

Allgon AB

Interim Report

January 1 -September 30, 2001

**INTERIM REPORT JANUARY 1-SEPTEMBER
30, 2001**

- ☐ Net sales amounted to SEK 1,516M (1,986).
- ☐ Operating income amounted to SEK -89M (71).
- ☐ All the business areas improved their operating income during the third quarter compared with the previous quarter.
- ☐ Mobile Communications reported a profit in the third quarter.
- ☐ During the third quarter, a number of strategically important orders were received.
- ☐ Significant interest in Allgon's 3G products.

THIRD QUARTER 2001

During the third quarter, Allgon's net sales amounted to SEK 478M (672). Operating income amounted to SEK -9M (16) and income after financial items to SEK -20M (18). Reduced sales and overcapacity resulted in significantly lower gross profit for Allgon. Operating income, excluding items affecting comparability, fell by SEK 11M compared with the previous year. The implemented savings programs have thus significantly contained the negative effect of the fall in sales for the period.

JANUARY-SEPTEMBER 2001

Market

Following strong growth during 2000, the market for Allgon's products is now back at the 1999 level. Allgon expects the market to remain at this level until 3G investment speeds up. Allgon is currently involved in a large number of negotiations relating to 3G contacts and expects that these will be completed over the next six months. At the present time, it is difficult to judge when deliveries will start, but Allgon does not expect any volume deliveries to be made until 2003.

The market for coverage solutions (repeaters) has developed favorably and Allgon is strongly positioned in this sector. Activities relating to demand for coverage solutions for subways and multi-operator solutions for public buildings are especially strong.

The market in China continues to grow, whereas the markets in Europe, North America and South America remain weak.

Group net sales and orders received

Net sales fell to SEK 1,516M (1,986) and orders received to SEK 1,542M (1,887).

Allgon Systems

Net sales fell to SEK 1,024M (1,227) and operating income to SEK -82M (142). Operating income includes costs of a one-off nature of SEK 51M (-).

Sales of antennas and repeaters developed positively, whereas sales of base station products were weak. A large number of contracts for UMTS (3G) networks are under final negotiation. The contracts relate to deliveries of antennas, tower top amplifiers and filter panels. China continues to develop positively, especially due to deliveries to the new CDMA network which is currently under construction.

During the third quarter, significant orders were received in the USA (GSM antennas, SEK 137), China (repeaters, SEK 192M) and Russia (repeaters SEK 60M).

Allgon Mobile Communications

Net sales fell to SEK 418M (674) and operating income to SEK -25M (29). Operating income includes one-off items of SEK -29M (28).

The business area's operations have now been adapted to the current invoicing level and report positive results from July. The production unit in the USA has been closed and the production moved to Sweden. During the third quarter, additional measures were implemented to reduce the business area's costs. The establishment of the production unit in China continues according to plan and production will start at the beginning of 2002. The proportion of built-in antennas delivered during the third quarter was approximately 40 (4) percent.

Allgon Microwave

Net sales fell to SEK 53M (80) and operating income to SEK -47M (-33).

Allgon Microwave is in the final phase of negotiations with a number of UMTS operators who have significant needs for microwave products. The decision-making process relating to the selection of suppliers has dragged on but is expected to be resolved during the fourth quarter.

Wireless Solutions

Net sales amounted to SEK 21M (5) and operating income to SEK -19M (-50). The business area was divested during

the second quarter and has been consolidated until May inclusive.

Consolidated results

Allgon's operating income fell to SEK -89M (71) and operating income after financial items to SEK -112M (48). The fall is mainly due to the downturn in the market and overcapacity. The results include one-off costs totaling SEK 83M (-). Also included, as an item affecting comparability, is the sale of Wireless Solutions with SEK 109M (53).

Income after financial items would have been SEK 79M (59) higher if Allgon had not had any hedging. At the period end, there are forward contracts, which have not yet been taken up as income, amounting to USD 6M subscribed at an average call rate of SEK 10.71.

Financial position

At September 30, 2001, the equity ratio amounted to 42 percent (December 31, 2000: 42 percent). Net borrowing amounted to SEK 221M 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 94M (176) gross, of which the completion of the building in Täby, Sweden, accounted for SEK 64M during the corresponding period in 2000.

