

Annual Report 2002



Business scope

EuroCom Industries (ECI) is a leading global supplier of maritime communication equipment.

ECI develops, produces and markets maritime communication equipment for all types of vessels. ECI's products are sold throughout the world under two brands – SAILOR® and SKANTI® – through distributors and partners and as OEM products to systems suppliers.

ECI's maritime products secure customers efficient communication at sea, which is a prerequisite for maximum safety, for efficient operations and for meeting social needs.

Goals

ECI aims to become the world's leading supplier of maritime communication equipment and navigation products based on VHF-AIS technology. In addition, ECI aspires to create satisfactory shareholder value and to be an attractive place to work.

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This is a translation of the Annual Report, from the original Danish-language version. In case of any discrepancy between the two language versions, the Danish version applies.

Major events in 2002

- ECI increased revenue by 8% to DKK 338 million, and profit was DKK 26 million (before amortisation and impairment of goodwill and restructuring costs) compared with a loss of DKK 17 million in 2001.
- The results are in line with the forecast made in announcement no. 16 to the Copenhagen Stock Exchange on 27 August 2002.
- Profit for the second half of 2002 before amortisation and impairment of goodwill and restructuring costs was DKK 13 million, which was in line with expectations, compared with a profit of DKK 14 million in the first half of 2002.
- ECI posted a loss of DKK 5 million, up from a loss of DKK 77 million in 2001.
- The consolidation of the Company's operations in Aalborg, Denmark was completed, and the continuing operation of the Company was ensured.
- The Company's liquidity improved by DKK 81 million (DKK 8 million in 2001).
- ECI signed an OEM agreement with its sister company SAM Electronics GmbH in Hamburg, Germany, for the supply of AIS transponders.
- The capital base was increased by the DKK 44 million proceeds of a rights issue received in July 2002.
- The Company's balance sheet and liquidity were strengthened through a stronger focus on day-to-day operations, including reductions of inventories and receivables.
- For 2003, ECI expects an increase in revenue of not less than 5% relative to the 2002 level, and a profit of not less than 5% of revenue.

Five-year financial highlights

DKKm	1998	1999	2000	2001	2002
Income statement					
Revenue	692	604	317	314	338
Operating profit/(loss) before amortisation and impairment of goodwill and restructuring costs	106	25	(72)	(17)	26
Operating profit/(loss)	99	17	(119)	(62)	7
Profit/(loss) before tax	90	9	(132)	(77)	(5)
Net profit/(loss)	57	4	(109)	(78)	(5)
Balance sheet					
Total assets	581	513	397	294	258
Capital employed	345	411	302	216	193
Equity	187	192	80	2	41
Cash flow statement					
Cash flows from operating activities	(31)	(9)	(3)	12	27
Cash flows from investing activities	(24)	(36)	(0)	(3)	(3)
Cash flows from financing activities	(15)	(33)	54	(2)	57
Key ratios (%)					
Operating margin before goodwill	15.4	4.1	(22.8)	(5.5)	7.8
Operating margin	14.3	2.9	(37.7)	(19.6)	2.1
Return on capital employed (ROCE)	36.1	4.6	(32.6)	(23.8)	3.2
Return on equity (ROE)	48.4	2.0	(79.9)	(189.9)	(24.2)
Equity ratio	32.2	37.4	20.2	0.7	15.8

ECI is ready for renewed growth



Implemented in 2001 and 2002, ECI's new business model has created an efficient and flexible organisation in all areas with a significantly lower cost base. The anticipated financial benefits are materialising in step with the implementation of the model.

ECI's performance in 2002

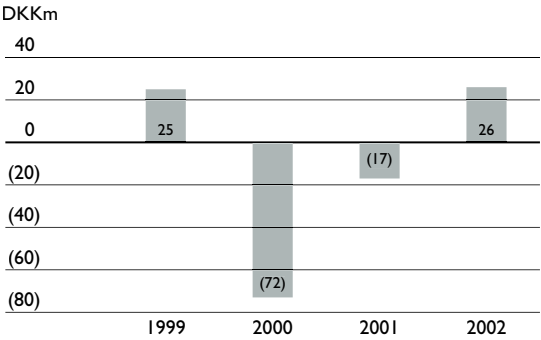
The market for maritime communication was stable in 2000-2002 based on a relatively steady number of new-buildings and replacement of worn out or technologically obsolete equipment.

The results are in line with the forecast made in announcement no. 16 to the Copenhagen Stock Exchange on 27 August 2002.

Revenue was DKK 338.0 million, representing a 7.8% increase from DKK 313.5 million in 2001.

The Company posted a net loss of DKK 5.2 million both before and after tax. The corresponding 2001 figures were losses of DKK 77.2 million and DKK 78.0 million, respectively. The results were at the forecast level (a loss of DKK 3-6 million).

Operating profit
(before amortisation and impairment of goodwill and restructuring costs)



Operating profit before amortisation and impairment of goodwill and restructuring costs was DKK 26.4 million compared with a loss of DKK 17.4 million in 2001. The operating profit for the year was DKK 7.1 million (2001: a loss of DKK 61.5 million).

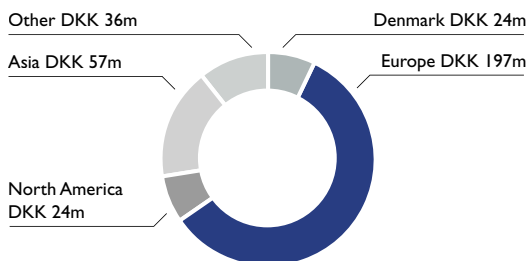
Revenue was DKK 154.3 million in the second half of 2002 against the forecast of approximately DKK 160.0 million. Operating profit before goodwill amortisation for the second half of 2002 was DKK 12.9 million compared with a corresponding loss of DKK 6.5 million in the second half of 2001.

Consolidation of operations in Aalborg completed

The main tasks in 2002 were to secure the Company's continuing operations, to maintain its market position, to raise fresh capital and to consolidate operations in Aalborg, including to re-establish the management, product development and finance functions in a new organisation.

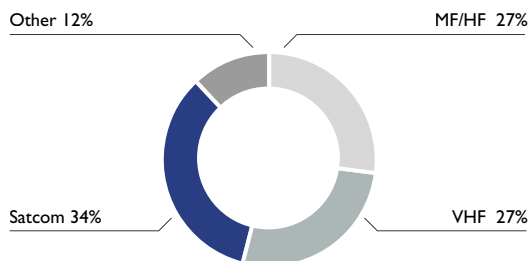
The consolidation of operations in Aalborg was completed in accordance with the plans made. A new management group was established during the summer months. The relocation of the product development function from Ballerup to Aalborg was completed as planned, and critical development capabilities were secured, partly through rehiring of former, competent development staff from the Aalborg area. The establishment of the finance function in Aalborg was also completed with satisfactory results. ECI's operations at Ballerup were discontinued by 1 October 2002.

The consolidation of operations produced the desired synergies and efficiency improvements in working procedures. The new organisation has improved the overview, cohesion and management of operations. Moreover, the Company has developed quicker decision-making processes, improved in-house communication and raised employee commitment.



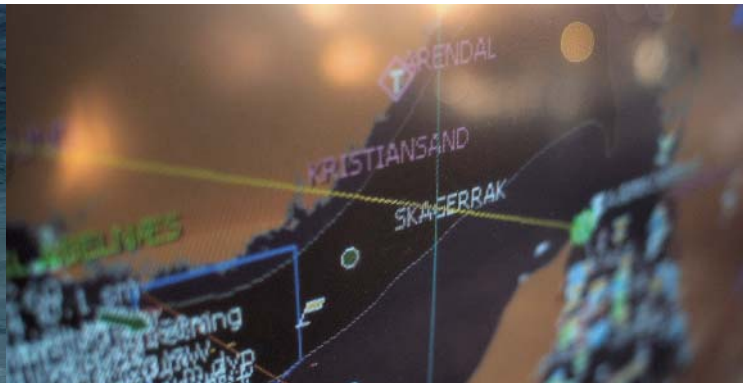
Revenue by geographic area

Most of ECI's sales are in Europe. ECI's market share is increasing in Asia as its market share of newbuilding projects is growing.



Revenue by product group

Products based on radio communication account for 54% of ECI's revenue, and products developed in-house account for approximately 75% of revenue.



The direct costs of the consolidation were forecast at DKK 15.6 million in the spring of 2002, and the actual costs were in line with this figure. As at 31 December 2002, there was a residual provision of DKK 8.5 million, primarily for rent and for costs in connection with vacating the leased premises at Ballerup. It is expected that the premises will be leased out in 2003.

Balance sheet strengthened

The Company's capital base was strengthened through a rights issue made in June 2002. The DKK 43.9 million proceeds were received in early July 2002. The rights issue was underwritten by Nordea Bank Danmark A/S, and ECI's principal shareholder, EuroMarine Electronics, participated in the rights issue in proportion with its ownership interest of approximately 60%.

The Company's balance sheet was furthermore strengthened in two areas in particular. First, significant efforts were made to reduce receivables. Secondly, inventories were reduced. Both of these improvements had a favourable and appreciable impact on the balance sheet and were achieved concurrently with an increase in revenue. Overall, ECI's liquidity was improved by DKK 81 million.

Management believes that the capital increase and the reduction of receivables and inventories are sufficient to secure satisfactory capital resources and that, together with the other changes made, this will restore the Company's financial position in relation to its business partners.

Three core markets

ECI primarily targets three markets: Large commercial vessels, fishing vessels and large pleasure boats.

Large commercial vessels have significant communication requirements which concern safety, efficient operation of the vessel and the crew's personal communication, for instance with their families back home. The forms of communication are regulated by the International Maritime Organisation ("IMO") through the so-called SOLAS rules.

In 2002, global developments in this market were stable, with newbuildings and modernisation activities at largely the same level as in previous years.

The geographic shift of newbuilding activities from Europe to the Far East continued in 2002. ECI's sales to this market saw a minor increase as the Company continuously adapts its distribution to the location of newbuilding activities.

Communication solutions for the fisheries sector are ECI's other principal market. This is primarily a European market subject to national regulation. ECI's sales to this market showed a minor decline in 2002 partly as a result of the generally difficult conditions in the fisheries sector and partly as a result of uncertainties in national regulations.

ECI's third market is large pleasure boats, i.e. boats exceeding 15 metres. This market is highly fragmented, and ECI is active in niche areas. Sales increased slightly in this market.

