



INTERIM REPORT JANUARY 1 – JUNE 30, 1998

Invoiced sales	+ 4 % to SEK 847 million (818)
Income before taxes	+17 % to SEK 55 million (48)
Net income	+ 20 % to SEK 43 million (36)

Market

Sales of mobile telephones on the world market continue to develop strongly. A large number of analysts estimate that in 1998 sales of telephones may amount to approximately 140-145 million units (1997: approximately 105 million units).

The expansion of the infrastructure of the mobile networks in North America continued at a lower pace than anticipated during the second quarter. Allgon's assessment is that the current market situation will largely continue throughout the year.

The European market is developing in step with subscriber growth which remained high, but prices are severely squeezed.

The level of activity on the South American market, especially in Brazil, has increased now that the earlier problems with providing licenses to the operators have been solved.

The unstable economic situation in Asia creates a divided scenario with regard to the market trend on the Asian markets. However, on the markets which are the most important for Allgon - China, Korea and Japan - the trend has been positive.

Group invoicing increased by 4 percent to SEK 847 million (818).

Group orders received fell by 1 percent to SEK 874 million (885). During the year, the average time between order and delivery was shortened.

Business Area System reduced its invoiced sales by 7 percent to SEK 448 million (482). Invoicing to customers in North America and Europe fell, whereas it increased to customers in Asia.

Sales of base station equipment developed weakly which, among other things, is due to the slow expansion of the new mobile networks in the USA. Sales of one of Allgon's previous volume products, the automatically tuned combiner for the AMPS/TDMA systems, were weak and are now at a significantly lower level than in 1997. A number of new products have been developed and others are in course of development. This has increased costs for product development. However, the volumes of these new products have not yet become sufficiently large to enable them to replace the previous volume products.

Sales of repeater systems, on the other hand, developed very positively on all markets. Allgon is now able to offer these products at all significant system standards. In this product area, intensive product development towards new applications is also taking place.

Likewise, sales of base station antennas enjoyed a relatively positive trend. A brand-new generation of antenna products is on its way to being offered to the market.

Allgon's investment on the South American market continues and the setting up of a sales organization has been initiated with the establishment of a sales company in Brazil.

Business Area Mobile Communications raised its invoiced sales by 19 percent to SEK 399 million (336). The trend in volume for terminal antennas remained strong and Allgon increased its market shares. Growth in invoiced sales remained significantly lower than volume growth during the second quarter which is due to price reductions and changed product mix towards a larger proportion of fixed antennas.

During June, Allgon delivered the 100 millionth terminal antenna since production started at the 1993/94 turn of year. This means that approximately one-third of the telephones manufactured during this time have been equipped with an Allgon antenna. The manufacturing of terminal antennas, which started on a modest scale in the Company's unit in the USA towards the end of the first quarter, has been expanded.

Sales of vehicle antennas are at a slightly lower level than in the previous year.

Income

Allgon's operating income rose by 22 percent to SEK 59 million (49). Income before taxes increased by 17 percent to SEK 55 million (48). Allgon's net exposure to the USD amounts to approximately 39 percent of invoiced sales. The exchange rate affected the half-year income positively by SEK 35 million compared with the previous year. Income before taxes would have been SEK 19 million higher if Allgon had not hedged its currency exposure.

The Group's forward exchange contracts covering deliveries in USD which have yet to be made amounted to USD 18 million at an average rate of USD 7.70. The Board of Directors makes decisions regarding hedging of net flows on a continuous basis. For the first six months of 1998, no hedging was made in USD.

Research and development expenses increased significantly which is connected with the rapid technology development. These amounted to SEK 106 million (79) equivalent to 12 (10) percent of invoiced sales. The international expansion also led to increased sales and marketing expenses.

Financial Position

At June 30, 1998 the equity ratio was 61 percent (December 31, 1997: 63 percent). Net liquid assets amounted to SEK 155 million at the end of the period (December 31, 1997: SEK 176 million).

Capital expenditure

Capital expenditure for real estate, machinery, plant and equipment amounted to SEK 55 million (34) during the period.

Second quarter 1998

In the second quarter, Allgon's invoiced sales rose to SEK 435 million (433). Income before taxes increased by 56 percent to SEK 30 million (20).

Upcoming information dates

October 13, 1998 - Nine-Month Interim Report

January 19, 1999 - Preliminary Accounts Report for 1998

March 16, 1999 - Annual General Meeting

Allgon's operations

We develop, market and produce radio-based solutions and other products for wireless telephony and data communications.

Our product range comprises systems and components for base stations, repeaters and transmission, as well as antenna solutions.

Our customers are system operators and manufacturers, terminal manufacturers, vehicle manufacturers and distributors.