Parent company

Operations in the parent company, Allgon AB (publ), consist 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

in the Interim Report as in the latest Annual Report.

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

Future information dates

January 22, 2002 Year-end Report

Täby, October 16, 2001
Allgon AB (publ)

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Condensed Consolidated	2001	2000	1999	Oct 2000 -	2000
Statement of Income (SEK M)	Jan-Sep	Jan-Sep	Jan-Sep	Sep 2001	Jan-Dec
Net sales	1,516	1,986	1,508	2,226	2,696
Cost of goods sold	-1,132	-1,348	-936	-1,598	-1,814
Gross income	384	638	572	628	882
Selling expenses	-188	-215	-177	-271	-298
Administrative expenses	-84	-122	-86	-129	-167
Research and development costs	-256	-272	-217	-360	-376
Other operating income/expenses	-54	-17	0	23	-14
Items affecting comparability	109	59	-	80	30
Operating income	-89	71	92	-103	57
Net financial income/expenses	-23	-23	-2	-30	-30
Income after financial items	-112	48	90	-133	27
Taxes	13	-14	-27	13	-14
Minority interests of net income for the period	-3	-2	-1	-4	-3
Net income for the period	-102	32	62	-124	10
Earnings per share (SEK)	-3,50	1,08	2,16	-4,20	0,35
Number of shares at period-end (000)	29,266	29,266	28,800	29,266	29,266
Average number of shares (000)	29,266	29,169	28,800	29,266	29,192

Condensed Consolidated	2001	2000	1999	2001	2000
Balance Sheet (SEK M)	Sep 30	Sep 30	Sep 30	Sep 30	Dec 31
Assets					
Fixed assets	484	598	346	484	570
Current assets	964	1,018	760	964	1,096
Total assets	1,448	1,616	1,106	1,448	1,666
Equity and liabilities					
Shareholders' equity	609	712	613	609	693
Minority interests	5	3	5	5	4
Provisions	124	55	47	124	76
Long-term liabilities	223	216	11	223	214
Current liabilities	487	630	430	487	679
Total equity and liabilities	1,448	1,616	1,106	1,448	1,666

	2001	2000	1999	Oct 2000 -	2000
Cash flow analysis (SEK M)	Jan-Sep	Jan-Sep	Jan-Sep	Sep 2001	Jan-Dec
Cash flow from current operations	-102	59	126	-67	94
Change in working capital	88	-42	-107	-4	-134
		1)			1)
Capital expenditure	147	-110	-196	116	-141
Cash flow after investments	133	-93	-177	45	-181
Financing	-142	119	-22	-67	194
Change in liquid funds	-9	26	-199	-22	13

1) 227 SEK M regards the sale of Wireless Solutions.

	2001	2000	1999	Oct 2000 -	2000
Key figures	Jan-Sep	Jan-Sep	Jan-Sep	Sep 2001	Jan-Dec
Orders received (SEK M)	1,542	1,887	1,761	2,089	2,434
Operating margin (%)	-6	4	6	-4	2
Profit margin (%)	-7	2	3	-6	0
Return on operating capital (%)	-12	10	24	-11	6
Return on capital employed (%)	-7	15	25	-4	10
Return on shareholders' equity (%)	-21	6	14	-19	1
Equity ratio (%)	42	44	56	42	42
Interest-bearing liability (SEK M)	307	359	219	307	440
Average number of full-time employees	1,146	1,265	1,019	1,179	1,268
Capital expenditures for:					
- buildings and land (SEK M)	1	66	100	-29	36
- machinery and equipment (SEK M)	93	110	96	150	166
Depreciation (SEK M)	-78	-81	-86	-119	-122
Equity per share (SEK)	21	24	21	21	24

	2001	2000	1999	Oct 2000 -	2000
Net sales distributed by geographical markets (SEK M)	Jan-Sep	Jan-Sep	Jan-Sep	Sep 2001	Jan-Dec
Europe	340	469	341	497	626
North & South America	882	1,157	686	1,272	1,547
Asia	289	356	477	447	514
Rest of world	5	4	4	10	9
Total	1,516	1,986	1,508	2,226	2,696