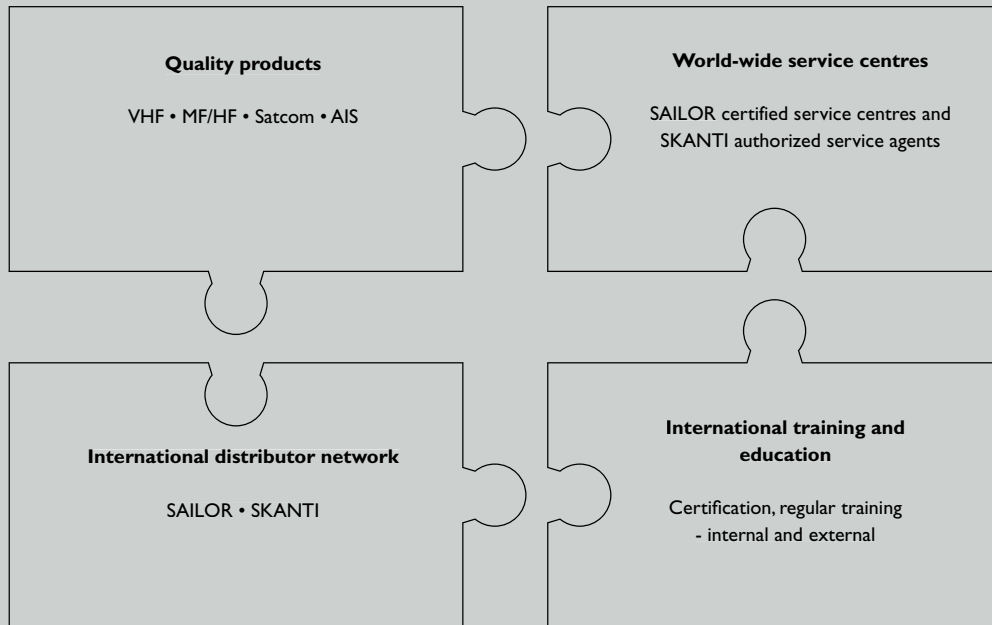
Marketing to the three segments takes place through a world-wide network of distributors, which sell ECI's communication solutions under the well-established and well-known SKANTI® and SAILOR® brands. This distribution is supplemented by a number of OEM customers who supply systems solutions (integrated bridge solutions) and who primarily target the newbuilding market for commercial vessels. This combined distribution strategy gives ECI a unique, world-wide market coverage.

Sales are growing

Sales growth in 2002 totalled 7.8%. The growth was evenly distributed on the three product groups: MF/HF, VHF and satellite communication ("Satcom").

Sales of MF/HF products accounted for 26.7% of revenue. The product range was strengthened substantially through the launch of 150 Watt products. The MF/HF products are primarily sold to the SOLAS and fisheries markets. Sales increased, but not quite by as much as anticipated, because sales to the fisheries market were lower than expected.

Distribution concept



VHF products are sold to all three market segments, and sales improved in 2002.

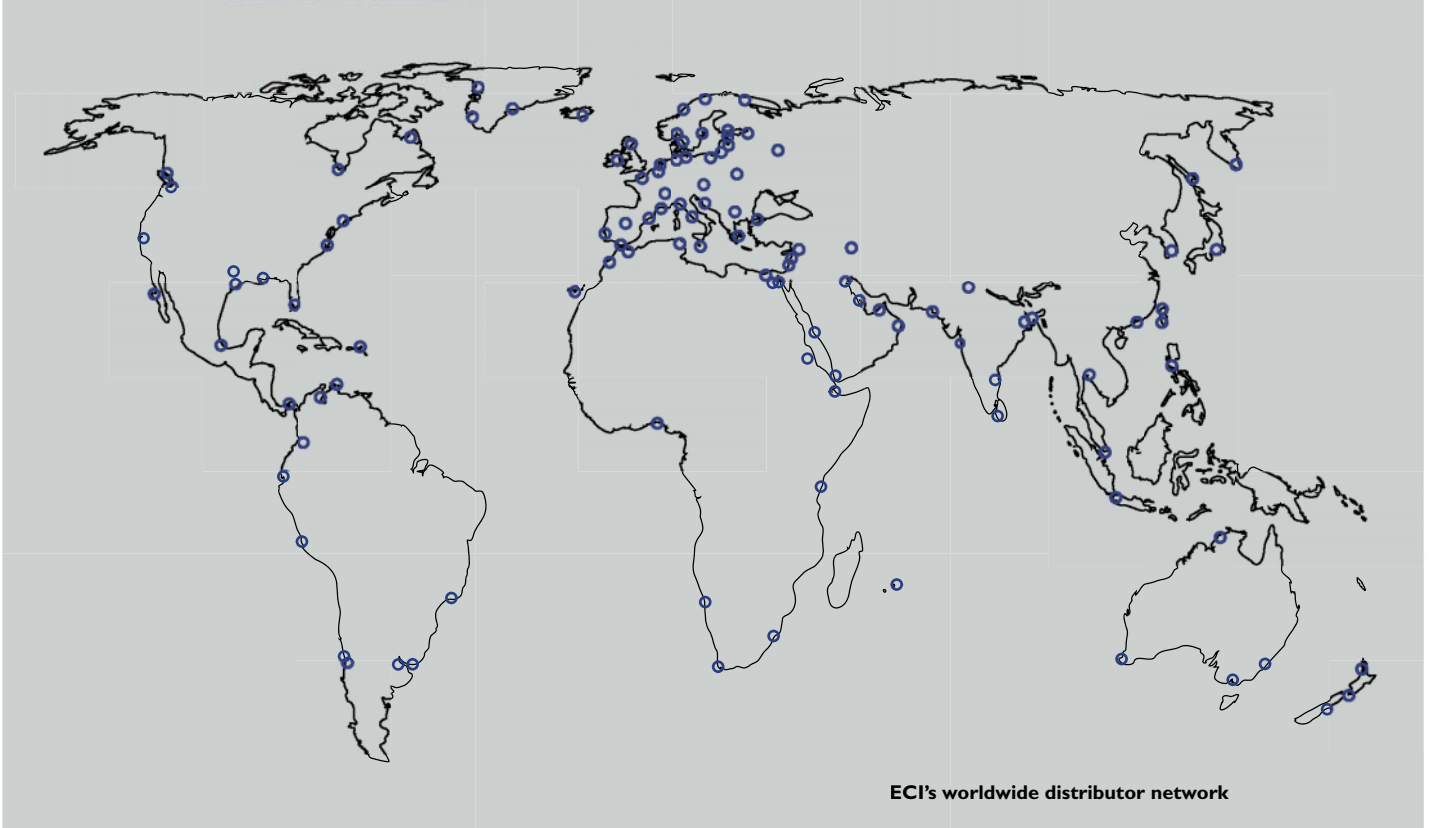
Satcom products are also sold to all three market segments. Sales increased during the year; with Iridium® satellite telephones making a breakthrough in 2002 as maritime users gradually became aware of the advantages of these telephones in various areas of application. The Maersk shipping company decided in December to fit all its vessels with Iridium® telephones.

A new product area in ECI is *Automatic Identification System* ("AIS"). AIS is a new technology in the maritime community, which is currently being introduced to improve surveillance of maritime traffic along coastlines and at sea. AIS identifies the positions of vessels, and on-shore coastal stations and

VHF radio communication provide automatic exchange of information such as the course, speed, cargo and the vessel's identification number. This enhances opportunities for on-board navigation and surveillance of the seas, including for instance oil-polluting vessels.

The Company expects significant demand for these products over the next few years. Introduction of the AIS products was planned for 2002, but due to capacity problems at the institutes authorised to approve the products, ECI did not start marketing the products until in January 2003. The Company's products have now received type approval.

The IMO has adopted a resolution to the effect that all vessels subject to the SOLAS Convention must be fitted



with AIS transponders in future. This implementation was originally to take place gradually until July 2008. However, the IMO decided in the autumn of 2002 – based among other things on the terrorist attacks in the United States in September 2001 – to shorten the implementation period, and all vessels in the SOLAS segment must now be fitted with AIS by the end of 2004. As a result of this change, significant demand will be moved forward and must be met during a period of only two years.

ECI's first navigation product, VHF-AIS, is based on radio technology. ECI previously entered into a strategic alliance with Marine Data Systems of South Africa for the development of mobile AIS transponders. In light of the expected earlier demand and the potential to ECI of this business area, ECI has also signed an OEM agreement with its Ger-

man sister company SAM Electronics for the supply of transponders, so that ECI has two sources of supply.

Management therefore believes that ECI will be able to meet the expected demand for AIS equipment, and that the Company will thus remain a reliable supplier to the international maritime market through its worldwide distribution and service network.

New product development

During the year, a new product development department was established in Aalborg to make the Company's development strategy materialise and composed to handle ECI's future product development projects. The employees of the department have broad knowledge on the requirements in the maritime market and the technologies avail-



able in the development of new solutions. The department will be further strengthened in the course of 2003 as and when additional capacity is required.

A number of employees left ECI in connection with the relocation of the product development activities from Ballerup to Aalborg. However, the employees at Ballerup carried on and completed a number of projects related to ECI's existing product programme, which ensured that the transition from the former to the new development organisation took place in line with plans and in a satisfactory manner.

The core of ECI's product development strategy is to focus the Company's in-house resources on technologies that produce competitive advantages, and to complement these efforts with solutions sourced from third parties and technologies obtained through strategic partners.

ECI's product development department is working on defining the basis for a number of new projects. The focus is on maintenance and further development of existing product lines as well as on new products, which are to contribute to future growth.

Efficient production

ECI's new production concept comprises assembly, configuration and testing of the products and is based on the Company's core competencies: customer-orientated final assembly, efficient logistics and high quality. The concept already met objectives in 2002 and provided strong delivery capacity, short delivery times and great flexibility. Accordingly, more than 50% of revenue now derives from orders received and delivered within the same month. Furthermore, costs, throughput times and inventories have been reduced, which increases ECI's profitability.

On the basis of the production concept, the quality targets set and a structured analysis of quality registrations, the production processes, production equipment and products are optimised in a continuous process. These efforts are

going to continue in 2003. Furthermore, the Company intends to make reducing inventories a top priority.

Suppliers are important in maintaining the Company's competitive advantages. ECI has sought and achieved closer collaboration with fewer suppliers than the Company used to have. The collaboration focuses on enhancing and ensuring the level of quality, delivery capacity, flexibility, costs and cash flow.

There is growing focus on involving third-party suppliers in ECI's product development projects as early as possible in order to carefully evaluate construction design, also from a process point of view, in collaboration with the suppliers who will subsequently participate in the production process ("Design for Manufacturing").

Employees and organisation

At the end of 2002, the Company had 235 employees. The net reduction of staff by 36 employees compared with last year's level was primarily brought about in connection with the relocation of all operations at Ballerup to Aalborg. All employees at Ballerup were given the option to relocate to Aalborg, but most of them rejected the offer, mainly because of their family situation, career plans and housing conditions; only three employees chose to relocate. The other employees were offered an outplacement arrangement. Only very few of ECI's former Ballerup-based employees have not yet found a new job.

The well-organised and responsible process helped motivate the employees affected to work loyally for the Company during the period operations were closed down, and the process of relocating operations took place in a satisfactory way. Moreover, the Company's good reputation was retained and ECI did not lose any customers, markets or products.

In connection with the consolidation of operations in Aalborg, a new management group was established, primarily consisting of new, highly experienced executives. The management

organisation functions very well, which is very important for the Company to make its strategy materialise.

Svend Tøttrup, former CEO of ECI, resigned in April 2002, but was available to the Company as an adviser during a transition period in connection with the consolidation of operations in Aalborg. Svend Tøttrup joined ECI in 1999 and was appointed CEO in October 2000. Technical Director Peter L. Høy was appointed new CEO in April 2002. Mr. Høy joined ECI in 1985.

