



## **INTERIM REPORT JANUARY 1- JUNE 30 2001**

- Net sales decreased to SEK 1,038M (1,314). The fall is mainly attributable to lower sales of mobile telephone antennas.
- Operating income fell to SEK -80M (55).
- The capital gain on the sale of Wireless Solutions amounted to SEK 109M.
- Costs of a one-off nature amounted to SEK 64M in the second quarter.
- Continued success for Allgon's repeaters and coverage solutions.
- Launch of antennas and repeaters for UMTS during the second quarter.
- Production unit for mobile telephone antennas being set up in China.

### **Market**

Following a very strong growth of the infrastructure market for mobile telephony in 2000, the first six months of 2001 were characterized by a global slow-down. The previous year's expansion has created a capacity in many networks which has been sufficient to cover a large proportion of the growth in subscribers.

Sales of mobile telephones in 2001 are estimated at just under 400 million telephones, i.e. slightly less than last year. Considering the build-up of inventories, which took place before the turn of the year, Allgon's assessment is that the production of mobile telephones is significantly below the number of sold telephones. As previous evaluations of the market were in the range of 550 million telephones, there is a significant overcapacity in the sector.

### **Second quarter 2001**

During the second quarter, Allgon's net sales amounted to SEK 519M (632) which was on a par with the first quarter. Operating income amounted to SEK -6M (33) and income after financial items to SEK -13M (14).

The divestment of Wireless Solutions generated a capital gain of SEK 109M.

Costs of a one-off nature amount to SEK 64M, of which SEK 45M is attributed to write-down of inventories. The write-down is mainly caused by a changed product mix and falling demand. Other costs of a one-off nature are mainly attributable to the decision to move the manufacturing of mobile telephone antennas in the USA to Sweden. During the second quarter of 2000, items affecting comparability amounted to SEK 44M.

### **Group net sales and orders received**

Net sales during the first half of the year fell to SEK 1,038M (1,314) and orders received to SEK 1,043M (1,276).

### **Allgon Systems**

Net sales fell to SEK 695M (765) and operating income to SEK -79 (67). Operating income includes costs of a one-off nature of SEK 51 (-), of which SEK 45M related to write-down of inventories.

The market in North America has been weak whereas Asia and, especially, China has developed positively during the second quarter. The success of repeaters and coverage solutions has continued and a number of large orders were received. During the second quarter, Allgon Systems launched antennas and repeaters for UMTS and additional UMTS products will be launched during the second half of the year. A cost savings program, implemented in the first half of the year, started to make an impact in the second quarter.

#### **Allgon Mobile Communications**

Net sales fell to SEK 286M (501) and operating income to SEK -36M (58). SEK 31M of the decrease in net sales is attributable to operations which were divested during 2000. Operating income includes one-off costs of SEK -29M (29), of which the majority is attributable to the decision to move the production in the USA to Sweden during the summer.

In the first six months of the year, the sales volume amounted to 34 million antennas, of which 30 (1) percent consisted of built-in antennas. During the remainder of the year, the proportion of built-in antennas is expected to increase significantly. In the first quarter, an additional program was implemented aimed at reducing the business area's fixed expenses. This made an impact during the second quarter. A production unit is under construction in China and will be in operation at the beginning of 2002.

#### **Allgon Microwave**

Net sales fell to SEK 36M (46) and operating income to SEK -33M (-24).

The marketing activities were focused on European UMTS operators. Allgon Microwave is currently involved in negotiations with a number of these operators. In addition to the mobile operator segment, negotiations are underway with customers, both in Europe and Asia, relating to microwave based data communication solutions to public companies and public administration. The projects within this segment have increased recently and this is expected to generate results during the second half of the year. Allgon Microwave has a strong product portfolio which is well-adapted for the above mentioned segments.

#### **Wireless Solutions**

Net sales increased to SEK 21M (2) and operating income improved to SEK -19M (-28). The business area was divested during the second quarter and has been consolidated until May inclusive.

#### **Consolidated results**

Allgon's gross margin fell despite the stronger USD. This is mainly due to the declining market and overcapacity. In addition, the gross margin is charged with one-off costs in connection with production rationalization and the write-down of inventories.

