



INTERIM REPORT JANUARY 1–MARCH 31, 2001

- Net sales fell to SEK 519M (682).
- Operating income amounted to SEK -74M (22). Income after financial items was SEK -79M (16).
- Significantly reduced sales volumes within Allgon Systems and Allgon Mobile Communications.
- Implementation of cost reduction programs which will generate positive effects from the second quarter.
- Notice of redundancy served on approximately 220 employees at the units in Åkersberga and Arninge.
- Success for Allgon Systems' ACE (radio coverage solutions) in North and South America which generated several important orders.
- Jeff Bork, new President and Tomas Kihlstrand, new Chief Financial Officer will take up their duties during the second quarter.

Market

Expansion of the infrastructure of mobile telephone networks in North America has slowed down. The causes are related to the general slow-down in the economy and in the financing requirements for licenses and investments. In addition, the preferred technology is now GSM 1900 MHz standard, as opposed to TDMA systems which has led to delays in making decisions relating to orders for radio base station equipment.

The markets in Asia, especially China, in which Allgon Systems mainly sells repeaters and antennas to network operators, showed signs of a significant slow down during the quarter.

Global sales of mobile telephone antennas for 2001 are estimated to amount to 450 million units. At the start of the year, operators and resellers had surplus inventories of mobile telephones and the year's production can, therefore, be expected to be lower. During the quarter, virtually all manufacturers of mobile telephones announced downgraded forecasts. The market has so far adopted a wait-and-see attitude to products which are built for G3.

Group net sales and orders received

Net sales fell to SEK 519M (682). Orders received fell to SEK 564M (601).

Allgon Systems

Net sales fell to SEK 325M (381). Sales declined in North America and in Asia, especially in China. Increased sales were registered in Europe and South America.

Sales of **repeater networks** increased significantly during the quarter compared with the same period in the previous year. The investment within ACE (Allgon Coverage Engineering) aimed at large radio coverage projects has proved successful. A number of interesting orders were received during the quarter. Sales of **antenna systems** were slightly below the previous year's level. For sales of **radio base equipment**, the quarter meant a decline compared with the previous year. The rapid changeover to the GSM 1900 MHz standard in North America is the cause of substantially reduced sales of combiners. Replacement products are under development and are expected to be ready for delivery towards the end of the year.

A number of cost reducing measures have been implemented within Allgon Systems in connection with strongly declining volumes within some product segments. During the quarter, redundancy notices were served on approximately 120 staff. In addition, a review of the cost structure in the company has been implemented including the cancellation of consulting resources.

Operating income fell to SEK -19M (32).

Allgon Mobile Communications

Net sales fell to SEK 153M (277). Build-up of inventories during December and significantly lower than anticipated Christmas sales meant that both telephone manufacturers and distribution channels had surplus inventories of telephones at the start of the year. A general slow-down in the economy also contributed to a significant downward revision of sales of mobile telephones. Most forecasts indicate a global sales volume of approximately 450 million telephones. This is a decrease compared with forecasts at the end of the previous year, which indicated 550 million.

As a consequence of the downward revised forecasts a cost savings program was implemented in February. This included serving redundancy notices on approximately 100 employees at the unit in Åkersberga (Stockholm).

The sales volume amounted to approximately 20 million **terminal antennas**, which meant a decrease from the fourth quarter in 2000 of around five million antennas. The share of built-in antennas amounted to about 33 (0) percent in the first quarter.

Operating income fell to SEK -15M (27).

Allgon Microwave

Net sales amounted to SEK 22M (24). During the quarter, the market for **microwave links** adopted a wait-and-see attitude with postponed orders from several telecom operators.

During the quarter, new distribution agreements were concluded in important markets, including Germany and the United Kingdom. Outside Europe, Allgon Microwave concentrates its marketing activities mainly on China, South Korea and Australia.

During the quarter, several orders were received for the new 18 GHz link which was launched onto the market in May 2000. The further development of the unique Ethernet

application is proceeding according to plan and Allgon Microwave consolidated its market-leading position in Scandinavia.

To enable Allgon Microwave to exploit its potential more efficiently, discussions are underway relating to collaboration or possibly a partnership with other operators in the sector.

Operating income fell to SEK -15M (-12).

Wireless Solutions

Net sales amounted to SEK 19M (-). During the quarter, a cost reduction program was implemented aimed at adapting the organization to the anticipated sales volume. This also includes the phasing out of a number of consultants.

Serial production of **Bluetooth products** continues with a backlog of approximately SEK 60M. The first delivery of WLAN will be made during the spring. Wireless Solutions' products attracted considerable interest at the CEBIT fair in Hanover where the company's Bluetooth applications communicated with, among others, Ericsson's and Nokia's telephones.