Günter R. Krombach, COO, resigned from ECI in February 2003, but he remains attached to the Company as an adviser and he is still employed with EuroMarine Electronics. Günter R. Krombach was appointed COO of ECI in August 2001. Following this change, the management of EuroCom Industries A/S consists of Peter L. Høy, CEO.

The Company's organisation is designed to target four main jobs: business creation, product renewal, product manufacturing and business support. ECI focuses on developing in-house processes, both on the systems side and on the employee side. The latter is achieved, among other things, through a new HR function, greater priority on general process development in the organisation and performance reviews in order to promote collaboration competencies and the continuing development of ECI.

Environmental impact

ECI's products, production plant, processes and materials used do not have any material impact on the employees and the external environment.

It is ECI's policy to contribute actively and openly to improving the internal as well as the external environment, to work for a safe and sound working environment through proactive efforts in selected areas, to meet national and international environmental requirements, primarily through preventive efforts, to reduce the environmental impact and the use of resources, wherever technically and financially feasible, and to design products and packing

wherever financially and technically possible, in such a way that reuse and sustainable disposal can be achieved to the greatest possible extent.

The Company's efforts to reduce its environmental impact include:

- sorting of many different types of waste in order to ensure that the material is reused, recycled or disposed of in a managed process to the greatest possible extent, and that the proportion of sorted waste constantly increases;
- 100% recycling of paper, cardboard and plastic from packing;
- collection of wood, refuse and combustible waste for incineration at a combined heating and power station;
- reuse of more than 85% of the Company's scrap iron;
- incineration of all liquids and liquid materials;
- workplace assessments of all workstations and subsequent adjustments to ensure that the physical and psychological impact on employees is reduced as much as possible;
- design of workplaces to be ergonomically correct, with therapeutic assistance in order to reduce working postures involving physical strain;
- installation of air exchangers in all premises and reduction of the amount of chemicals used in production and cleaning; and
- use of recycled paper in the production of manuals and advertising material.

The efforts in the environmental field will be continued.

Resolutions by the board of directors

The board of directors today adopted the financial statements for 2002. The board of directors has decided to propose to the annual general meeting that no dividend be paid for the 2002 financial year, and that the entire loss be covered by reserves.

The Company's annual general meeting will be held on 30 April 2003.

Outlook for 2003 and beyond

The market for maritime communication has been stable in recent years based on a relatively steady number of new-buildings and replacement of worn out or technologically obsolete equipment.

Expectations of market developments in 2003 are based on two opposite trends. On the one hand, the slowdown in the world economy and an adverse effect on certain freight rates dampens the propensity of ship owners to invest in new equipment. On the other hand, management expects that the implementation of statutory requirements and new technological solutions may result in significant demand in the years ahead.

- This applies not least to the AIS (Automatic Identification System), which is to be fitted in all SOLAS vessels by the end of 2004.
- Moreover, interest continues to grow in the smaller Iridium® satellite telephone, and as ECI is the only producer of a maritime version of this product, the Company has a dominant position in this market.
- Finally, the fisheries sector is expected to implement GMDSS (Global Maritime Distress and Safety System) in 2003 and 2004. The implementation in the EU and the EEA comprises 5,000-7,000 fishing vessels, a segment in which ECI has traditionally held a significant market share.

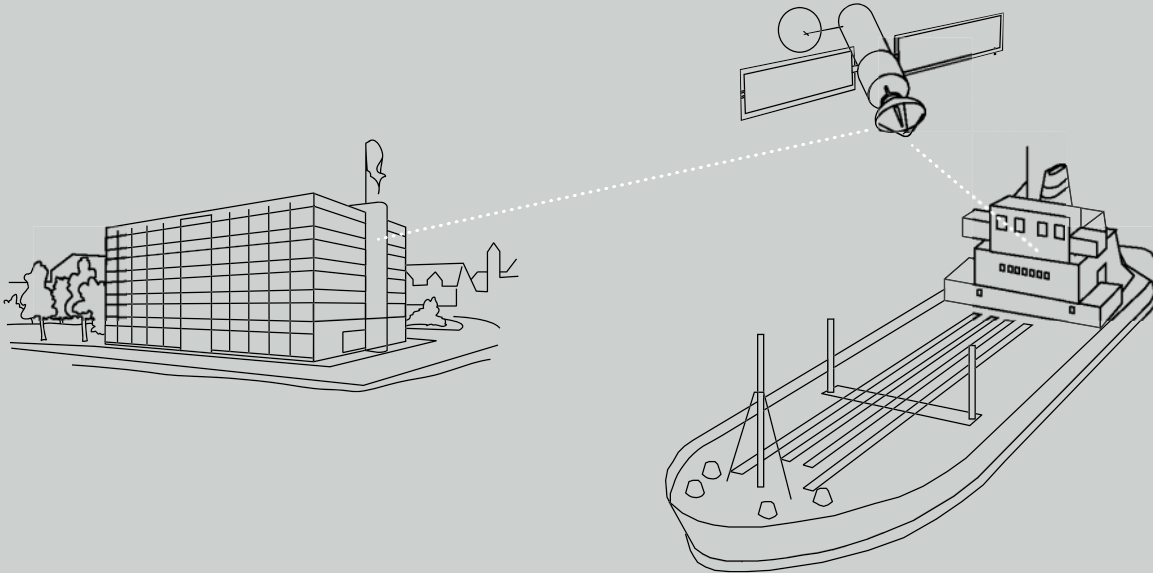
ECI has launched new and competitive products for the sub-markets mentioned above. Management expects demand to be strongest in the latter part of the period.

Overall, ECI forecasts an increase in revenue of not less than 5% relative to the 2002 level, and a profit of not less than 5% of revenue.

The forecasts and expectations are subject to uncertainties and risks which, among other things, but not solely, include the factors described in "Risk Factors". These and other uncertainties and risks may have the effect that actual developments may differ significantly from forecasts. In particular, reference is made to the risks described relating to the introduction of AIS navigation systems and the release of the leased premises in Ballerup.

Moreover, it is difficult to predict any effects on the world economy, and thus on the shipping sector, of the potential war in Iraq. As a result, it is not possible to make a more precise estimate of the profit for 2003 at the moment.

Following the change of organisation and the reduction of overheads, ECI has a good and financially sound basis from which to continue its development. Moreover, the Company is now designed to efficiently capitalise on the opportunities for extra sales of specialised products which, in the Company's experience, turn up in the market for maritime communication equipment from time to time.



Iridium®

The Iridium satellite system consists of 66 satellites orbiting earth at an altitude of 780 km. The Iridium satellite system has global coverage, and in addition to offering high-quality voice communications, the system also offers transfer of small volumes of data and access to the internet. An Iridium terminal installed at a shipping company's office building allows the company to keep in contact with its vessels at a very attractive per-minute rate, no matter where they are located.

Shareholder information

Following the write-down of the share capital and the issue of new share capital in 2002, the Company's share capital amounts to DKK 21.9 million, comprising 21,875,000 shares of DKK 1 nominal value each. EuroCom Industries' shares have been listed on the Copenhagen Stock Exchange since December 1998 (ISIN DK00-1024906-9; CSE: ECOM; Reuters: EUCCO.CO).

- EuroMarine Electronics GmbH, Hamburg, Germany, held 13,050,000 shares (59.7% of the share capital) at 31 December 2002.
- Nordea AB, Copenhagen, notified the Company on 16 July 2002, that it held 6,160,956 shares (28.2% of the share capital).

Costs incurred in connection with the rights issue:

DKK '000	Budget	Actuals
Underwriters	600	600
Financial intermediaries	2,000	1,970
Printing and layout	450	616
Advertising	100	48
Legal advisers and auditors	1,900	2,660
Other costs	150	114
Total costs	5,200	6,008

The Company held 87,000 treasury shares at 31 December 2002, equivalent to 0.4% of the share capital.

The number of shareholders in EuroCom Industries A/S is unknown, but 1,100 shareholders were registered in the Company's register of shareholders at 31 December 2002, corresponding to 20.8 million shares. Two shareholders hold more than 5% of the Company's shares:

ECI issued share options to ten management employees in March 2000 entitling them to buy a total of 290,250 shares of DKK 1 nominal value each from the Company. The share options are exercisable in the six-week period after the release of ECI's financial report for 2002 (i.e. in the spring of 2003), provided the employee in question was employed with ECI on 31 December of the previous year. ECI's CEO Peter L. Høy holds options to buy 16,125 shares, while the remaining options issued have either lapsed or were issued to employees who have resigned or whose employment has been terminated by the Company. The exercise price for the shares is DKK 31.60 per share of DKK 1 nominal value. None of the share options granted have been exercised.





Announcements to the Copenhagen Stock Exchange 2002-2003

01	March	2002	9	Financial report 2001
09	April	2002	10	Notice convening annual general meeting
24	April	2002	11	Operations to be consolidated in Aalborg
25	April	2002	12	Annual general meeting, resolutions
31	May	2002	13	EuroCom Industries publishes prospectus
01	July	2002	14	EuroCom Industries strengthens organisation
03	July	2002	15	Completion of subscription of new shares
27	August	2002	16	Interim report 2002
13	September	2002	17	Notice convening extraordinary general meeting
01	October	2002	18	Extraordinary general meeting, resolutions
07	February	2003	20	Management change
26	February	2003	21	Financial report 2002

Financial calendar

EuroCom Industries A/S expects to release financial reports and hold its annual general meeting as shown in the calendar below:

26	February	2003	Financial report 2002
Mid-April		2003	Annual report 2002
30	April	2003	Annual general meeting
28	May	2003	Financial report – Q1 2003
27	August	2003	Financial report – Q2 2003
24	November	2003	Financial report – Q3 2003
31	December	2003	End of financial year

Annual General Meeting

The Company's annual general meeting will be held on 30 April 2003 at 1.00 p.m. at the Company's address, Porsvej 2, DK-9200 Aalborg SV, Denmark.

Corporate governance

It is the responsibility of the board of directors to ensure that ECI is managed in such a way that the Company meets its obligations to its shareholders and employees, the authorities and other stakeholders. ECI considers it important to give on open and relevant information to the Company's shareholders and other stakeholders. ECI's website (www.eci.dk) gives all interested parties electronic access to information on the Company. ECI has decided to publish quarterly financial statements from and including the 2003 financial year.

General meetings of shareholders

The shareholders in general meeting constitute the Company's supreme decision-making authority. All shareholders have the right to attend and vote at general meetings if their shares are recorded in the Company's register of shareholders at the time the general meeting is convened, which is done at a notice of 2-4 weeks. Shareholders unable to attend a general meeting may vote by proxy. All registered shareholders receive notices of general meetings by post, and general meetings are advertised in the press.

Board of directors

Members of the board of directors are elected by the shareholders in general meeting for a term of one year, but are eligible for re-election. Pursuant to the Company's articles of association, the board of directors shall have three to nine members. The board of directors currently has five members, four of whom have been elected by the shareholders in general meeting, while one has been elected by the employees pursuant to the provisions of the Danish Companies Act. The board of directors elects a chairman and vice chairman from its own number.