Allgon's operating income fell to SEK -80M (55) and operating income after financial items to SEK -92M (30). The result includes costs of a one-off nature totaling SEK -83M (0). Income after financial items includes, as an item affecting comparability, the sale of Wireless Solutions with SEK 109M (44).

Income after financial items would have been SEK 77M (19) higher if Allgon had not had any currency-hedging. At the period-end, there were forward contracts, which have not yet expired, amounting to USD 15M subscribed at an average call rate of SEK 9.94.

**Financial position**

At June 30, 2001, the equity ratio amounted to 39 percent (December 31, 2000: 42 percent). Net borrowing amounted to SEK 215M 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 71M (136) gross, of which the completion of the building in Täby, Sweden, accounted for SEK 64M during the first half of the year 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.

**Future information dates**

October 16, 2001 Nine-month Interim Report

Täby, July 13, 2001

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<b>Condensed Consolidated</b>	<b>2001</b>	<b>2000</b>	<b>Jul</b>	<b>2000</b>
<b>Statement of Income (SEK million)</b>	<b>Jan-Jun</b>	<b>Jan-Jun</b>	<b>2000 - Jun 2001</b>	<b>Jan-Dec</b>
Net sales	1,038	1,314	2,420	2,696
Cost of goods sold	-799	-879	-1,734	-1,814
<b>Gross income</b>	<b>239</b>	<b>435</b>	<b>686</b>	<b>882</b>
Selling expenses	-131	-149	-280	-298
Administrative expenses	-62	-84	-145	-167
Research and development costs	-187	-182	-381	-376
Other operating income/expenses	-48	-9	-53	-14
Items affecting comparability	109	44	95	30
<b>Operating income</b>	<b>-80</b>	<b>55</b>	<b>-78</b>	<b>57</b>
Net financial income/expenses	-12	-25	-17	-30
<b>Income after financial items</b>	<b>-92</b>	<b>30</b>	<b>-95</b>	<b>27</b>
Taxes	12	-10	8	-14
Minority interests of net income for the period	-2	-2	-3	-3
<b>Net income for the period</b>	<b>-82</b>	<b>18</b>	<b>-90</b>	<b>10</b>
Earnings per share (SEK)	-2.82	0.63	-3.10	0.35
Number of shares at period-end (000)	29,266	29,183	29,266	29,266
Average number of shares (000)	29,266	29,129	29,255	29,192

<b>Condensed Consolidated</b>	<b>2001</b>	<b>2000</b>	<b>Jul</b>	<b>2000</b>
<b>Balance Sheet (SEK million)</b>	<b>Jun 30</b>	<b>Jun 30</b>	<b>2000 - Jun 2001</b>	<b>Dec 31</b>
<b>Assets</b>				
Fixed assets	502	553	502	570
Current assets	1,150	906	1,150	1,096
<b>Total assets</b>	<b>1,652</b>	<b>1,459</b>	<b>1,652</b>	<b>1,666</b>
<b>Equity and liabilities</b>				
Shareholders' equity	633	687	633	693
Minority interests	6	4	6	4
Provisions	144	60	144	76
Long-term liabilities	226	207	226	214
Current liabilities	643	501	643	679
<b>Total equity and liabilities</b>	<b>1,652</b>	<b>1,459</b>	<b>1,652</b>	<b>1,666</b>

<b>Cash flow analysis (SEK million)</b>	<b>2001</b>	<b>2000</b>	<b>Jul</b>	<b>2000</b>
	<b>Jan-Jun</b>	<b>Jan-Jun</b>	<b>2000 - Jun 2001</b>	<b>Jan-Dec</b>
Cash flow from current operations	-113	84	-101	96
Change in working capital	72	-21	-40	-133
Capital expenditure, net 1)	162	-124	186	-100
Cash flow after investments	121	-61	45	-137
Financing	-57	49	44	150
Change in liquid funds	64	-12	89	13

