



COBRA ELECTRONICS CORPORATION
1998 SUMMARY ANNUAL REPORT



CORPORATE PROFILE

COMPANY PROFILE

Cobra Electronics Corporation, headquartered in Chicago, IL, designs and markets consumer electronics products. These include *SoundTracker*® and *Night Watch*™ CB radios and *Micro TALK*™ Family Radio Service two-way radios, *6 Band*™ detectors, *Private Call*® 900 MHz cordless telephones, *Safety Alert*® receivers and *Turbo*™ power inverters in the U.S. and around the world, as well as *Safety Alert* transmitters for emergency, road construction and public utility vehicles and the railroad industry.

TRANSFER AGENT AND REGISTRAR

Shareholder address changes should be sent directly to:

American Stock Transfer & Trust Company

40 Wall Street, New York, NY 10005

(212) 936-5100.

FORM 10-K AND PROXY STATEMENT

A copy of the company's Form 10-K and Proxy Statement will be sent to shareholders upon written request to Gerald M. Laures, or by e-mail to Glaures@Cobraelec.com.

ANNUAL MEETING

You are cordially invited to Cobra Electronics Corporation's annual meeting of shareholders, to be held on Tuesday, May 11, 1999 at 11:00 a.m. The meeting will be held at the Offices of Sidley & Austin, One First National Plaza, 55th Floor, Room 2-C, Chicago, IL 60603.

Record date for voting at the meeting is April 2, 1999.

SUMMARY ANNUAL REPORT

This report is in a summary format. It is intended to present 1998 results in a simple, readable style. The more detailed operational and financial material included in the previous annual reports is now part of the Proxy Statement.

ABOUT THE COVER



As recently as a few years ago, Cobra products were targeted primarily at a small number of niche markets and were distributed in selected channels only. Today, Cobra's innovative products appeal to a wide variety of active consumers and can be found in a rapidly expanding number of retail channels.

FINANCIAL HIGHLIGHTS

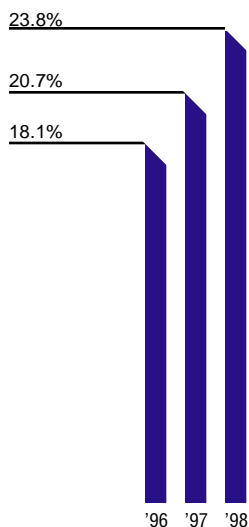
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(In thousands, except per share amounts)	1998	1997	Change
Operating Data:			
Net sales	\$ 103,414	\$ 104,098	(.7)%
Gross profit	24,661	21,551	14.4%
Operating income	4,914	4,896	.4%
Gain on sale of building	–	1,132	–
Tax provision (benefit)	(10,403)	–	–
Net income	14,200	4,692	202.6%
Net income per common share:			
Basic	2.30	0.76	206.6%
Diluted	2.20	0.73	201.4%
As of December 31:			
Total assets	64,419	48,279	33.4%
Short-term debt	14,316	10,995	30.2%
Shareholders' equity	37,496	23,673	58.4%
Book value per share	6.18	3.81	62.2%
Shares outstanding	6,066	6,218	(2.4)%

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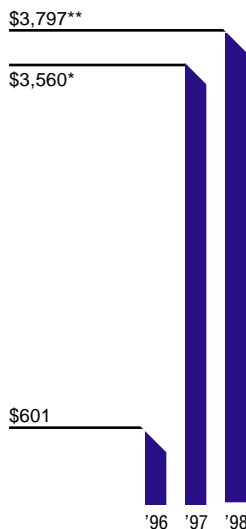
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Gross Margin

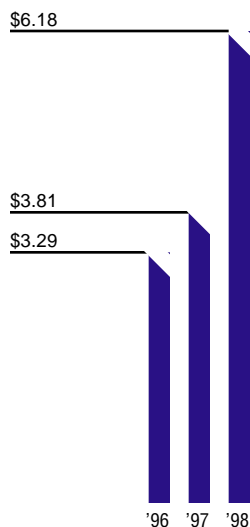


Net Income

(\$000)



Book Value Per Share



* Excludes a one-time building sale gain

** Excludes an income tax benefit

TO OUR SHAREHOLDERS

Keeping track of family members. Saving lives on our roadways. Facilitating the flow of commerce across the country. These are just some of the things Cobra Electronics did in 1998 to make consumers' lives easier, a whole lot safer and, in some ways, even more productive.