Efforts to find collaboration partners have been intensified.

Operating income amounted to SEK -11M (-11).

Consolidated results

Operating income fell to SEK -74M (22). Significantly reduced sales volumes within Allgon Systems and Allgon Mobile Communications affected the results. Costs of a one-off nature attributable to agreed cuts to meet the changed volume situation were charged to income by SEK 19M. The losses in Allgon Microwave and Wireless Solutions, which are mainly attributable to development expenditure, were charged to the consolidated result by SEK 28M (25).

A cost reduction program has been implemented in the Group to adapt the costs to the changed volume.

Income after financial items fell to SEK -79M (16). Without hedging, the result would have been SEK 32M better.

Financial position

At March 31, 2001, the equity ratio amounted to 38 percent (December 31, 2000: 42 percent). Net borrowing amounted to SEK 391M at the period-end (December 31, 2000: SEK 370M).

Capital expenditure

During the period, capital expenditure in buildings and land, and machinery and equipment amounted to SEK 47M (94) gross.

Changed dividend proposal

Taking into account the result development of the Allgon Group for the first months of the year and the general uncertainty in the telecom market, the Board of Directors and the President have decided to propose to the Annual General Meeting that no dividend will be paid for 2000.

Parent company

Operations in the parent company, Allgon AB (publ) consist exclusively of Group co-ordination tasks and assets consist mainly of shares in subsidiaries.

Accounting and valuation principles

The same accounting principles and calculation methods have been applied as in the latest Annual Report.

This Interim Report has not been the subject of special examination by Allgon's Auditors.

New President and Chief Financial Officer

Dr Jeff Bork has been appointed President and CEO of Allgon. He will take up his duties during the second quarter of 2001.

Tomas Kihlstrand will take over as Chief Financial Officer on 7 May 2001.

Future information dates

May 16, 2001	Annual General Meeting
July 13, 2001	Six-month Interim Report
October 16, 2001	Nine-month Interim Report

Täby, April 19, 2001

Allgon AB (publ)

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President and CEO

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Condensed Consolidated	2001	2000	1999	2000
Statement of Income (SEK M)	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Dec
Net sales	519	682	435	2,696
Cost of goods sold	-375	-452	-261	-1,814
Gross income	144	230	174	882
Selling expenses	-67	-75	-55	-298
Administrative expenses	-37	-36	-26	-167
Research and development costs	-100	-91	-66	-376
Other operating income/expense	-14	-6	-4	-14
Items affecting comparability	-	-	-	30
Operating income	-74	22	23	57
Net financial income/expense	-5	-6	4	-30
Income after financial items	-79	16	27	27
Taxes	-4	-5	-8	-14
Minority interest of net income for the period	-1	-1	-1	-3
Net income for the period	-84	10	18	10
Earnings per share (SEK)	-2.86	0.34	0.64	0.35
Numbers of shares at period-end (000)	29,266	29,183	28,800	29,266
Average number of shares (000)	29,266	29,088	28,800	29,192
Condensed Consolidated	2001	2000	1999	2000
Balance Sheet (SEK M)	Mar 31	Mar 31	Mar 31	Dec 31
Assets				
Fixed assets	596	558	247	570
Current assets	1,040	946	752	1,096
Total assets	1,636	1,504	999	1,666
Equity and liabilities				
Shareholders' equity	616	678	573	693
Minority interests	5	3	4	4
Provisions	83	58	51	76
Long-term liabilities	221	208	11	214
Current liabilities	711	557	360	679
Total equity and liabilities	1,636	1,504	999	1,666
Key figures	2001	2000	1999	2000
	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Dec
Orders received (SEK M)	564	601	531	2,434
Operating margin (%)	-14	3	5	2
Profit margin (%)	-16	1	6	0
Return on operating capital (%)	-29	10	22	6
Return on capital employed (%)	-20	13	23	10
Return on equity (%)	-51	6	13	1
Equity ratio (%)	38	45	58	42
Interest-bearing liability (SEK M)	448	335	18	440
Average number of full-time employees	1,259	1,199	908	1,268
Capital expenditures for:				
- buildings and land (SEK M)	-	55	24	36
- machinery and equipment (SEK M)	47	39	28	166
Depreciation (SEK M)	-28	-25	-18	-122
Equity per share (SEK)	21	23	20	24

Net sales distributed by Business Area (SEK M)	2001 Jan-Mar	2000 Jan-Mar	Change %
Systems	325	381	-15
Mobile Communications	153	277	-45
Microwave	22	24	-8
Wireless Solutions	19	-	
Total	519	682	-24
Europe	142	169	-16
North & South America	298	388	-23
Rest of world	79	125	-37
Total	519	682	-24