1) SEK 227 M relate to the divestment of  
Wireless Solutions Sweden AB

	2001	2000	Jul	2000
			2000 -	
Key figures	Jan-Jun	Jan-Jun	Jun	Jan-Dec
			2001	
Orders received (SEK million)	1,043	1,276	2,201	2,434
Operating margin (%)	-8	4	-3	2
Profit margin (%)	-8	2	-4	0
Return on operating capital (%)	-17	12	-9	6
Return on capital employed (%)	-8	16	-4	10
Return on shareholders' equity (%)	-25	5	-14	1
Equity ratio (%)	39	47	39	42
Interest-bearing liability (SEK million)	376	291	376	440
Average number of full-time employees	1,209	1,233	1,275	1,268
Capital expenditures for:				
- buildings and land (SEK million)	1	66	-29	36
- machinery and equipment (SEK million)	70	70	166	166
Depreciation/Amortization (SEK million)	-60	-56	-126	-122
Equity per share (SEK)	22	24	22	24
Net sales distributed by	2001	2000	Jul	2000
			2000 -	
geographical markets (SEK million)	Jan-Jun	Jan-Jun	Jun	Jan-Dec
			2001	
Europe	246	320	552	626
North & South America	603	751	1,399	1,547
Rest of world	189	243	469	523
Total	1,038	1,314	2,420	2,696
Net sales distributed by	2001	2000	Jul	2000
			2000 -	
Business Areas (SEK million)	Jan-Jun	Jan-Jun	Jun	Jan-Dec
			2001	
Systems	695	765	1,633	1,703
Mobile Communications	286	501	655	870
Microwave	36	46	102	112
Wireless Solutions	21	2	30	11
Total	1,038	1,314	2,420	2,696
Operating income distributed by	2001	2000	Jul	2000
			2000 -	
Business Areas (SEK million)	Jan-Jun	Jan-Jun	Jun	Jan-Dec
			2001	
Systems	-79	67	52	198
Mobile Communications	-36	58	-49	45 <sup>1)</sup>
Microwave	-33	-24	-54	-45
Wireless Solutions	-19	-28	-67	-76
Total	-167	73	-118	122
Common Group items	94	<sup>4)</sup> -11	53	-52 <sup>2), 3)</sup>
Goodwill amortization	-7	-7	-13	-13
Operating income	-80	55	-78	57

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

2) Includes surplus funds from SPP of SEK 30

M

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

4) Includes capital gain on divestment of the business area Wireless Solutions of SEK 109 M

**QUARTERLY FIGURES**

<b>Condensed Consolidated Statement of Income (SEK million)</b>	<b>2001 Apr-Jun</b>	2001 Jan-Mar	2000 Oct-Dec	2000 Jul-Sep	2000 Apr-Jun	2000 Jan-Mar
Net sales	519	519	710	672	632	682
Cost of goods sold	-424	-375	-466	-469	-427	-452
<b>Gross income</b>	<b>95</b>	<b>144</b>	<b>244</b>	<b>203</b>	<b>205</b>	<b>230</b>
Selling expenses	-64	-67	-83	-66	-74	-75
Administrative expenses	-25	-37	-45	-38	-48	-36
Research and development costs	-87	-100	-104	-90	-91	-91
Other operating income/expenses	-34	-14	3	-8	-3	-6
Items affecting comparability	109	-	-29	15	44	-
<b>Operating income</b>	<b>-6</b>	<b>-74</b>	<b>-14</b>	<b>16</b>	<b>33</b>	<b>22</b>
Net financial income/expenses	-7	-5	-7	2	-19	-6
<b>Income after financial items</b>	<b>-13</b>	<b>-79</b>	<b>-21</b>	<b>18</b>	<b>14</b>	<b>16</b>
Taxes	16	-4	0	-4	-5	-5
Minority interests of net income for the quarter	-2	-1	-1	0	-1	-1
<b>Net income for the quarter</b>	<b>1</b>	<b>-84</b>	<b>-22</b>	<b>14</b>	<b>8</b>	<b>10</b>
Earnings per share (SEK)	0.05	-2.86	-0.73	0.45	0.29	0.34
Number of shares at period-end (000)	29,266	29,266	29,266	29,266	29,183	29,183
Average number of shares (000)	29,266	29,266	29,266	29,245	29,183	29,088
<b>Condensed Consolidated Balance Sheet (SEK million)</b>	<b>2001 Jun 30</b>	2001 Mar 31	2000 Dec 31	2000 Sep 30	2000 Jun 30	2000 Mar 31
<b>Assets</b>						
Fixed assets	502	596	570	598	553	558
Current assets	1,150	1,040	1,096	1,018	906	946
<b>Total assets</b>	<b>1,652</b>	<b>1,636</b>	<b>1,666</b>	<b>1,616</b>	<b>1,459</b>	<b>1,504</b>
<b>Equity and liabilities</b>						
Shareholders' equity	633	616	693	712	687	678
Minority interests	6	5	4	3	4	3
Provisions	144	83	76	55	60	58
Long-term liabilities	226	221	214	213	207	208
Current liabilities	643	711	679	630	501	557
<b>Total equity and liabilities</b>	<b>1,652</b>	<b>1,636</b>	<b>1,666</b>	<b>1,616</b>	<b>1,459</b>	<b>1,504</b>
<b>Key figures</b>	<b>2001 Apr-Jun</b>	2001 Jan-Mar	2000 Oct-Dec	2000 Jul-Sep	2000 Apr-Jun	2000 Jan-Mar
Orders received (SEK million)	479	564	547	611	675	601
Operating margin (%)	-1	-14	-2	2	5	3
Profit margin (%)	0	-16	-3	2	1	2
Equity ratio (%)	39	38	42	44	47	45
Interest-bearing liability (SEK million)	376	448	440	359	291	335
Average number of full-time employees	1,159	1,259	1,277	1,329	1,267	1,199
Capital expenditures for:						
- buildings and land (SEK million)	1	-	-31	0	11	55
- machinery and equipment (SEK million)	23	47	57	40	31	39