We also significantly increased our domestic sales and overall earnings, but looking at numbers alone doesn't begin to explain how Cobra's products have become an important part of people's lives in very positive ways. That kind of acceptance is much more gratifying, and it ultimately will make for a much stronger company over the long term. Throughout this year's annual report, you will see some of the ways our products have made a difference in the lives of our consumers.

This difference resulted in a year marked by steady improvement in domestic sales and overall earnings despite a difficult international sales environment. Excluding the effects of an income tax benefit in 1998 and a gain from the sale of a building in 1997, net income for the year increased 6.7%, or \$0.04 per diluted share. While overall sales for 1998 were about flat at \$103.4 million compared to \$104.1 million in 1997, domestic sales grew an impressive 14%. Gross margin also showed impressive growth, increasing to 23.8% from 20.7% for 1997.

One of the primary drivers of our domestic sales growth was the overwhelming acceptance of our new *Micro TALK* line of Family Radio Service ("FRS") two-way radios. In fact, just four months after its September 1998 national introduction, *Micro TALK* radios ranked number two in terms of shelf space by a wide margin in this fast-growing category. We believe the success of this line has everything to do with our innovative product development capability, which allowed us to stay ahead of the FRS boom and correctly anticipate what consumers would be looking for in a product of this type. The across-the-board popularity of the models also facilitated an expansion of our distribution network—a key goal of ours at the beginning of 1998. Specifically, *Micro TALK* radios led to the penetration of two exciting new distribution channels: office supply and sporting goods.

The *Micro TALK* line is just one of 1998's successes. A host of other innovative products also helped increase our distribution profile and added to our domestic sales growth during the year. In detectors, our proprietary *6 Band* line drove significantly higher sales and market share gains in that category, solidifying Cobra's position as the number two brand in that market. We'll extend our technological edge in this category as our new *7 Band*TM technology rolls out.

In CB radios, our proprietary *SoundTracker* technology, which took the market by storm in 1997, has been incorporated across most of our line of CBs, continuing the tradition of market leadership and innovation we have enjoyed for over twenty-five years. We added to that reputation

“Overwhelming acceptance of our *Micro TALK* radios helped drive our domestic sales to a 14% gain last year.”



Carl Korn
Chairman of the Board

with our new *NightWatch* line of CBs introduced at the January 1999 International Consumer Electronics Show. This technology incorporates illuminated front panels that allow users to adjust the backlighting to accommodate low light situations. *NightWatch* radios will enhance convenience and safety by making it easier for drivers to see and adjust their CB controls at night.

Our *Safety Alert* technology continued to pass important milestones in 1998, which leave us optimistic about its eventual success. One of those milestones was the placement of the 2,000th *Safety Alert* transmitter. We also achieved transmitter coverage in all 50 states. Placement of more and more of these transmitters on police, fire and emergency vehicles across the country will facilitate further expansion of this important program. Another *Safety Alert* milestone will be reached in the Spring of 1999 when the Illinois Department of Transportation completes its preliminary testing for the pilot study using *Safety Alert* technology to provide a complete in-vehicle warning system at five railroad crossings in Northern Illinois. The full scale testing is currently scheduled to begin in mid-1999.

In 1998 we also have laid the groundwork for higher sales in Europe in 1999. We established new distribution for this part of the world and will introduce new CB and *Micro TALK* products developed especially for the European market.

In addition to our strong domestic growth during the year, we also sought to build our business through strategic acquisitions. Despite terminating our negotiations to acquire Bel-Tronics Company early this year, we continue to believe that acquisitions will be an important growth vehicle for us in the years ahead. With this in mind, our acquisition program will remain a priority in 1999.

1998 was a year of progress and it has set the stage for top and bottom line growth in 1999. The challenge is and will continue to be providing communications tools which simply make people's lives easier and safer. Our solid track record at doing just that reinforces our optimistic view of 1999.

We would like to thank you, our shareholders, for your continued support, and our employees and vendor partners, all of whom helped make 1998 a successful year.

Sincerely,

Carl Korn
Chairman of the Board

James Bazet
President and Chief Executive Officer
Chicago, Illinois, March 29, 1999



James Bazet
President and
Chief Executive Officer

Cobra has a long and distinguished history of providing communications products that enhance safety and convenience, with more of these products being put to use in the workplace than ever before. Perhaps the most obvious example is the CB radio, which continues to be the most vital “tool of the trade” for some of the hardest-working people anywhere: professional truck drivers.



