost of the phone itself
  - Won one large mini-M order for crew calling in Q1 2002/03



## ■ Aeronautical Market

27-08-2002

- Aeronautical turnover in Q1 2002/03 was DKK 9.8 mill. (2.3 mill.)
- Turnover in Q1 2002/03 was on level with last three quarters when excluding the Honeywell/Thales milestone payment in Q4 2001/02
- Based on the improved market conditions in the last quarter Thrane & Thrane expects increased aeronautical turnover in 2002/03
- Thrane & Thrane expects to receive payment from Honeywell/Thales in 2002/03 partly offsetting the product development investment for the high-speed unit



## ■ Systems Market

27-08-2002

- Systems turnover in Q1 2002/03 was DKK 26.2 mill. (4.8 mill.)
- Systems turnover is expected to increase in 2002/03 compared to 2001/02
- Sales based on the RAN development are expected to be DKK 185-195 mill. of which sub-supplier deliveries account for DKK 65-75 mill.
- Further sales will be generated from various SBS and Inmarsat-C related projects





**Thrane & Thrane**  
**We bring satellite communication  
down to earth**