Provisions on the board's work are to a wide extent laid down in Danish legislation. Under these provisions, the board is in charge of the general management of ECI and defines goals and strategies for the Company. In addition, the board of directors supervises the Company in a general sense and ensures that it is managed in an adequate manner and in accordance with Danish legislation and the Company's articles of association.

One of the board's control tasks is to ensure efficient risk management – including the identification of material risks – that systems are developed for risk management and that a risk policy and risk limits are defined. The guidelines for the operating and financial risk management are adopted by the board, and reporting of material risks is one of the elements of the regular reporting to the board.

The board of directors receives continuous information on the Company's situation – including regular monthly reporting. Four ordinary board meetings are held each year. Furthermore, the board meets on other occasions as necessary.

The remuneration of the members of the board of directors is determined by the shareholders in general meeting. In the 2002 financial year, the fees paid to the members of the board of directors totalled DKK 120,000.

Management

The management is appointed by the board of directors, which fixes the terms of employment and the framework of the duties of the management. The terms of employment, including severance terms, follow the normal practice. The management is responsible for the day-to-day operations of the Company, including the development of activities and operations, performance and internal matters. The delegation of responsibilities to the management by the board of directors is laid down in the rules of procedure of the board of directors.

During at least one annual talk between the chairman of the board of directors and the CEO, an evaluation takes place of the collaboration between the board of directors and the management. On the same occasion, the procedures for and the nature of the reporting by the management to the board of directors is laid down.

No persons hold dual memberships of the board of directors and the management, and none of the board members are involved in the day-to-day management of the Company.

Board of directors and management

Board of directors

Klaus Lorenz (Chairman)

CEO of EuroMarine Electronics GmbH and STN ATLAS Marine Electronics GmbH

Appointed to the board of directors in 2002

Member of the boards of directors of Lyngsø Marine A/S (c), SAM East Asia (c), STN ATLAS Korea Co., Ltd., STN ATLAS Marine Japan, Ltd., STN ATLAS Norway AS (c) and STN ATLAS Taihang Electronics Co., Ltd. (c)

Patrick De Groot (Vice Chairman)

CEO of Zenitel NV

Appointed to the board of directors in 1999

Member of the board of directors of EuroMarine Electronics GmbH, Ardatis NV, QiFund NV and xCA NV (c)

Heinz Dresia

CFO of EuroMarine Electronics GmbH and STN ATLAS Marine Electronics GmbH

Appointed to the board of directors in 2000

Member of the board of directors of Lyngsø Marine A/S

Leif Juul Jørgensen

Appointed to the board of directors in 2001

Member of the board of directors of Rederiet J. Lauritzen A/S (c), MAN B&W Diesel A/S (c), MAN B&W Diesel A.G., Burmeister & Wain Scandinavian Contractors A/S, Dannebrog Rederi A/S, Samsø Linien A/S, Knud E. Hansen A/S, Frode and Norma S. Jacobsen's Foundation, Bornholms- trafikken and SEMCON A/S

Bjarne Høyer

Fitter at EuroCom Industries A/S

Appointed to the board of directors by the employees in 2000

Management

Peter Høy

Chief Executive Officer

Joined the Company in 1985, CEO since April 2002

Senior management employees

Jørgen Eker

Chief Financial Officer

Joined the Company in 2002

Ulrik Enggaard

Factory Director

Joined the Company in 2000, Factory Director since July 2002

Leif Köhne

Development Director

Joined the Company in 2002

Christen Højgaard Nielsen

Sales and Marketing Director

Joined the Company in 2002

c: chairman

Financial review



Income statement

ECI's revenue was DKK 338.0 million, representing a 7.8% increase from DKK 313.5 million in 2001.

ECI's sales prices increased by an average of approximately 2.0% during the year, while net exchange differences had no material impact on the year's revenue. Exports amounted to DKK 320 million, corresponding to 94.7% of total revenue.

Cost of sales was DKK 228.2 million, equivalent to 67.5% of revenue. In 2001, cost of sales accounted for 70.6% of revenue (2000: 73.4%). The proportion of overheads included in cost of sales (e.g. salaries for production management) was at the same level as in 2001.

Product development costs include costs incurred in the development of new products as well as costs of ongoing

maintenance and further development/product optimisation of the existing product programme (e.g. changes in construction in connection with components phased out or no longer available).

Product development costs before capitalisation totalled DKK 28.5 million, equivalent to 8.4% of revenue compared with 12.5% in 2001. This trend was primarily attributable to two factors: First, important high level key competencies are retained within the organisation as a result of the change of ECI's product development strategy of placing greater emphasis on strategic partnerships in the development process. Secondly, the relocation to Aalborg resulted in a generally lower level of product development costs during the transition period.

As a consequence of the implementation of the new Danish Financial Statements Act, product development costs of

DKK 4.2 million were capitalised in 2002. Product development costs for the year furthermore included amortisation of capitalised product development costs in the amount of DKK 0.4 million. The net effect on the product development costs for the year was thus DKK 3.8 million. In the prospectus for the rights issue in 2002, it was forecast that capitalised product development costs would amount to DKK 8.0 million. The difference largely represents the above mentioned fall in product development costs.

This brought product development costs – including capitalisation and amortisation – to DKK 24.7 million, equivalent to 7.3% of revenue.

Gross profit amounted to DKK 85.2 million, which was 59.8% higher than in 2001, compared with a 7.8% increase in revenue for the same period.

Sales and distribution costs amounted to DKK 26.3 million in 2002, which was 27.1% lower than in 2001 (DKK 36.1 million). This was primarily due to lower warranty costs, which in 2001 were attributable to service costs in connection with the launch of the Inmarsat B satellite terminals (DKK 3.3 million) and to Sailor Norge being a member of the Group in 2001 (DKK 4.0 million).

Administrative expenses totalled DKK 32.5 million in 2002, down from DKK 34.5 million last year. The 6.1% fall was attributable to cost savings in all areas.

Ordinary amortisation of goodwill for the year amounted to DKK 3.8 million. Each year, the Company evaluates the factors that form the basis for determining the value and useful life of goodwill. As opposed to 2001, this evaluation did not lead to any impairment charges against goodwill in 2002.

Total capacity costs before restructuring costs were reduced to DKK 62.6 million from DKK 114.8 million in 2001.

The expected direct costs of the consolidation of operations were estimated at DKK 15.6 million in the spring of 2002. The actual costs were in line with the estimate.

The operating profit for 2002 was DKK 7.1 million (2001: a loss of DKK 61.5 million). The distribution by product group (primary segment) is shown in the table below.

Segment information 2002

DKKm	Revenue	Operating profit/class	Fixed assets	Liabilities
MF/HF	90.1	12.1	19.6	7.6
VHF	93.7	4.0	20.4	13.4
Satcom	114.3	2.5	15.4	11.3
Other products	30.7	3.3	4.6	2.6
Non-allocated	9.2	(14.9)	13.7	17.1
Total	338.0	7.0	73.7	52.0

Note: Non-allocated items (operating profit/class) include DKK 15.6 million of restructuring costs.

Net financial items amounted to an expense of DKK 12.3 million against DKK 15.7 million in 2001, representing a 21.7% fall. The level of borrowings was unchanged during most of the first half of 2002. Conversely, the Company's interest-bearing debt was reduced in the second half of the year. This was partly a result of the capital increase and partly of the renewed focus on the Company's day-to-day operations, especially in terms of receivables and inventories. Interest-bearing debt was thus reduced by DKK 60.7 million (2001: DKK 15 million).

This brought the pre-tax loss to DKK 5.2 million compared with a pre-tax loss of DKK 77.2 million in 2001. Tax on the loss was an income of DKK 0.1 million. This tax income was attributable to a tax adjustment from 2000.

The loss for the year was DKK 5.2 million compared with a loss of DKK 78.0 million in 2001.

Balance sheet

Total assets stood at DKK 257.9 million at the end of 2002. This was DKK 35.8 million or 12.2% less than last year. The fall was primarily attributable to a DKK 26.4 million fall in working capital tied up in inventories and receivables. As a result of a low capital investment level, investments in property, plant and equipment were reduced by DKK 9.3 million. Cash increased by DKK 6.7 million as a result of improved liquidity. Other receivables were reduced by DKK 6.9 million, among other things as a result of the divestment of the Norwegian subsidiary Sailor Norge.

Made up according to the Company's accounting policies, the carrying amount of goodwill as at 31 December 2002 was DKK 36.2 million following amortisation for the year of DKK 3.8 million.

At the end of the year, property, plant and equipment amounted to DKK 31.8 million, down from DKK 41.1 million in 2001. Depreciation for the year was DKK 9.9 million, and capital investments for the year amounted to DKK 0.7 million.

Inventories totalled DKK 93.9 million, which was DKK 18.0 million lower than last year, distributed on the various inventory categories. It is expected that inventories will be reduced further in the course of 2003, among other things in connection with the completion of the outsourcing process, the continuing review of the product programme and other projects initiated.

Trade receivables were reduced by DKK 8.4 million to DKK 56.6 million. Bad debt provisions were reduced by 50% from DKK 12.4 million to DKK 6.1 million. No bad debt losses were recorded during the year. This means that trade receivables were actually reduced by DKK 14.6 million. The average number of credit days was reduced in 2002 and is expected to be further reduced in 2003.

The tax value of the Company's losses was carried on the balance sheet at DKK 22.8 million, which was unchanged from 2001. Management continues to expect that the tax losses carried forward can be offset against earnings in the next few years.

On the liabilities side, interest-bearing debt was reduced by DKK 60.7 million (2001: DKK 15 million). A contributing factor was the proceeds from the rights issue made in the middle of the year; the fall in trade payables and the inventory reductions.

Long-term borrowings were unchanged from 2001 and comprise an EUR 9.4 million loan and a DKK 30.0 million loan, both expiring in 2007. In addition, ECI has a DKK 5.3 million mortgage loan secured on its property. Repayments on the loan amount to approximately DKK 1.4 million per year; and the loan will be fully paid up in mid-2006.

Trade payables fell by DKK 12.1 million from DKK 41.8 million at the end of 2001 to DKK 29.7 million at the end of 2002.

Other payables were at the 2001 level, i.e. DKK 19.2 million at the end of the year. The item debt to EuroMarine Group company represents a short-term loan from Lyngsø Marine A/S.



Provisions amounted to DKK 11.6 million compared with DKK 12.3 million in 2001. The provision for 2001 included a DKK 12.3 million provision for warranty and service commitments. This amount has now been reduced to DKK 3.1 million in step with the payment of costs to upgrade maritime Inmarsat B satellite terminals and shut down the landmobile Inmarsat project. There is still a minor residual provision for the respective projects, which are expected to be closed down in the course of 2003.

As at 31 December 2002, the remaining provision for the direct costs in connection with the consolidation of operations in Aalborg was DKK 8.5 million. This remaining provision primarily concerns rent and costs in connection with vacating the leased premises at Ballerup. It is expected that the premises will be leased out in 2003.

Equity stood at DKK 40.8 million at 31 December 2002.

Cash flow statement

Cash flows from operating activities amounted to DKK 27.0 million in 2002 compared with DKK 11.7 million in 2001.