See the light!

Cobra’s breakthrough *NightWatch* technology makes night driving more convenient—and much safer—for professional truck drivers.

In 1999 Cobra is once again responding to its consumers’ needs by introducing the *NightWatch* line of illuminated radios, which enhance drivers’ safety by making it dramatically easier for them to see and adjust their CB controls at night.

Cobra’s *Safety Alert* traffic warning system is also finding a home for itself in the workplace. Road construction companies are utilizing *Safety Alert* transmitters as a cost-effective way to improve safety by alerting motorists to reduce speed as they approach highway work zones. In addition, more and more municipalities and organizations are installing *Safety Alert* transmitters as a means of improving the response times and safety of their emergency vehicles.

Perhaps the greatest opportunity for Cobra to expand its penetration of the workplace is its new line of *MicroTALK* two-way radios. The number of potential business-related applications for this technology is almost endless, including construction crews, retail stores, restaurants and warehouses. Many of these businesses have traditionally used large, heavy, expensive radios for their two-way communications. Cobra’s *MicroTALK* radios are dramatically smaller, lighter and less expensive. To reach these businesses, Cobra was able to gain placement of two of its models in the OfficeMax chain in late 1998.

COBRA MEANS BUSINESS! Cobra *MicroTALK* radios are much more compact and convenient, yet much less expensive, than traditional two-way business radios.



————— *MicroTALK* radios are allowing Cobra to participate in—and enhance—its consumers’ lifestyles in ways that were previously unimaginable.

These ingenious two-way radios let families and friends easily keep in touch in hundreds of situations where they typically get separated and out of earshot, such as shopping malls, amusement parks and ski resorts. Parents can now maintain contact with children who ride their bikes to friends’ houses or neighborhood parks. In the event of an emergency—or to call them home for dinner—parents can make instant contact with the simple push of a button. And families traveling closely together can use their *MicroTALK* radios for car-to-car conversations about meal plans or travel directions.



Made for malls!

Cobra’s *MicroTALK* two-way radios make it easy for friends and families to keep connected even when they’re at opposite ends of the mall.

Cobra’s *MicroTALK* radios are unmatched when it comes to user-friendliness. Special features that have received rave reviews from consumers—as well as numerous influential publications—include: incoming call alert that lets one user “ring” another user; voice scrambling that keeps conversations private; talk confirmation tones that subtly let users know when the other party is done talking; and a retractable antenna for enhanced comfort. These features—coupled with outstanding sales results—enabled the *MicroTALK* line to be named “Product of the Year” by one prominent retailer and to receive *four* Design& Engineering awards at the 1999 International Consumer Electronics Show. With this kind of acclaim, it’s no wonder the *MicroTALK* line rocketed to the category’s number two position in retail shelf space only four months after its national introduction.

Cobra CB radios are also a frequent source of entertainment. In addition to serving as a vital and longer-range communications link, CB radios are used by professional drivers and other motorists as a lively “chat site” to keep them alert and stimulated as they navigate the nation’s roads and highways. More and more young adults are finding that CB radios can be an economical—and *fun*—alternative to cellular phones when it comes to staying in touch around town and on the road.

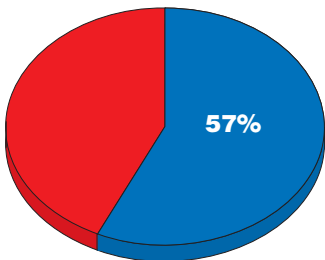
PERFECT FOR PARKS!

Now amusement park goers can split up and still stay in touch, thanks to Cobra's *MicroTALK* two-way radios.



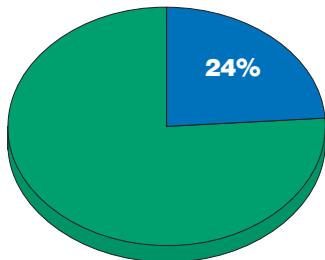
Cobra: Strong Market Shares In Three Core Markets

Mobile CB Radios



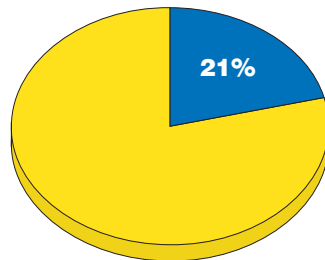
Cobra ranking: #1

Radar Detectors



#2

FRS Radios



#2

Source: Industrial Marketing Research, Inc.
(4th Quarter 1998)

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————— Much of Cobra's growth in CB sales in recent years has been due to the outdoorsman, who has found handheld CB radios to be a very effective and affordable means of two-way communications.