QUARTERLY FIGURES

Condensed Consolidated Statement of Income (SEK M)	2000 Jan-Mar	2000 Apr-Jun	2000 Jul-Sep	2000 Oct-Dec	2001 Jan-Mar
Net sales	682	632	672	710	519
Cost of goods sold	-452	-427	-469	-466	-375
Gross income	230	205	203	244	144
Selling expenses	-75	-74	-66	-83	-67
Administrative expenses	-36	-48	-38	-45	-37
Research and development costs	-91	-91	-90	-104	-100
Other operating income/expense	-	44	15	-29	-14
Items affecting comparability	-6	-3	-8	3	-
Operating income	22	33	16	14	-74
Net financial income/expense	-6	-19	2	-7	-5
Income after financial items	16	14	18	-21	-79
Taxes	-5	-5	-4	0	-4
Minority interest of net income for the quarter	-1	-1	0	-1	-1
Quarterly income	10	8	14	-22	-84
Earnings per share (SEK)	0.34	0.29	0.45	-0.73	-2.86
Number of shares at period-end (000)	29,183	29,183	29,266	29,266	29,266
Average number of shares (000)	29,088	29,183	29,245	29,266	29,266

Condensed Consolidated Balance Sheet (SEK M)	2000 Mar 31	2000 Jun 30	2000 Sep 30	2000 Dec 31	2001 Mar 31
Assets					
Fixed assets	558	553	598	570	596
Current assets	946	906	1,018	1,096	1,040
Total assets	1,504	1,459	1,616	1,666	1,636
Equity and liabilities					
Shareholders' equity	678	687	712	693	616
Minority interests	3	4	3	4	5
Provisions	58	60	55	76	83
Long-term liabilities	208	207	216	214	221
Current liabilities	557	501	630	679	711
Total equity and liabilities	1,504	1,459	1,616	1,666	1,636

	2000	2000	2000	2000	2001
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
Key figures					
Orders received (SEK M)	601	675	611	547	564
Operating margin (%)	3	5	2	-2	-14
Profit margin (%)	1	1	2	-3	-16
Return on operating capital (%)	10	14	7	-5	-29
Return on capital employed (%)	13	17	14	-2	-20
Return on equity (%)	6	5	8	-12	-51
Equity ratio (%)	45	47	44	42	38
Interest-bearing liability (SEK M)	335	291	359	440	448
Average number of full-time employees	1,199	1,267	1,329	1,277	1,259
Capital expenditures for:					
- buildings and land (SEK M)	55	11	0	-31	-
- machinery and equipment (SEK M)	39	31	40	57	47
Depreciation (SEK M)	-25	-25	-30	-42	-28
Equity per share (SEK)	23	24	24	24	21
	2000	2000	2000	2000	2001
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
Net sales distributed by Business Area (SEK M)					
Systems	381	384	462	476	325
Mobile Communications	277	224	173	196	153
Microwave	24	22	34	32	22
Wireless Solutions	-	-2	3	6	19
Total	682	632	672	710	519
Europe	169	151	149	157	142
North & South America	388	363	406	390	298
Rest of world	125	118	117	163	79
Total	682	632	672	710	519
	2000	2000	2000	2000	2001
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
Operating income distributed by Business Area (SEK M)					
Systems	32	35	75	56	-19
Mobile Communications	27	31 *)	-29	16	-15
Microwave	-12	-12	-9	-12	-15
Wireless Solutions	-11	-17	-22	-26	-11
Total	36	37	15	34	-60
Common Group costs	-11	0	4 **)	-45 ***)	-10
Goodwill amortization	-3	-4	-3	-3	-4
Operating income	22	33	16	-14	-74

*) Includes capital gain on divestment of the vehicle antenna operation of SEK 28 M

**) Includes surplus funds from SPP of SEK 30 M

***) Includes costs attributable to the offer situation of SEK -28 M

	2001	2000
Cash flow analysis (SEK M)	Jan-Mar	Jan-Mar
Cash flow from current operations	-42	43
Change in working capital	61	-40
Capital expenditure	-40	-94
Cash flow after investments	-21	-91
Financing	8	92
Change in liquid funds	-13	1

	2001	2000
Change in equity (SEK M)	Jan-Mar	Jan-Mar
Opening balance as per December 31	693	694
Change in translation difference	7	-1
Dividend	-	-25
Net income for the quarter	-84	10
Closing balance according to balance sheet as per March 31	616	678