Changes in working capital as a result of the improvements mentioned above, the proceeds from the rights issue, the loan from the EuroMarine Group company and other factors improved the Company's liquidity by a total of DKK 80.9 million.

Post-balance-sheet events

Rheinmetall Group has announced that it has reached an agreement with Zenitel to take over the latter's 50% investment in EuroMarine Electronics GmbH. Closing of the transaction is subject to approval by the German competition authorities. If the transaction is approved, EuroMarine Electronics will be wholly owned by Rheinmetall. EuroMarine Electronics holds a 59.65% equity interest in ECI.

Risk factors

The following section describes various risk factors that may have an impact on the Company's future operations, earnings and financial position. The list includes the factors deemed to be most significant to ECI; however, the list is not exhaustive. The risk factors are not listed in any order of priority with regard to probability or potential significance.

Products

Technological innovation in the Company's product areas requires the ongoing launch of new products to replace products that have become technologically obsolete. There will continue to be a risk that competitors launch products that are technologically more advanced than the Company's products.

However, the market for maritime communication equipment is relatively conservative. This and the fact that the Company's products are sold under well-established brands mean that older products are expected to be phased out over a long period of time.

Demand for the Company's products is largely affected by national and international legislation. This means that the Company's development potential hinges on continued innovation and adaptation of products to meet the standards set by new legislation. The Company's present development projects and product updates are based on legislation that is at a relatively advanced stage or has already been adopted. Representation in international organisations allows the Company to monitor industry developments on an ongoing basis.

AIS products

Although ECI has two independent sources of supply, the product is still in-sourced, which involves a risk of an unreliable supply situation. The technology has only to a limited extent been tried in operating situations as implementation is only now gaining pace. Problems may arise when large quantities of equipment from different manufacturers are to begin operating together in the market.

The products involve limited advantages to users and are considered the results of regulatory requirements that must be met at the lowest possible costs. Although product availability will be the most important parameter in a concentrated implementation phase, a certain price sensibility must be

expected in a market where certain competitors have good starting positions, among other things based on products developed in-house and the level of their exchange rate.

There are more new competitors in the AIS market than in ECI's traditional product areas. As a result, earnings may be subject to uncertainty.

Suppliers and strategic partners

As part of the strategy of minimising the production costs and to make production more flexible, the Company has reduced the number of third-party suppliers from about 500 to about 200. The concentration of suppliers allows the Company to increase the volume of products purchased from each supplier with resulting financial and supply benefits. However, the concentration also involves greater dependence and thus risk.

The Company is also conducting large volumes of business with strategic partners, including OEM suppliers, major component suppliers and business partners within the field of development. This also leads to dependence and resulting risk.

The Company's largest supplier accounted for about 20% of purchases in 2002, and the ten largest suppliers accounted for about 65% of the total volume of purchases.

Collaboration with distributors

The Company sells its products to independent distributors in more than 80 countries worldwide. To maintain the collaboration with its distributors, ECI must be able to consistently deliver a wide range of high-quality maritime communication equipment. Should the Company in future be unable to pursue its present strategy of being a full-scale supplier of maritime communication equipment, there is a risk that the business volume with distributors may decline.

ECI's largest distributor, SAM Electronics GmbH, which is owned by EuroMarine, accounted for less than 10% of total sales in 2002, and the ten largest distributors bought less than 35%. Thus, management believes that the Company's dependence on individual distributors is limited.

Reliance on employees

ECI relies on the knowledge and competencies held by its

employees within the fields of development, production, logistics and sales, and it would generally pose a problem should a number of employees holding the same qualifications decide to leave the Company within a short period of time.

The Company is seeking to retain its employees through the pursuit of an open, motivating staff policy and by offering an interesting, professional environment. In connection with the establishment of the Company's product development and finance departments in Aalborg in 2002, major interest was shown in the Company, including from former employees wanting to return to the Company.

Financial risks

The Company's bank loans carry a variable rate of interest, resulting in a risk that the Company's interest expenses, both in the short and the long term, could be affected by changes in interest rates. In an ongoing process, the Company evaluates whether it would be appropriate to conclude loan agreements based on fixed or, to some extent, variable interest rates.

A change in interest rates by one percentage point would affect the Company's finance cost by approximately DKK 1.5 million.

Foreign exchange risks

The Company invoices more than 95% of sales in euros. However, the resulting exchange rate risk vis-à-vis Danish kroner is partially hedged by the Company's debt also being partially in euros. The Company is also affected by fluctuations in the exchange rate of the US dollar, as some purchases of electronic components are made in US dollars. It is the Company's policy to hedge large transactions by forward contracts. As at the balance sheet date, the Company did not have any forward currency contracts.

ECI's primary competitors defray most of their costs in yen. As a result, there is a risk that the Company's products may become less competitive during periods when the exchange rate of the yen is low vis-à-vis the euro.

Credit risks

The Company incurred no bad debt losses in the 2002 financial year. To reduce the potential risk of a loss, it is the

Company's general credit policy to insure all debtors amounting to more than DKK 250,000 or to demand advance cash payments.

Property leases

The leased premises at Lautrupvang 4A, DK-2750 Ballerup were vacated on 1 October 2002 as a result of the consolidation of operations in Aalborg. The lease is interminable until 1 March 2006, and the rent, including property tax and utilities, totalled approximately DKK 4.0 million in 2002.

There can be no assurance that the property can be leased out or that any other solution can be found within the given period, and there is a risk that the property will not be leased at the price the Company is committed to paying. Negotiations are currently ongoing with a potential lessee. If, contrary to expectations, it is not possible to lease out the property within a reasonable period of time, it will be necessary to increase the rent provision taken.

Insurance

The Company has attached external insurance brokers who continuously evaluate the Company's overall risk position and how it can be insured in order to cover any unforeseen claims that may be raised against the Company and other situations that may arise suddenly. The Company believes that it has sufficient cover through the insurance policies taken out to cover consequential loss, fire and other risks.

Intellectual property rights

The Company's products only enjoy a modest degree of patent protection. Management believes that product protection is based primarily on the financial barrier to developing new products in relation to market size and the financial potential.

There can be no assurance that the Company's products do not infringe the intellectual rights of a third party. However, management is not aware of any such infringement.

The Company's trademarks SKANTI® and SAILOR® are trademark protected in a number of large and important markets and are registered as EU Community Trade Marks with the Office for Harmonization in the Internal Market.

Statements on the Annual Report

Statement by the Management and the Board of Directors

The Board of Directors and the Management of EuroCom Industries today considered and adopted the Annual Report for 2002.

The Annual Report is in accordance with the provisions of the Danish Financial Statements Act, Danish accounting standards and other rules imposed by the Copenhagen Stock Exchange on the presentation of financial statements 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 Group's and the parent company's assets and liabilities, financial position and results of operations.

We recommend that the Annual Report be adopted by the shareholders at the annual general meeting.

Aalborg, 26 February 2003

Management

Peter Høy
Chief Executive Officer

Board of Directors

Klaus Lorenz
Chairman

Patrick De Groot
Vice Chairman

Leif Juul Jørgensen

Heinz Dresia

Bjarne Højer

Auditors' Report

To the Shareholders of EuroCom Industries A/S

We have audited the Annual Report of EuroCom Industries A/S for the financial year 2002.

The Annual Report is the responsibility of Company Management. Our responsibility is to express an opinion on the Annual Report based on our audit.

Basis of Opinion

We conducted our audit in accordance with Danish Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Annual Report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Annual Report. An audit also includes assessing the accounting policies applied and significant estimates made by Management, as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Annual Report gives a true and fair view of the financial position at 31 December 2002 of the Group and the Parent Company and of the results of the Group and Parent Company operations and consolidated cash flows for the financial year 2002 in accordance with the Danish Financial Statements Act and the financial reporting requirements of the Copenhagen Stock Exchange.

Copenhagen, 26 February 2003

PricewaterhouseCoopers

Preben Madsen
State Authorised Public Accountant

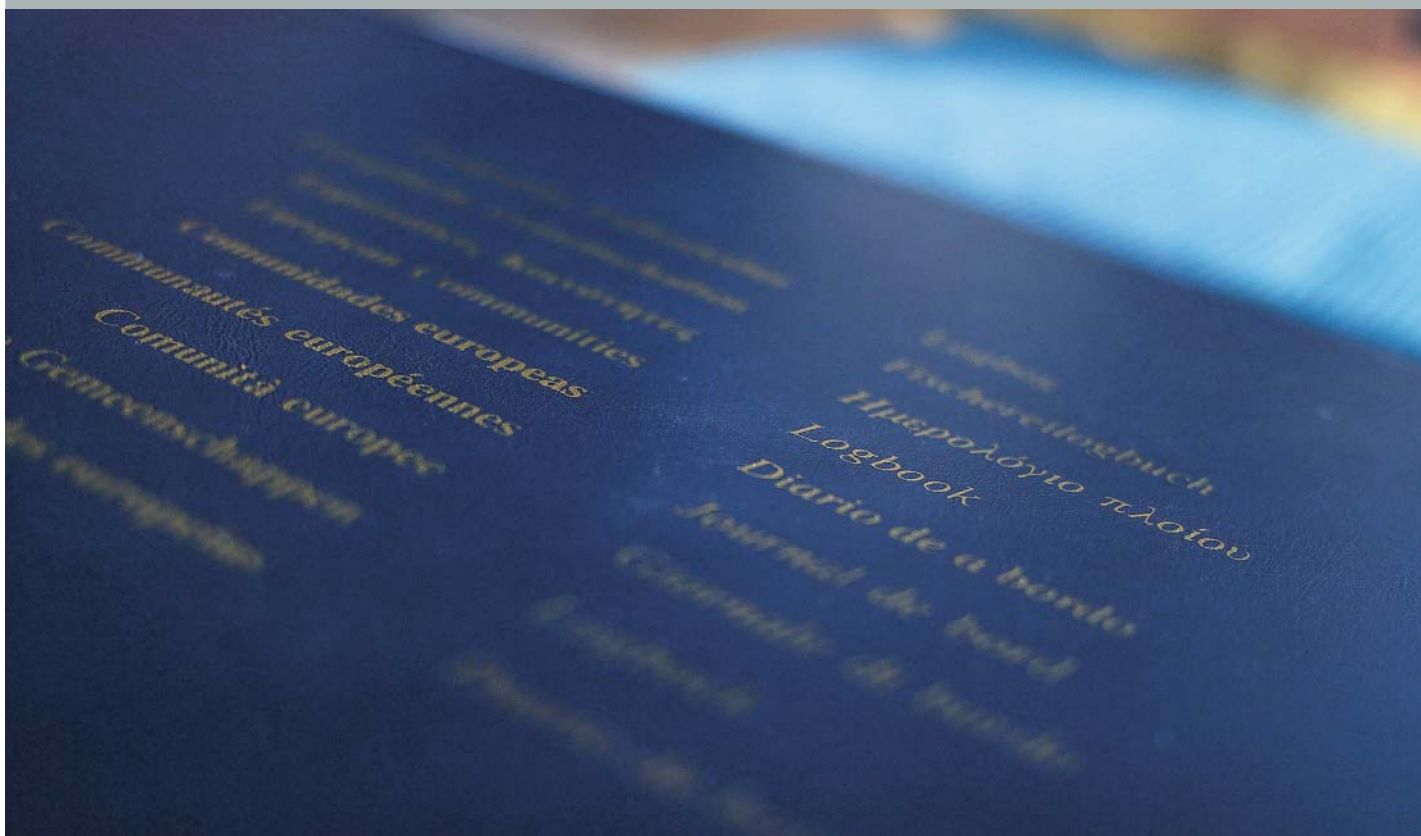
Mikael Sørensen
State Authorised Public Accountant

Deloitte & Touche – Statsautoriseret Revisionsaktieselskab

Jens Rudkjær
State Authorised Public Accountant

Lars Birner Sørensen
State Authorised Public Accountant

Accounting policies



The Annual Report of EuroCom Industries A/S is prepared in compliance with the provisions of the new Danish Financial Statements Act on class D companies, current Danish accounting standards and other rules imposed by the Copenhagen Stock Exchange on the presentation of financial statements by Danish listed companies.