Outstanding outdoors!

Cobra's ultra-compact *MicroTALK* radios are ideal for hiking, camping, bicycling, skiing—just about any outdoor activity.



Cobra enhanced its appeal to this market significantly in late 1998 with the introduction of two handheld models that are 45% smaller than previous models. 1999 will witness the introduction of two more unique models: one incorporating *SoundTracker* technology and three weather channels, and the other targeting first-time users with an attractive design and the lowest price of any Cobra handheld CB ever.

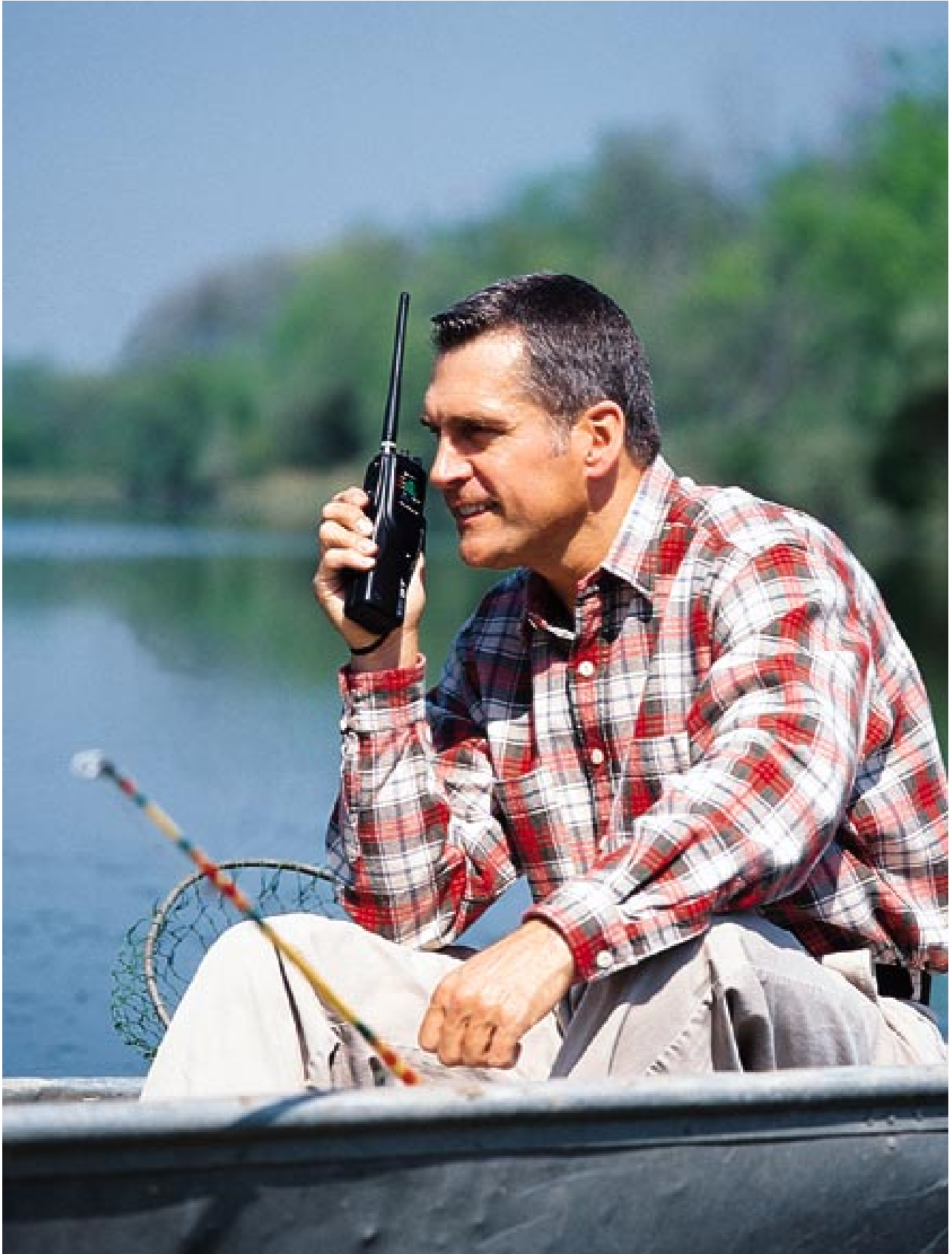
Cobra's mobile CBs are also gaining favor with "four-wheelers", that rapidly-growing group of sport-utility vehicle owners who enjoy off-road pursuits. For the second year in a row, Cobra will be the Official CB of Jeep Jamboree, a very active and visible organization that conducts heavily-attended "road rallies" across the country.

