



Viking Telecom AB

Interim Report for 1 January 2001 - 30 June 2001

The period 1 Jan. 2001 – 30 Jun. 2001

- Net sales climbed by 292% to SEK 415.8 million (106.0 m).
- The operating profit rose to SEK 26.9 million (-7.1 m).
- The profit before tax increased to SEK 31.4 million (-5.7 m).
- The cash flow after investments amounted to SEK -1.2 million (-10.8 m).
- The EPS after dilution amounted to SEK 1.07 (-0.24).
- The order book stood at SEK 128 million (652 m).
- SMSit, Viking Telecom's SMS terminal for fixed telecom networks, was launched at the CEBIT fair in Hanover.
- The microwave link, Link155, was also launched at the CeBIT fair in Hanover.

Q2

- First order for the SMSit SMS terminal.
- New order for telephones with embedded router function, worth around SEK 100 million.
- Net sales climbed by 73% to SEK 109.8 million (63.4 m).
- The operating profit rose to SEK 0.8 million (-3.3 m).
- The profit before tax advanced to SEK 2.9 million (-2.4 m).
- Viking Telecom focuses on two business areas - Telecom and Microwave.

Important events after the period's end

- First SMSit order in Europe, worth around SEK 30 million.
- New orders for telephones with embedded router function, worth around SEK 55 million.

Activities during Q2

During April, Viking Telecom signed a distribution agreement with the telecom supplier, Sun Moon Star Philippines Inc. The company distributes Viking Telecom's new product, SMSit, in the Philippines, one of the world's most Short Message System (SMS) intensive markets. Sun Moon Star Philippines Inc. has placed an order for communications systems to launch SMS services over the fixed telecom network in the Philippines. Delivery of the SMSit SMS terminal is expected to start in Q3 2001.

Viking Telecom has received further orders for telephones with embedded router functions for delivery during autumn 2001. The orders are worth around SEK 100 million.

During Q2, deliveries of telecommunications products with embedded routers have continued.

Q2 has been characterised by intensive work to develop and launch Link 155 and SMSit, an SMS terminal for the fixed telecom network.

Interest in SMSit from both existing customers (alternative telecom operators) and the traditional, large telecom operators inside and outside Europe has strengthened, resulting in a number of test installations with good prospects for delivery during the current year.

Viking Telecom is concentrating its activities around the business areas of Telecom and Microwave. The company will be looking for new partners and/or part-owners for the Belgian cable TV technology company which is developing cable TV modems, etc. The company's products will be introduced during autumn 2001.

During Q2, Viking Telecom reported an operating profit of SEK 0.8 million (-3.3 m). The profit before tax advanced to SEK 2.9 million (-2.4 m).

The period 1 Jan. 2001 – 30 Jun. 2001

During the period 1 Jan. 2001 - 30 Jun. 2001, Viking Telecom has worked resolutely to realise plans for continued expansion.

During the period SMSit, an SMS terminal for the fixed telecom network, was launched at CeBIT.

The Link 155 microwave link, designed for future UMTS networks, was also launched at CeBIT.

Operations saw intensive product development to meet customer demands for future products in access

networks in the following areas:

- Products and systems for mobile message services on the fixed telecom network.
- New telecommunication products with embedded routers plus other products and systems for operators' new value-added services.
- High capacity microwave links for telecom and data communication for UMTS, third generation mobile telephone networks.

An SEK 2.3 million lump sum amortization of outstanding goodwill was carried out at the Belgian subsidiary dTechT SA as a consequence of the increasing uncertainty about the company's future development.

The dispute that Viking Telecom has had with a French customer is a continuing case for legal proceedings. The board's assessment is that no further allocation is necessary at this time.

Net sales

Net sales climbed 292 % during the period and reached SEK 415.8 million (106.0 m).

Extensive deliveries of telecommunications products with embedded routers have contributed to the sales increase.

Viking Telecom usually shows extreme variation in sales results between different quarters.

Results

The operating profit rose to SEK 26.9 million (-7.1 m). The change of SEK 34 million compared with the previous year is mainly due to the following factors:

- A greater gross profit due to a very strong hike in sales added SEK 56.8 million. The positive exchange rate contributed SEK 7.5 million.
- Greater external costs had a negative impact of SEK 10.5 million due to high intensity of product development, launching new products and expanding the business.