Accounting policy changes

The accounting policies have been changed as described below as a consequence of the implementation of the new Danish Financial Statements Act:

Product development projects are recognised as assets in future if they meet the criteria for recognition in the balance sheet. The change is implemented going forward, to the effect that costs incurred as from 1 January 2002 are

recognised in the balance sheet if the individual project meets the criteria for recognition in the balance sheet. Product development costs are recognised under intangible assets at cost less accumulated amortisation. Until then, product development costs had been charged to the income statement as incurred. The change increased pre-tax profit by DKK 3.8 million. Equity increased correspondingly as at 31 December 2002 by DKK 3.8 million.

The comparative figures for product development costs in prior years have not been restated to reflect the implementation of the new Financial Statements Act as the accounting policy change is implemented going forward.

Except for the above, the same accounting policies as last year have been applied.



Recognition and measurement

All revenue is recognised in the income statement as earned based on the following criteria:

- delivery has been made before year-end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received at the time of sale or may, with reasonable certainty, be expected to be received.

Based on the above, revenue is recognised in the income statement as earned, which includes recognition of value adjustments of financial assets and liabilities measured at fair value or amortised cost. Furthermore, all costs incurred to achieve the revenue for the year are recognised in the income statement, including amortisation, depreciation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts previously recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the Company and the value of the liability can be reliably measured.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described below for each item.

Recognition and measurement take into account predictable losses and risks occurring before presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Basis of consolidation

The Annual Report consolidates the financial statements of the Parent Company, EuroCom Industries A/S, and compa-

nies in which the Parent Company directly or indirectly holds a voting majority, or in which the Parent Company, through shareholdings or in any other way, exercises a controlling influence.

In the consolidation, intercompany income and expenses, shareholdings, dividends and balances, and realised and unrealised intercompany gains and losses on transactions between the consolidated companies are eliminated.

The annual reports used in the consolidation are prepared in accordance with the Group's accounting policies. The Group Annual Report is prepared on the basis of the annual reports of the Parent Company and the subsidiaries by adding items of a uniform nature.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's interests in the net assets of the subsidiaries, determined at the time when the Group relationship was established.

Investments in subsidiaries

Investments in subsidiaries are measured according to the equity method.

In the income statement, the proportionate share of the pre-tax profit for the year less amortisation of goodwill is recognised under the line item "Income from investments in subsidiaries before tax", while the share of tax in subsidiaries is recognised under the line item "Income taxes".

In the balance sheet, the proportionate interest in the net assets of the companies is recognised under the line item "Investments in subsidiaries" determined according to the Parent Company's accounting policies with the deduction or addition of unrealised intercompany gains or losses and with the addition or deduction of residual amounts of positive or negative value differences (goodwill or negative goodwill).

Subsidiaries with a negative equity value are recognised at zero value. A provision is taken if the Parent Company has a legal or actual obligation to cover the subsidiary's under-balance.

The aggregate net revaluation of investments in subsidiaries is allocated to the "Reserve for net revaluation according to the equity method" under equity as part of the profit allocation.

Foreign currency translation

During the year, transactions denominated in foreign currency are translated at the exchange rate ruling on the transaction date. Gains and losses arising between the exchange rate at the transaction date and the exchange rate at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled on the balance sheet date are translated at the exchange rates ruling at the balance sheet date. Differences between the exchange rate ruling at the balance sheet date and at the transaction date are recognised in the income statement as financial income or financial expenses.

Income tax and deferred tax

The Company is taxed jointly with its wholly-owned Danish subsidiaries. The tax effect of the joint taxation with the subsidiaries is allocated to Danish subsidiaries generating profits as well as Danish subsidiaries generating losses relative to their taxable income (full allocation with reimbursement concerning tax losses). Jointly taxed companies are included in the Danish on-account tax scheme.

Income tax for the year, consisting of the year's current tax and the year's deferred tax, is recognised in the income statement as regards the amount that can be attributed to the profit for the year and posted directly on equity as regards the amount that can be attributed to movements directly on equity. Any share of recognised tax relating to

the year's results on extraordinary activities is attributed to this item, whereas the remainder is attributed to the results on ordinary activities.

Current tax liabilities and current tax receivables are recognised in the balance sheet as receivables if the amount paid on account is too high and as payables if the amount paid on account is too low.

Deferred tax is measured according to the balance sheet liability method on all timing differences between the accounting and tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax losses carried forward, are measured at the amount at which they are expected to be realised, either by setting off tax on future earnings or by setting off deferred tax liabilities within the same legal tax entity and jurisdiction.

Segment information

Information by product group is provided on revenue (as in the 2001 financial statements), profit before financial items, total fixed assets and total liabilities. This information on product groups is based on return, risks and the Company's internal financial management. For items included in the net profit for the year, allocation is made to the extent the items can be attributed directly or indirectly to the segments. Items that are allocated through both direct and indirect calculation comprise cost of sales, distribution costs and administrative expenses. A number of these items can neither be attributed directly nor indirectly to a certain segment and are consequently not allocated. Items allocated by indirect calculation are allocated on the basis of allocation keys that have been defined on the basis of each segment's drawings on key resources.

The fixed assets of a segment comprise intangible assets and property, plant and equipment used directly in the operations of the segment and allocated by indirect calculation. See above.

Segment obligations comprise obligations that have arisen out of the segment operations, including trade payables and other liabilities.

Income statement

Revenue

Revenue represents sales invoiced during the year.

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement if delivery and the transfer of risk to the purchaser have taken place. Revenue is recognised excluding VAT and less discounts and commissions to distributors in connection with the sale.

Cost of sales

Cost of sales comprises costs, including depreciation and wages and salaries, incurred to generate the year's revenue.

Product development costs

Development costs for new products are capitalised from 1 January 2002 as per the information above on the consequences of the implementation of the new Danish Financial Statements Act, where there is sufficient certainty that the capital value of future earnings can cover production and sales costs and administrative expenses and the specific product development costs. The remaining costs under product development costs are costs incurred to update products and feasibility studies, etc. concerning new products, depreciation of fixed assets (test equipment, etc.) acquired in previous years, general product development management, etc.

Sales and distribution costs

Sales and distribution costs comprise costs in the form of salaries to sales and distribution staff, advertising expenses and automobile operating costs, including depreciation.

Administrative expenses

Administrative expenses comprise the costs of administrative staff, management, office premises, office expenses and similar expenses, including depreciation.

Financial items

Financial income and expenses include interest and realised and unrealised exchange rate adjustments.

Balance sheet

Intangible assets

Goodwill: An annual assessment is made of the factors which formed the basis for determining goodwill and the useful economic life. In case of a continuing decrease in the assessment, the necessary impairment losses will be charged to the income statement. The goodwill is amortised over 20 years.

Software: Expenses incurred in connection with the acquisition of basic administrative software are recognised at cost less accumulated depreciation. The cost price includes the purchase price of consultancy assistance and software.

The basis of depreciation for software is determined as the cost price and is allocated on a straight-line basis over the estimated useful economic life, with a maximum of three years.

Completed development projects: Development projects include salaries, amortisation and depreciation and other costs directly and indirectly attributable to the Company's product development activities.

Development projects which are clearly defined and identifiable, where the level of technical utilisation, sufficient resources and a potential future market or business opportunity for the Company can be demonstrated, and where the intention is to manufacture, market or utilise the project are recognised as intangible assets if there is sufficient certainty that the capital value of future earnings can cover production and sales costs, administrative expenses and the specific product development costs.

Development costs that do not meet the criteria for recognition in the balance sheet are recognised as costs in the income statement when incurred.



Capitalised product development costs are measured at the lower of cost less deduction of accumulated depreciation and impairment losses and the recoverable amount.

Upon completion of the development work, capitalised product development costs are charged on a straight-line basis over the period in which it is expected to produce financial benefits – estimated at three to seven years.

Property, plant, and equipment

Property plant and equipment is measured at cost less accumulated depreciation.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets produced in-house, cost comprises direct and indirect costs for labour; materials, components and third-party suppliers.

The depreciation of the Company's property, plant and equipment is based on an estimate of the expected useful economic lives of the individual asset groups and is calculated on a straight-line basis.

Buildings	30 years
Plant and machinery	4 years
Other fixtures and fittings, tools, equipment and automobiles	5 years
IT equipment	3 years

Assets with a purchase price of less than DKK 30,000 per unit are fully depreciated in the year of acquisition.

Leasehold improvements are amortised over the period of interminability.

Impairment of fixed assets

Fixed assets are written down to the recoverable amount, which is the higher of the net sales value and capital value. The recoverable amount is determined if there are indications of impairment, for instance:

- significant technological, market, economic or legal changes which are of significance to the Company's operations or a market in which the asset is used;
- documentation of obsolescence or physical damage to the asset in question; or
- internal reports indicating that the performance of the asset is or will be lower than expected.

Inventories

Inventories are measured at the lower of average cost under the FIFO method and net realisable value. The net realisable value of inventories is calculated as the total of future sales revenues expected, at the balance sheet date, to be generated by inventories in the process of normal operations and determined allowing for marketability, obsolescence and developments in the expected sales sum less the estimated expenses necessary to make the sale.

The cost of goods for resale and raw materials equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with the addition of indirect production costs. Indirect production costs comprise the cost of indirect materials, labour and maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Any borrowing expenses during the period of production are not recognised

Receivables

Receivables are recognised in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to the nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Equity

Dividends: Dividends are recognised as a liability at the time

of adoption by the shareholders in general meeting. Dividends expected to be paid in respect of the year are stated as a separate line item under equity.

Treasury shares: Treasury shares acquired by the Parent Company or subsidiaries are recognised directly in equity at cost. If treasury shares are subsequently sold, any consideration is correspondingly recognised directly in equity. A capital reduction through a cancellation of treasury shares reduces the share capital by an amount corresponding to the nominal value of the shares and increases retained earnings. Dividends in respect of treasury shares are taken directly to retained earnings under equity.

Provisions

Warranty commitments comprise repair of work carried out within the warranty period of one to five years. Provisions are measured and recognised on the basis of experience from warranty work in earlier years.