As expected, Cobra's *MicroTALK* radios are also proving to be extremely popular in the great outdoors. Cobra's top-of-the-line model incorporates a unique feature that fishermen and hunters especially love: *VibrAlert*[™] call alert, which allows users to contact each other using a silent vibration. In mid-1999, Cobra will introduce a new model that includes this feature and adds *ten* weather channels.

To capitalize on this outstanding opportunity represented by the outdoorsman, Cobra in 1998 formed a national network of manufacturer's representatives to call on the sporting goods market. As a result, Cobra products are now distributed in several national and regional sporting goods chains for the first time in company history.

TAKING THE BAIT!

Cobra handheld CB radios—many incorporating weather channels—are a big hit with fishermen and other sportsmen.



Cobra cordless telephones have been enhancing convenience in American homes for years, and Cobra's *Private Call* 900 MHz phones maintain that proud tradition. Offering such features as speaker phones, two-line capability and *Private Call* voice scrambling, Cobra's latest phones are ideal for home office workers.



No more dinner bells!

Cobra *MicroTALK* radios let parents call children home for dinner with the simple push of a button.

In addition, only Cobra offers a free headset with every phone. The lightweight headset allows "hands-free" operation so users can work on the computer, in the kitchen or in the yard while simultaneously talking on the phone. And Cobra's 900 MHz technology provides outstanding sound clarity and range that will extend all around the home, into the backyard and beyond.

Also seeing a lot of use in and around the home is Cobra's line of *MicroTALK* two-way radios. The number of uses for these innovative radios is almost endless: Mom in the kitchen calling her son home from the park for dinner; Dad installing a ceiling fixture in the upstairs bedroom telling Mom when to turn the fuse box back on in the basement; a daughter at the corner grocery store calling Mom in the den to ask questions about the grocery list; and so on.

MicroTALK radios also provide a valuable sense of security around the home. Parents know they can contact—or be contacted by—their kids with the simple push of a button wherever they might be in the neighborhood. Adding to this sense of security—and taking a page from Cobra's cordless phone heritage—*MicroTALK* radios are available with *Private Call* voice scrambling for completely private conversations.

HANDS OFF!

“Hands-free” headsets let busy consumers talk on Cobra’s 900 MHz cordless phones while performing any number of other activities around the house.



Cobra knows that today's consumers are more concerned about safety and security than ever before, and Cobra products address these needs today better than ever before.



Why the Safety Alert Traffic Warning System Is So Important:

- Every year approximately 20,000 people are killed or injured in accidents involving police cars
- Vehicle accidents are the number one cause of police officer fatality
- Every two hours a train collides with a motor vehicle somewhere in this country
- Work zone accidents kill or injure over 37,000 people annually
- Each year there are over 30,000 accidents involving school buses carrying children



Taking the market by storm!

Weather channels allow Cobra CB—and soon MicroTALK—radios to help keep users out of harm's way.

Cobra CB radios continue to be a highly effective and affordable means for professional drivers and regular motorists alike to access help in an emergency. Many Cobra CB radios also incorporate anywhere from three to ten NOAA weather channels to keep drivers and outdoorsmen aware of weather emergencies or other natural disasters. In mid-1999, Cobra will introduce its first MicroTALK radio with ten weather channels.

An intense focus on safety is one big reason why Cobra's 6-Band Extra Sensory Detection™ line-up made Cobra the fastest-growing radar detector brand in the country in 1998. While competitive models provide only four band detection (three radar bands and one laser band), Cobra's breakthrough line-up also detects two additional bands: the Safety Alert traffic warning system, and police VG-2 devices. As a result of this competitive superiority, Cobra was able to gain new retail placement in such high-profile retailers as Best Buy, Circuit City, Kmart, QVC and Sears.