- Personnel costs increased by SEK 11.6 million to meet higher demand and greater product development and sales within existing and future product areas.
- Amortization and write-downs, mainly of goodwill, increased by SEK 4.4 million.
- The share in the loss from Hylink affected the operating profit by SEK 4.4 million

The profit before tax was SEK 31.4 million (-5.7 m). During the period the company's net financial items were positive at SEK 4.5 million (1.4 m).

Three business areas become two

During the period Viking Telecom merged its Broadband and Microwave business areas in order to sharpen its focus. The new business area will be known as Microwave.

- **Telecom business area** will cover telecom products and systems for network operators.
- **Microwave business area** will cover microwave links for the third generation of mobile phones and products for cable TV operators.

Net sales for the **Telecom** business area climbed by 292 % to SEK 410.0 million (104.5 m). The operating profit soared to SEK 43.5 (-1.7 m). Development costs amounted to SEK 13.6 million (11.2 m).

Net sales for the **Microwave** business area were SEK 5.9 million (1.5 m). The operating loss was SEK 16.6 million (-5.4 m). Development costs amounted to SEK 13.5 million (2.2 m).

Results from the Belgian subsidiaries, Daphne and dTechT, are reported during the period in the Microwave business area and affected the operating loss by SEK -4.6 million.

Product development

The cost of product development is written off as it occurs. During the period it amounted to SEK 27.1 million (13.4 m).

Investments

Investments in fixed assets during the period amounted to SEK 2.3 million (2.2 m).

Financial position and liquidity

As of 30 June, liquid assets and short-term investments stood at SEK 138.7 million (139.7 m) and the equity/assets ratio was 73.4% (72.9%).

At the end of the period the Group's equity was SEK 226.9 million (205.3 m).

Cash flow

Cash flow from current activities amounted to SEK 9.0 million (-0.1 m). Positive cash flow from current operations consisted of SEK 41.2 million from the business and SEK -32.1 million in increased tied-up working capital. The increase in working capital was due to a large boost in sales at the end of the quarter and to changed payment terms for deliveries made in the second quarter.

Cash flow after investments amounted to SEK -1.2 million (-10.8 m). The cash flow for the period was SEK -0.9 million (97.2 m).

Employees

On 30 June the Group had a headcount of 93, which means an additional 7 employees since the start of the year.

Parent company

Net sales for the parent company amounted to SEK 407.4 million (104.5 m). The profit before tax was SEK 46.5 million (0.3 m).

Outlook for full year 2001

The Board sees continued strong growth with strengthened profitability for the full year 2001. Growth will exceed the long-term goal of 30 - 40 % annually.

As in Q2, Q3 will be characterised by work to complete SMSit and Link 155 for production, as well as intensive sales.

Deliveries of ready-made products in Q3 will fall short of Q2's figure.

Important events since the end of the period

Viking Telecom has received its first order in Europe for SMSit, the SMS terminal for the fixed telecom network and the associated server system. The customer is one of Europe's leading telecom operators. Delivery of SMSit to several European countries is expected to begin in Q3. The order is worth around SEK 30 million.

Viking Telecom has received further orders for telephones with embedded router functions for delivery during Q4 2001, worth around SEK 55 million.

Future reports

- EGM: 30 August 2001.
- Q3 report: 24 October 2001.
- Q4 report and financial report: 7 February 2002.

This Quarterly report has been prepared in accordance with Recommendation 20 (Interim Reports) issued by the Swedish Institute of Authorised Public Accountants. The same accounting principles and calculation methods have been used in this report as in the Annual Report.

The share in Hylink's results affects the operating profit from 2001, while last year it affected the net financial items. Comparative figures have been adjusted to take this into account.

Göteborg 22 August 2001



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We reviewed this semi-annual report according to the recommendations issued by the Swedish Institute of Authorized Public Accountants (FAR). A review is considerably limited in scope compared with an audit. Nothing has come to our attention that causes us to believe that the semi-annual report doesn't comply with the requirements of the Securities and Clearing Operations Act and the Annual Accounts Act.



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The Viking Telecom AB (publ) Group

The Viking Telecom AB (publ) Group develops and markets access products for today's and tomorrow's communications networks. In the business areas of Telecom and Microwave.