Other obligations are recognised when, as a consequence of an event that has occurred before or on the balance sheet date, the Company has a legal or actual obligation, and it is likely that economic benefits must be given up to meet the obligation.

Financial liabilities

Debt is measured at amortised cost.

Accruals

Prepayments recognised under assets include costs incurred relating to subsequent financial years and prepaid costs for rent, insurance premiums, subscriptions and interest.

Deferred income recognised under liabilities includes payments received relating to revenue in subsequent years.

Cash flow statement

The consolidated cash flow statement is prepared accord-

ing to the indirect method based on the Group profit. The cash flow statement cannot be derived using only the published financial data.

The cash flow statement shows the Group's cash flows distributed on operating, investing and financing activities, and how these cash flows have influenced the Company's cash and cash equivalents.

Cash flows from operating activities are stated as the consolidated profit adjusted for non-cash operating items such as depreciation and impairment losses, provisions and changes in working capital, interest payments, payments relating to extraordinary items and corporation tax paid. Working capital includes current assets less short-term debt, exclusive of the items included in cash and cash equivalents.

Cash flows from investing activities comprise cash flows from the purchase and sale of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as dividend payments to shareholders and proceeds from share capital increases.

Cash and cash equivalents represents cash (cash and balances in giro and bank accounts) and drawings on the overdraft facility.

Income statement

DKK '000		Group		Parent Company	
Note		2002	2001	2002	2001
1	Revenue	338,012	313,535	308,767	274,427
	Cost of sales	228,164	221,199	228,156	217,143
	Product development costs	24,703	39,055	20,693	29,864
	Gross profit	85,145	53,281	59,918	27,420
	Sales and distribution costs	26,322	36,090	16,567	21,636
	Administrative expenses	32,443	34,541	32,658	27,403
	Goodwill amortisation and impairment	3,780	44,185	3,780	44,185
	Capacity costs	62,545	114,816	53,005	93,224
	Profit/(loss) before restructuring costs	22,600	(61,535)	6,913	(65,804)
	Restructuring costs	15,550	-	15,550	-
	Operating profit/(loss)	7,050	(61,535)	(8,637)	(65,804)
	Income from investments	-	-	11,025	1,009
2	Financial income	4,114	990	4,296	3,768
3	Financial expenses	16,401	16,674	11,921	16,192
	Net Financial items	(12,287)	(15,684)	3,400	(11,415)
	Loss before tax	(5,237)	(77,219)	(5,237)	(77,219)
4	Income tax	(60)	800	(60)	800
	Net loss for the year	(5,177)	(78,019)	(5,177)	(78,019)
	Proposed profit allocation:				
	Retained earnings			(5,177)	(78,019)
	Total			(5,177)	(78,019)

Balance sheet

Assets

DKK '000 as at 31 December

Note	Group		Parent Company		
	2002	2001	2002	2001	
6	Goodwill	36,220	40,000	36,220	40,000
7	IT project	-	41	-	41
8	Completed development projects	3,805	-	3,805	-
	Intangible assets	40,025	40,041	40,025	40,041
9	Leasehold improvements	3,522	4,439	3,522	4,439
10	Land and buildings	19,892	20,556	19,892	20,556
11	Production plant and machinery	5,809	11,603	5,111	10,329
12	Other fixtures and fittings, tools and equipment	1,883	3,953	1,870	3,904
13	Automobiles	639	509	639	509
	Property, plant and equipment	31,745	41,060	31,034	39,737
14	Investments in Group enterprises	-	-	12,283	6,874
15	Deposits	1,904	1,878	1,904	1,878
	Investments	1,904	1,878	14,187	8,752
	Total fixed assets	73,674	82,979	85,246	88,530
	Raw materials and consumables	38,735	47,065	38,735	47,065
	Work in progress	45,594	42,438	45,594	42,438
	Manufactured goods and goods for resale	9,591	22,392	9,123	20,147
	Inventories	93,920	111,895	93,452	109,650
	Receivables from group enterprises	-	-	40,848	53,412
	Trade receivables	56,575	64,945	1,235	1,505
	Other receivables	388	7,293	212	3,113
5	Deferred tax asset receivable	22,763	22,763	19,531	17,829
	Receivables	79,726	95,001	61,826	75,859
	Cash	10,528	3,804	9,937	1,688
	Total current assets	184,174	210,700	165,215	187,197
	Total assets	257,848	293,679	250,461	275,727

Equity and liabilities

DKK '000 as at 31 December

Note	Group		Parent Company	
	2002	2001	2002	2001
Share capital	21,875	43,750	21,875	43,750
Share premium	18,882	-	18,882	-
Retained earnings	-	(41,683)	-	(41,683)
Equity	40,757	2,067	40,757	2,067
Provision for restructuring	8,515	-	8,515	-
Warranty commitment and other obligations	3,071	12,322	3,071	10,818
Provisions	11,586	12,322	11,586	10,818
Bank debt	99,788	99,895	99,788	99,895
Mortgage debt	3,923	5,329	3,923	5,329
16 Long-term debt	103,711	105,224	103,711	105,224
Portion of long-term debt due within one year	1,406	1,321	1,406	1,321
Bank debt	36,501	110,719	36,501	99,289
Trade payables	29,646	41,749	26,048	34,608
Debt to EuroMarine Group company	15,000	-	15,000	-
Income taxes	-	800	-	800
17 Other payables	19,241	19,477	15,452	21,600
Short-term debt	101,794	174,066	94,407	157,618
Total debt	205,505	279,290	198,118	262,842
Total equity and liabilities	257,848	293,679	250,461	275,727

18 Staff costs

19 Fees to auditors appointed at the general meeting

20 Contingent liabilities

21 Exchange rate and interest rate risks

22 Related parties

Shareholders' equity

DKK '000					Group
	Share capital	Share premium account	Retained profit	Proposed dividends	Total
Shareholders' equity at 1 January 2001	43,750	36,336	-	-	80,086
Transfer to cover loss	-	(36,336)	36,336	-	-
Loss for the year	-	-	(78,019)	-	(78,019)
Shareholders' equity at 1 January 2002	43,750	-	(41,683)	-	2,067
Capital reduction, transfer to reserves	(39,375)	-	39,375	-	-
Capital increase from rights issue	17,500	32,375	-	-	49,875
Costs of rights issue	-	(6,008)	-	-	(6,008)
Loss for the year	-	-	(5,177)	-	(5,177)
Transfer to cover loss	-	(7,485)	7,485	-	-
Shareholders' equity at 31 Dec. 2002	21,875	18,882	-	-	40,757

DKK '000					Parent company
	Share capital	Share premium account	Retained profit	Proposed dividends	Total
Shareholders' equity at 1 January 2001	43,750	36,336	-	-	80,086
Transfer to cover loss	-	(36,336)	36,336	-	-
Transfer from profit allocation	-	-	(78,019)	-	(78,019)
Shareholders' equity at 1 January 2002	43,750	-	(41,683)	-	2,067
Capital reduction, transfer to reserves	(39,375)	-	39,375	-	-
Capital increase from rights issue	17,500	32,375	-	-	49,875
Costs of rights issue	-	(6,008)	-	-	(6,008)
Transfer from profit allocation	-	-	(5,177)	-	(5,177)
Transfer to cover loss	-	(7,485)	7,485	-	-
Shareholders' equity at 31 Dec. 2002	21,875	18,882	-	-	40,757

The share capital consists of 21,875,000 shares of DKK 1 each.

The Company's portfolio of treasury shares was 87,000 shares at 31 December 2002 and 31 December 2001.

Movements in share capital over the past five years (DKK '000):

1 January 1998	8,000
1998, capital increase, transfer from reserves	32,000
1998, IPO	3,500
1999, capital increase from employee shares	250
2002, share split from DKK 10 to DKK 1 each	(39,375)
2002, capital increase from rights issue	17,500
Total	21,875

Consolidated cash flow statement

DKK '000		Group	
Note		2002	2001
	Loss for the year	(5,177)	(78,019)
23	Adjustments	26,993	58,132
24	Change in working capital	18,159	47,304
	Cash flows from operations before financial items	39,975	27,417
	Interest, etc., received	4,114	989
	Interest, etc., paid	(16,401)	(16,675)
	Cash flows from ordinary activities	27,688	11,731
	Income taxes paid	(740)	-
	Cash flows from operating activities	26,948	11,731
	Purchase of intangible assets	(4,263)	(89)
	Purchase of property, plant and equipment	(740)	(9,131)
	Purchase of treasury shares	-	-
	Impact from divestment of Sailor Norge AS	1,459	6,152
	Sale of property, plant and equipment	100	419
	Cash flows from investing activities	(3,444)	(2,649)
	Instalments on long-term debt	(1,428)	(1,499)
	Proceeds from loan raised	15,000	-
	Dividends paid	-	-
	Proceeds from capital increase	43,867	-
	Cash flows from financing activities	57,439	(1,499)
	Change in cash and cash equivalents	80,943	7,583
	Net cash and cash equivalents at 1 January	(106,916)	(114,499)
25	Net cash and cash equivalents at 31 December	(25,973)	(106,916)

Notes to the financial statements

DKK '000		Group		Parent Company	
Note		2002	2001	2002	2001
1	Revenue				
	Revenue by product group (Primary segment)				
	MF/HF	90,126	80,318		
	VHF	93,756	79,718		
	Satcom products	114,268	98,170		
	Other products	30,700	49,769		
	Non-allocated items	9,162	5,560		
	Total	338,012	313,535		
	Revenue by market (Secondary segment)				
	Denmark	23,563	18,639		
	Europe (other than Denmark)	197,387	185,786		
	North America	24,035	35,267		
	Asia	56,929	47,779		
	Rest of the world	36,098	26,064		
	Total	338,012	313,535		
2	Financial income				
	Exchange differences	2,264	876	1,545	(18)
	Interest from Group enterprises	-	-	2,552	3,755
	Debtors	1,313	(95)	31	-
	Bank, etc.	169	209	74	31
	Other	368	-	94	-
	Total	4,114	990	4,296	3,768
3	Financial expenses				
	Exchange differences	4,304	2,285	1,137	2,025
	Bank, mortgage credit	10,514	14,456	9,910	14,149
	Other	1,583	(67)	874	18
	Total	16,401	16,674	11,921	16,192

DKK '000		Group		Parent Company	
Note	2002	2001	2002	2001	
4	Income taxes				
	Prior-year adjustment	(60)	800	(60)	800
	Calculated tax on taxable income for the year	-	-	-	-
	Tax effect of joint taxation	-	-	(759)	490
	Tax in subsidiaries	-	-	2,461	(723)
	Change in deferred tax provision	-	-	(1,702)	233
	Total	(60)	800	(60)	800

The Group did not pay income taxes in respect of 2001.

5	Deferred income taxes				
	Specification of deferred income taxes:				
	Deferred income taxes at 1 January	22,763	22,763	17,829	17,596
	Adjustments for the year	-	-	1,702	233
	Total	22,763	22,763	19,531	17,829
	The Company's total tax assets:				
	Tax loss	33,184	31,819	32,111	31,819
	Fixed assets	7,867	6,174	6,926	5,425
	Current assets	1,751	3,885	-	-
	Provisions	3,446	3,635	3,446	3,335
	Total	46,248	45,513	42,483	40,579

The tax rate applied to calculate deferred tax is 30%. The tax value of the Company's tax losses carried forward is recognised in the balance sheet in the amount of DKK 23 million, which is the same amount as in 2001.