million)						
Depreciation/Amortization (SEK million)	-28	-32	-33	-33	-28	-28
Equity per share (SEK)	22	21	24	24	24	23

<b>Net sales distributed by geographical markets (SEK million)</b>	<b>2001 Apr-Jun</b>	2001 Jan-Mar	2000 Oct-Dec	2000 Jul-Sep	2000 Apr-Jun	2000 Jan-Mar
Europe	104	142	157	149	151	169
North & South America	305	298	390	406	363	388
Rest of world	110	79	163	117	118	125
<b>Total</b>	<b>519</b>	<b>519</b>	<b>710</b>	<b>672</b>	<b>632</b>	<b>682</b>

<b>Net sales distributed by Business Areas (SEK million)</b>	<b>2001 Apr-Jun</b>	2001 Jan-Mar	2000 Oct-Dec	2000 Jul-Sep	2000 Apr-Jun	2000 Jan-Mar
Systems	370	325	476	462	384	381
Mobile Communications	133	153	196	173	224	277
Microwave	14	22	32	34	22	24
Wireless Solutions	2	19	6	3	-2	-
<b>Total</b>	<b>519</b>	<b>519</b>	<b>710</b>	<b>672</b>	<b>632</b>	<b>682</b>

<b>Operating income distributed by Business Areas (SEK million)</b>	<b>2001 Apr-Jun</b>	2001 Jan-Mar	2000 Oct-Dec	2000 Jul-Sep	2000 Apr-Jun	2000 Jan-Mar
Systems	-60	-19	56	75	35	32
Mobile Communications	-21	-15	16	-29	31	27
Microwave	-18	-15	-12	-9	-12	-12
Wireless Solutions	-8	-11	-26	-22	-17	-11
<b>Total</b>	<b>-107</b>	<b>-60</b>	<b>34</b>	<b>15</b>	<b>37</b>	<b>36</b>

Common Group items	104	-10	-45	4	0	-11
Goodwill amortization	-3	-4	-3	-3	-4	-3
<b>Operating income</b>	<b>-6</b>	<b>-74</b>	<b>-14</b>	<b>16</b>	<b>33</b>	<b>22</b>

#### Notes

	<b>2001 Jan-Jun</b>	2000 Jan-Jun
<b>Change in equity (SEK million)</b>		
Opening balance as per December 31	693	694
Change in translation difference	22	0
Dividend	-	-25
Net income for the quarter	-82	18
Closing balance according to balance sheet as per June 30	633	687

#### Taxes

A deferred tax receivable relating to estimated deductible losses in Sweden has been accounted for from the second quarter of 2001. The receivable amounts to SEK 20 M.