The Group has its registered office in Göteborg, Sweden, and subsidiaries in Sweden, Belgium, Portugal and Hong Kong as well as a joint venture in Norway. The company is listed on the Stockholm Stock Exchange's Attract 40 list, under the VIKT ticker.

Consolidated income statement

	1 Mar. 2001 30 Jun. 2001	1 Mar. 2000 30 Jun. 2000	1 Jan. 2001 30 Jun. 2001	1 Jan. 2000 30 Jun. 2000	1 Jan. 2000 31 Dec. 2000
<i>Amounts in SEK 000s</i>					
Operating income					
Net sales	109 765	63 371	415 829	105 968	391 858
Other operating income	5 631	20	8 230	146	8170
	115 396	63 391	424 059	106 114	400 028
Operating expenses					
Goods for resale	-88 568	-48 920	-333 552	-80 504	-310 023
Other external expenses	-7 639	-6 457	-24 159	-13 638	-32 595
Personnel costs	-14 775	-9 531	-27 985	-16 408	-39 641
Depreciation of fixed assets	-808	-447	-1 682	-874	-2 596
Amortization of goodwill	-1 001	-435	-4 444	-840	-2 758
Profit/loss from shares in associated companies	-1 781	-924	-5 302	-924	-6 473
Operating profit/loss	824	-3 323	26 934	-7 074	5 942
Financial income	2 440	1 605	5 318	2 211	7 032
Financial expenses	-333	-638	-852	-843	-3648
Profit/loss before tax	2 931	-2 356	31 399	-5 706	9 326
Tax on profit for the year/period	-1 063	546	-9 904	1 320	-782
Profit/loss for the year/period	1 869	-1 810	21 496	-4 386	8 544
EPS before dilution	0.09	-0.10	1.09	-0.25	0.48
EPS after dilution	0.09	-0.10	1.07	-0.24	0.47
No. of shares before dilution	19 744 032	17 574 032	19 744 032	17 574 032	17 624 032
No. of shares after dilution	20 077 961	17 994 494	20 077 961	17 994 494	18 024 377

Consolidated cash flow statement

	1 Jan. 2001 30 Jun. 2001	1 Jan. 2000 30 Jun. 2000
<i>Amounts in SEK 000s</i>		
Current activities		
Operating profit/loss	26 934	-6 150
Adjusted for items not included in cash flow	6 158	2 114
Other items affecting cash flow	8 075	-798
Cash flow from current activities before changes in working capital	41 166	-4 834
Cash flow from changes in working capital	-32 122	4 734
Cash flow from current activities	9 044	-100
Cash flow from investment activities	-10 279	-10 693
Cash flow from financing activities	300	107 968
Cash flow for the period	-935	97 175

Consolidated balance sheet

Amounts in SEK 000s 30 Jun. 2001 31 Dec. 2000

ASSETS

Fixed assets

Intangible assets	15 371	19 354
Tangible assets	8 673	8 052
Financial assets	11 940	5 677
Total fixed assets	35 985	33 083

Current assets

Inventories	25 120	22 603
Current receivables	109 375	130 963
Cash and bank balances and short-term investments	138 723	139 717
Total current assets	273 217	293 283
TOTAL ASSETS	309 202	326 366

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity	226 943	205 203
Provisions	2 062	2 030
Non interest-bearing long-term liabilities	6 639	6 162
Non interest-bearing current liabilities	73 558	112 971
Total liabilities	80 197	121 163
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	309 202	326 366

Changes in Group shareholders' equity

	30 Jun. 2001	
Opening shareholders' equity as of 31 Dec. 2000	205 203	
Translation differences	244	
Profit/loss for the period	21 496	
Total at period's end	226 943	

KEY FIGURES

	30 Jun. 2001	30 Jun. 2000
Gross margin, %	9.2	-4.2
Margin before goodwill amortization, %	8.8	-5.0
Operating margin, %	6.5	-6.7
Profit margin, %	5.2	-4.1
Return on capital employed, %	29.5	-7.2
Return on equity, %	19.9	-6.5
Equity/assets ratio, %	73.4	72.9
No. of employees, average	88	56
Order backlog, SEK m	128	652

DATA PER SHARE

Average number of shares	20 077 961	17 994 494
EPS after full dilution, SEK	1.07	-0.24
Equity per share, SEK	11.30	9.43

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