6	Goodwill				
	Cost at 1 January	144,947	144,947	144,947	144,947
	Cost at 31 December	144,947	144,947	144,947	144,947
	Amortisation and impairment at 1 January	104,947	60,762	104,947	60,762
	Amortisation	3,780	7,247	3,780	7,247
	Impairment	-	36,938	-	36,938
	Amortisation and impairment at 31 December	108,727	104,947	108,727	104,947
	Carrying amount at 31 December	36,220	40,000	36,220	40,000

Notes to the financial statements

DKK '000		Group		Parent Company	
Note		2002	2001	2002	2001
7	IT project				
	Cost at 1 January	7,115	7,115	7,115	7,115
	Cost at 31 December	7,115	7,115	7,115	7,115
	Amortisation and impairment at 1 January	7,074	4,698	7,074	4,698
	Amortisation	41	2,376	41	2,376
	Amortisation and impairment at 31 December	7,115	7,074	7,115	7,074
	Carrying amount at 31 December	-	41	-	41
8	Completed development projects				
	Cost at 1 January	-	-	-	-
	Additions	4,263	-	4,263	-
	Cost at 31 December	4,263	-	4,263	-
	Amortisation and impairment at 1 January	-	-	-	-
	Amortisation	458	-	458	-
	Amortisation and impairment at 31 December	458	-	458	-
	Carrying amount at 31 December	3,805	-	3,805	-
9	Leasehold improvements				
	Cost at 1 January	7,277	7,188	7,277	7,188
	Additions	-	89	-	89
	Cost at 31 December	7,277	7,277	7,277	7,277
	Depreciation and impairment at 1 January	2,838	1,776	2,838	1,776
	Depreciation	917	1,062	917	1,062
	Depreciation and impairment at 31 December	3,755	2,838	3,755	2,838
	Carrying amount at 31 December	3,522	4,439	3,522	4,439

DKK '000		Group		Parent Company	
Note		2002	2001	2002	2001
10	Land and buildings				
	Cost at 1 January	27,464	25,030	27,464	25,030
	Additions	235	4,244	235	4,244
	Disposals	-	1,810	-	1,810
	Cost at 31 December	27,699	27,464	27,699	27,464
	Depreciation at 1 January	6,908	7,784	6,908	7,784
	Depreciation	899	788	899	788
	Disposals	-	1,664	-	1,664
	Depreciation at 31 December	7,807	6,908	7,807	6,908
	Carrying amount at 31 December	19,892	20,556	19,892	20,556

At the latest property valuation, the properties of the Group and the Parent Company were assessed at DKK 25,000 thousand. The properties of the Group and the Parent Company with a book value of DKK 19,892 thousand (31 December 2001: DKK 20,556 thousand) are used as security for the Group's and the Parent Company's mortgage debt.

11	Plant and machinery				
	Cost at 1 January	74,620	104,794	70,963	101,229
	Payments on account at 1 January	-	1,301	-	1,301
	Disposals	283	34,106	203	33,774
	Additions	62	5,152	62	4,809
	Payments on account at 31 December	-	194	-	194
	Cost at 31 December	74,399	74,733	70,822	71,157
	Depreciation and impairment at 1 January	63,211	90,422	60,829	88,497
	Depreciation on disposals	283	34,033	203	33,701
	Depreciation	5,662	6,741	5,085	6,032
	Depreciation and impairment at 31 December	68,590	63,130	65,711	60,828
	Carrying amount at 31 December	5,809	11,603	5,111	10,329

Notes to the financial statements

DKK '000		Group		Parent Company	
Note		2002	2001	2002	2001
12	Other fixtures and fittings, tools and equipment				
	Cost at 1 January	10,371	14,478	9,983	12,579
	Disposals	283	5,077	130	3,438
	Additions	73	842	73	842
	Cost at 31 December	10,161	10,243	9,926	9,982
	Depreciation and impairment at 1 January	6,418	8,617	6,079	7,382
	Depreciation on disposals	283	4,470	130	3,408
	Depreciation	2,143	2,143	2,107	2,104
	Depreciation and impairment at 31 December	8,278	6,290	8,056	6,078
	Carrying amount at 31 December	1,883	3,953	1,870	3,904
13	Automobiles				
	Cost at 1 January	1,340	2,156	1,206	1,872
	Disposals	417	949	283	665
	Additions	370	-	370	-
	Cost at 31 December	1,293	1,207	1,293	1,207
	Depreciation at 1 January	831	1,250	698	966
	Depreciation on disposals	412	779	279	495
	Depreciation	235	227	235	227
	Depreciation at 31 December	654	698	654	698
	Carrying amount at 31 December	639	509	639	509

Note	Registered office	Ownership interest	Equity at 31.12.2002 DKK '000	Net profit for the year DKK '000	Dividends DKK '000	
14	Investments in Group enterprises					
	S.P. Radio A/S	Aalborg	100%	11,083	5,918	-
	Skanti A/S	Aalborg	100%	(683)	2,472	-
	ECI Satellite Communication A/S	Aalborg	100%	1,883	174	-
	Total			12,283	8,564	-

DKK '000	Group		Parent Company	
	2002	2001	2002	2001
Cost at 1 January			26,123	1,123
Additions			-	25,000
Cost at 31 December			26,123	26,123
Value adjustment at 1 January			(22,404)	(22,690)
Shares of results for the year before tax			11,025	1,009
Tax on shares of results			(2,461)	(723)
Value adjustment at 31 December			(13,840)	(22,404)
Investments with negative net asset value charged to receivables from Group enterprises			-	3,155
Carrying amount at 31 December			12,283	6,874
15	Deposits			
Cost at 1 January	1,878	1,878	1,878	1,878
Additions	26	-	26	-
Cost at 31 December	1,904	1,878	1,904	1,878

DKK '000	Group		Parent Company	
Note	2002	2001	2002	2001
Breakdown of debt:				
Mortgage institutions:				
Long-term	3,923	5,329	3,923	5,329
Short-term	1,406	1,321	1,406	1,321
Total mortgage institutions	5,329	6,650	5,329	6,650
Credit institutions:				
Long-term	99,788	99,895	99,788	99,895
Short-term	-	-	-	-
Total credit institutions	99,788	99,895	99,788	99,895
Total debt	105,117	106,545	105,117	106,545
The debt is included in the following balance sheet items:				
Long-term debt	103,711	105,224	103,711	105,224
Short-term debt	1,406	1,321	1,406	1,321
Nominal value	105,117	106,545	105,117	106,545
Market value	105,144	106,588	105,144	106,588

Notes to the financial statements

<i>DKK '000</i>		Group		Parent Company	
Note		2002	2001	2002	2001
17	Other payables				
	Income taxes and other taxes	2,739	2,454	2,754	6,797
	Holiday pay and social contributions	8,269	9,187	8,270	9,180
	Other accrued expenses	8,233	7,836	4,428	5,623
	Total	19,241	19,477	15,452	21,600
18	Staff costs				
	Vages and salaries	84,779	99,079	83,127	92,770
	Pensions	7,893	5,269	7,868	5,057
	Social security costs	1,322	1,595	1,317	1,513
	Total	93,994	105,943	92,312	99,340
	Remuneration to management	-	-	2,652	2,041
	Remuneration to board of directors	155	120	120	120
	Average number of employees during the financial year	253	281	250	276
	Number of employees at year-end	235	271	235	265
19	Fees to auditors appointed at the general meeting				
	Total fees for the past financial year:				
	Audit:				
	PricewaterhouseCoopers	986	1,412	759	1,285
	Deloitte & Touche	344	540	346	540
	Non-audit services:				
	PricewaterhouseCoopers	1,078	428	1,050	355
	Deloitte & Touche	720	-	720	-
	Total	3,128	2,380	2,875	2,180

20 Contingent liabilities

The Parent Company is jointly and severally liable for all corporate income taxes together with the other jointly taxed companies. Guarantees have been granted for goods delivered and offers made to a few customers in the form of bankers' guarantees of DKK 2,867 thousand. Guarantees have been granted to a few suppliers in the form of bankers' guarantees of DKK 5,700 thousand. The Parent Company has rent commitments of DKK 23,636 thousand (2001: DKK 29,048 thousand) concerning leases.

21 Exchange rate and interest rate risks

Exchange rate risks

The Group has not entered into any contracts to hedge exchange rate risks.

DKKm

Currency	Payment/ expiry	Receiv- ables	Liabilities	Net position
EUR	< 1 year	40.7	9.2	31.5
EUR	> 1 year	-	69.8	(69.8)
USD	< 1 year	7.2	5.3	1.9
Total		48.0	84.3	(36.3)

Interest rate risk

The following review and repayment times apply to the Group's financial assets, depending on which date is first.

DKKm

Category	0-1 years	1-5 years	> 5 years	Effective rate %
Trade receivables	56.6	-	-	0.0
Other receivables	0.4	-	-	0.0
Mortgage and other credit institutions	(1.4)	(3.9)	(99.8)	4.8
Credit institutions, short-term	(36.5)	-	-	4.3
Other short-term debt	(63.9)	-	-	0.0
Net	(44.8)	(3.9)	(99.8)	

Out of the combined debt, DKK 5.3 million is at fixed rates. The remaining DKK 136.3 million is at floating rates. The effective interest rates have been calculated on the basis of the interest rate level at 31 December 2002.

22 Related parties

ECI's largest shareholder is EuroMarine Electronics GmbH, Hamburg, Germany, holding 59,65% of the share capital. ECI holds the status of "preferred supplier" in relation to EuroMarine. In 2002, EuroMarine accounted for 10-15% of ECI's revenue, which was lower than in 2001 because of the divestment of the SRH-Group in early 2001. Transactions with EuroMarine take place on arm's length terms. In addition, EuroMarine has issued a letter of awareness to ECI's bankers. ECI paid a fee of DKK 0.43 million in this respect. ECI has obtained a short-term loan of DKK 15 million from a EuroMarine Group company on market terms. ECI has made a compromise with STN Atlas Electronics GmbH on behalf of ECI Satellite Communication A/S concerning a discontinued development project by paying DKK 2.6 million.

DKK '000		Group	
Note		2002	2001
23	Adjustments		
	Amortisation and depreciation	14,134	57,523
	Impairment and revaluation	559	-
	Interest, etc., received	(4,114)	(990)
	Interest, etc., paid	16,401	16,674
	Income tax on the profit/loss for the year	(60)	800
	Other adjustments	809	-
	Adjustment of other provisions	(736)	(15,875)
	Total adjustments	26,993	58,132
24	Change in working capital		
	Change in receivables	19,404	13,595
	Change in inventories	11,120	20,206
	Change in trade payables	(12,339)	13,503
	Change in deposits	(26)	-
	Total change in working capital	18,159	47,304
25	Cash and cash equivalents at 31 December		
	Cash and cash equivalents	10,528	3,804
	Short-term bank debt	(36,501)	(110,720)
	Net	(25,973)	(106,916)



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