Cobra achieved a major milestone in 1998 with its announcement that Safety Alert transmitters are now installed in all 50 states. In addition, Safety Alert transmitters will play an integral role in one of the country's most comprehensive studies designed to reduce accidents at railroad crossings. This high-profile study, which features Safety Alert transmitters at five railroad crossings in the Chicago area, will commence in mid-1999. Around the same time, Safety Alert transmitters will also be featured in a Federal Highway Administration program to improve highway work zone safety in four Midwestern states.

CAUTION—TRAIN APPROACHING! Cobra's *Safety Alert* traffic warning system is part of a high profile Illinois Department of Transportation study designed to improve safety at railroad crossings.



Cobra Electronics Corporation
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Chicago, Illinois 60707
(773) 889-8870

CONSOLIDATED STATEMENTS OF INCOME

Cobra Electronics Corporation

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In thousands, except per share amounts	Years Ended December 31,		
	1998	1997	1996
Net sales	\$ 103,414	\$ 104,098	\$ 90,324
Cost of sales	78,753	82,547	73,954
Gross profit	24,661	21,551	16,370
Selling, general and administrative expense	19,747	16,655	14,374
Operating income	4,914	4,896	1,996
Other income (expense):			
Interest expense	(1,204)	(1,276)	(1,670)
Gain on sale of building	—	1,132	—
Other income (expense), net	87	(60)	275
Income before income taxes	3,797	4,692	601
Tax provision (benefit)	(10,403)	—	—
Net income	\$ 14,200	\$ 4,692	\$ 601
Net income per common share:			
Basic	\$ 2.30	\$ 0.76	\$ 0.10
Diluted	\$ 2.20	\$ 0.73	\$ 0.10
Weighted average shares outstanding:			
Basic	6,181	6,207	6,231
Diluted	6,469	6,459	6,285

QUARTERLY FINANCIAL DATA (UNAUDITED)

In thousands, except per share amounts	Quarter Ended							
	March 31		June 30		September 30		December 31	
	1998	1997	1998	1997	1998	1997	1998	1997
Net sales	\$21,172	\$17,915	\$22,440	\$29,472	\$26,223	\$31,353	\$33,579	\$25,358
Cost of sales	16,921	14,403	16,976	23,776	19,720	24,585	25,136	19,783
Gross profit	4,251	3,512	5,464	5,696	6,503	6,768	8,443	5,575
Selling, general and administrative expense	3,737	3,134	4,096	4,147	5,300	5,022	6,614	4,352
Operating income (loss)	514	378	1,368	1,549	1,203	1,746	1,829	1,223
Gain on sale of building	—	—	—	—	—	1,132	—	—
Tax provision (benefit)	—	—	—	—	—	—	(10,403)	—
Net income	237	93	1,265	1,249	678	2,625	12,020	725
Net income per share (a):								
Basic	0.04	0.01	0.20	0.20	0.11	0.43	1.98	0.12
Diluted	0.04	0.01	0.19	0.20	0.11	0.39	1.92	0.11
Weighted average shares outstanding:								
Basic	6,218	6,242	6,235	6,242	6,210	6,170	6,066	6,173
Diluted	6,625	6,332	6,539	6,308	6,383	6,652	6,273	6,643
Stock Price								
High	8 5/8	3 5/8	6 3/4	3 3/8	5 5/8	8 7/8	6 1/4	10 7/8
Low	5 5/8	2 1/2	4 3/4	2 1/2	3 1/2	2 13/16	3 5/8	5 1/4
End of Quarter	6 1/4	2 7/8	5 1/16	3 5/32	3 3/4	7 3/8	4 11/16	6 5/16
Trading Volume	2,931	704	2,050	583	1,684	9,402	1,304	4,966

(a) The total quarterly income per share may not equal the annual amount because net income per share is calculated independently for each quarter.