Operations are divided into two Business Areas:

- *System (base station equipment, base station antennas and repeaters)*
- *Mobile Communications (antennas and antenna products for terminal and vehicle applications)*

Åkersberga, July 14, 1998

Allgon AB

Board of Directors

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

Condensed Consolidated Statement of Income (SEK million)	1998 Jan-June	1997 Jan-June	1996 Jan-June	1997 Jan-Dec
Net sales	847	818	631	1,639
Cost of goods sold	-526	-525	-440	-1,046
Gross income	321	293	191	593
Sales expenses	-94	-72	-65	-141
Administrative expenses	-49	-41	-42	-81
Research and development expenses	-106	-79	-59	-162
Other operating income/expenses	-13	-52	7	-74
Operating income	59	49	32	135
Net financial items	-4	-1	1	-3
Income after financial items	55	48	33	132
Taxes	-11	-11	-7	-20
Minority share of net income	-1	-1	-0	-1
Net income	43	36	26	111
Condensed Consolidated Balance Sheet (SEK million)	1998 June 30	1997 June 30	1996 June 30	1997 Dec 31
Assets				
Fixed assets	157	113	115	137
Current assets	689	613	492	643
Total assets	846	726	607	780
Equity and liabilities				
Equity	515	416	333	491
Minority interests	4	2	0	2
Provisions	34	33	33	29
Long-term liabilities	4	-	8	5
Current liabilities	289	275	233	253
Total liabilities and equity	846	726	607	780
Key financial ratios (SEK million)	1998 Jan-June	1997 Jan-June	1996 Jan-June	1997 Jan-Dec
Orders received	874	885	663	1,659
Operating margin (%)	7	6	5	8
Profit margin (%)	7	6	5	8
Return on capital employed (%)	28	26	22	37
Return on equity (%)	17	18	16	25
Equity/assets ratio (%)	61	58	55	63
Average number of full-time employees	810	704	647	764
Capital expenditures for				
- real estate	3	-	-	-
- machinery, plant and equipment	52	34	18	72
Number of shares at end of period (thousands)	28,800	28,800	14,400	28,800
Earnings per share (SEK)*	1.50	1.25	0.90	3.84
Equity per share (SEK)*	18	14	12	17

*Adjusted for new share issue

Invoiced sales (SEK million)	1998 Jan-June	1997 Jan-June	Change %	1997 Jan-Dec
System	448	482	-7	963
Mobile Communications	399	336	+19	676
Total	847	818	+4	1,639
Europe	260	287	-9	573
North & South America	354	360	-2	763
Rest of world	233	171	+36	303
Total	847	818	+4	1,639

QUARTERLY FIGURES

Condensed Consolidated Statement (SEK million)	1997 Jan-Mar	1997 Apr-June	1997 July-Sep	1997 Oct-Dec	1998 Jan-Mar	1998 Apr-June
Net sales	385	433	418	403	412	435
Cost of goods sold	-243	-282	-261	-260	-259	-267
Gross income	142	151	157	143	153	168
Sales expenses	-39	-33	-34	-35	-42	-52
Administrative expenses	-19	-22	-23	-17	-28	-21
Research and development expenses	-39	-40	-38	-45	-50	-56
Other operating income/expenses	-19	-33	-21	-1	-3	-10
Operating income	26	23	41	45	30	29
Net financial items	2	-3	-4	2	-5	1
Income after financial items	28	20	37	47	25	30
Taxes	-7	-4	-9	0	-3	-8
Minority share of net income	0	-1	0	0	-1	-0
Net income of the quarter	21	15	28	47	21	22
Condensed Consolidated Balance Sheet (SEK million)	1997 Mar 31	1997 June 30	1997 Sep 30	1997 Dec 31	1998 Mar 31	1998 June 30
Assets						
Fixed assets	107	113	112	137	147	157
Current assets	583	613	649	643	683	689
Total assets	690	726	761	780	830	846
Equity and liabilities						
Equity	416	416	444	491	512	515
Minority interests	1	2	2	2	3	4
Provisions	31	33	35	29	34	34
Long-term liabilities	-	-	-	5	4	4
Current liabilities	242	275	280	253	277	289
Total liabilities and equity	690	726	761	780	830	846
Key financial ratios (SEK million)	1997 Jan-Mar	1997 Apr-June	1997 July-Sep	1997 Oct-Dec	1998 Jan-Mar	1998 Apr-June
Orders received	421	464	407	367	433	441
Operating margin (%)	7	5	10	11	7	7
Profit margin (%)	7	5	9	12	6	7
Return on capital employed (%)	30	22	39	45	28	27
Return on equity (%)	21	14	26	40	17	17
Equity/assets ratio (%)	60	58	59	63	62	61
Average number of full-time employees	706	705	848	773	801	819
Capital expenditures for						
- real estate	-	-	-	-	-	3
- machinery, plant and equipment	16	18	15	23	27	25
Number of shares at end of period (thousands)	14,400	28,800	28,800	28,800	28,800	28,800
Earnings per share (SEK)*	0.73	0.51	0.97	1.62	0.73	0.77
Equity per share (SEK)*	14	14	15	17	18	18

*Adjusted for new share issue

Invoiced sales (SEK million)	1997 Jan-Mar	1997 Apr-June	1997 July-Sep	1997 Oct-Dec	1998 Jan-Mar	1998 Apr-June
System	228	254	258	223	222	226
Mobile Communications	157	179	160	180	190	209
Total	385	433	418	403	412	435
Europe	135	152	137	149	116	144
North & South America	180	180	220	183	177	177
Rest of world	70	101	61	71	119	114
Total	385	433	418	403	412	435