CONSOLIDATED BALANCE SHEETS

Cobra Electronics Corporation

In thousands, except share data	At December 31,	
	1998	1997
Assets:		
Current assets:		
Cash	\$ 100	\$ 1,815
Receivables, less allowance for doubtful accounts of \$985 in 1998 and \$958 in 1997	27,055	15,685
Inventories, primarily finished goods	14,213	19,830
Deferred income taxes	6,945	—
Other current assets	1,747	1,337
Total current assets	<u>50,060</u>	<u>38,667</u>
Property, plant and equipment, at cost:		
Land	330	330
Buildings and improvements	3,614	3,553
Tooling and equipment	12,765	11,264
	<u>16,709</u>	<u>15,147</u>
Accumulated depreciation and amortization	(11,960)	(10,436)
Net property, plant and equipment	<u>4,749</u>	<u>4,711</u>
Other assets:		
Deferred income taxes	4,089	406
Cash surrender value of officers' life insurance policies	4,553	3,930
Other	968	565
	<u>9,610</u>	<u>4,901</u>
Total assets	<u>\$64,419</u>	<u>\$48,279</u>
Liabilities and Shareholders' Equity:		
Current liabilities:		
Accounts payable	\$ 3,145	\$ 3,637
Accrued salaries and commissions	844	1,307
Accrued advertising and sales promotion costs	1,804	1,093
Accrued product warranty costs	2,211	4,173
Other accrued liabilities	2,283	1,170
Short-term debt	14,316	10,995
Total current liabilities	<u>24,603</u>	<u>22,375</u>
Deferred compensation	2,320	2,231
Total liabilities	<u>26,923</u>	<u>24,606</u>
Shareholders' equity:		
Preferred stock, \$1 par value, shares authorized—1,000,000; none issued	—	—
Common stock, \$.33 1/3 par value, 12,000,000 shares authorized, 7,039,100 issued for 1998 and 1997	2,345	2,345
Paid-in capital	20,799	20,681
Retained earnings	20,472	6,272
	<u>43,616</u>	<u>29,298</u>
Treasury stock, at cost (973,184 shares for 1998 and 821,309 shares for 1997)	(6,120)	(5,625)
Total shareholders' equity	<u>37,496</u>	<u>23,673</u>
Total liabilities and shareholders' equity	<u>\$64,419</u>	<u>\$48,279</u>

FIVE YEAR FINANCIAL SUMMARY

Cobra Electronics Corporation

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In thousands, except per share amounts	Years Ended December 31,				
	1998	1997	1996	1995	1994
Operating Data:					
Net sales	\$103,414	\$104,098	\$90,324	\$90,442	\$82,131
Gross profit	24,661	21,551	16,370	16,577	14,466
Selling, general and administrative expense	19,747	16,655	14,374	16,097	14,602
Operating income	4,914	4,896	1,996	480	(136)
Gain on sale of building	–	1,132	–	–	–
Tax Provision (benefit)	(10,403)	–	–	–	–
Net income (loss)	14,200	4,692	601	(1,145)	(1,515)
Net Income (Loss) Per Share:					
Basic	2.30	0.76	0.10	(0.18)	(0.24)
Diluted	2.20	0.73	0.10	(0.18)	(0.24)
As of December 31:					
Total assets	64,419	48,279	42,596	50,081	40,342
Short-term debt ^(a)	14,316	10,995	13,277	19,368	11,461
Shareholders' equity	37,496	23,673	18,713	18,174	19,429
Book value per share	6.18	3.81	3.29	3.20	3.38
Shares outstanding	6,066	6,218	6,242	6,227	6,227

(a) Represents borrowings under the company's credit agreement.

CORPORATE INFORMATION

Cobra Electronics Corporation

CORPORATE OFFICERS

Carl Korn

Chairman

James R. Bazet

President and Chief Executive Officer

Jerry Kalov

Vice Chairman

Anthony A. Mirabelli

Senior Vice President—Marketing & Sales

Gerald M. Laures

Vice President—Finance and Corporate Secretary

BOARD OF DIRECTORS

James R. Bazet

President and Chief Executive Officer

William P. Carmichael

Retired Senior Vice President, Sana Lee Corporation

Samuel B. Horberg

Retired Vice President, Secretary & Treasurer,

Cobra Electronics Corporation

Jerry Kalov

Vice Chairman,

Retired President and Chief Executive Officer,

Cobra Electronics Corporation

Carl Korn

Chairman

Gerald M. Laures

Vice President—Finance and Corporate Secretary

Harold D. Schwartz

President, Chez & Schwartz, Inc., marketing consultants

INDEPENDENT AUDITORS

Deloitte & Touche LLP, Chicago, Illinois

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Consumer Service (773) 889-3087

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