	2001	2000	1999	Oct 2000 -	2000
Net sales distributed by Business Areas (SEK M)	Jan-Sep	Jan-Sep	Jan-Sep	Sep 2001	Jan-Dec
Systems	1,024	1,227	791	1,500	1,703
Mobile Communications	418	674	717	614	870
Microwave	53	80	-	85	112
		5)			5)
Wireless Solutions	21	5	-	27	11
Total	1,516	1,986	1,508	2,226	2,696

	2001	2000	1999	Oct 2000 -	2000
Operating income distributed by Business Areas (SEK M)	Jan-Sep	Jan-Sep	Jan-Sep	Sep 2001	Jan-Dec
Systems	-82	142	62	-26	198
Mobile Communications	-25	29	102	-9	451)
Microwave	-47	-33	-38	-59	-45
		5)			5)
Wireless Solutions	-19	50	-	-45	-76
Total	-173	88	126	-139	122
Common Group items	92	4) -7	1)2) -30	47	3),4) -52
Goodwill amortization	-8	-10	-4	-11	2),3) -13
Operating income	-89	71	92	-103	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

5) Wireless Solution is included until May
2001

QUARTERLY FIGURES

Condensed Consolidated

Statement of Income (SEK M)

	2001	2001	2001	2000	2000	2000	2000
	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Net sales	478	519	519	710	672	632	682
Cost of goods sold	-333	-424	-375	-466	-469	-427	-452
Gross income	145	95	144	244	203	205	230
Selling expenses	-57	-64	-67	-83	-66	-74	-75
Administrative expenses	-22	-25	-37	-45	-38	-48	-36
Research and development costs	-69	-87	-100	-104	-90	-91	-91
Other operating income/expenses	-6	-34	-14	3	-8	-3	-6
Items affecting comparability	-	109	-	-29	15	44	-
Operating income	-9	-6	-74	-14	16	33	22
Net financial income/expenses	-11	-7	-5	-7	2	-19	-6
Income after financial items	-20	-13	-79	-21	18	14	16
Taxes	1	16	-4	0	-4	-5	-5
Minority interests of net income for the quarter	0	-2	-1	-1	0	-1	-1
Net income for the quarter	-19	1	-84	-22	14	8	10
Earnings per share (SEK)	-0,68	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	29,266	29,183	29,183
Average number of shares (000)	29,266	29,266	29,266	29,266	29,245	29,183	29,088

Condensed Consolidated

Balance Sheet (SEK M)

	2001	2001	2001	2000	2000	2000	2000
	30 Sep	30 Jun	31 Mar	31 Dec	30 Sep	30 Jun	31 Mar
Assets							
Fixed assets	484	502	596	570	598	553	558
Current assets	964	1,150	1,040	1,096	1,018	906	946
Total assets	1,448	1,652	1,636	1,666	1,616	1,459	1,504
Equity and liabilities							
Shareholders' equity	609	633	616	693	712	687	678
Minority interests	5	6	5	4	3	4	3
Provisions	124	144	83	76	55	60	58
Long-term liabilities	223	226	221	214	216	207	208
Current liabilities	487	643	711	679	630	501	557
Total equity and liabilities	1,448	1,652	1,636	1,666	1,616	1,459	1,504

Key figures

	2001	2001	2001	2000	2000	2000	2000
	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Orders received (SEK M)	499	479	564	547	611	675	601
Operating margin (%)	-2	-1	-14	-2	2	5	3
Profit margin (%)	-4	0	-16	-3	2	1	2
Equity ratio (%)	42	39	38	42	44	47	45
Interest-bearing liability (SEK M)	307	376	448	440	359	291	335
Average number of full-time employees	1,020	1,159	1,259	1,277	1,329	1,267	1,199
Capital expenditures for:							
- buildings and land (SEK M)	0	1	0	-31	0	11	55
- machinery and equipment (SEK M)	23	23	47	57	40	31	39
Depreciation (SEK M)	-25	-25	-28	-33	-33	-28	-28
Equity per share (SEK)	21	22	21	24	24	24	23

Net sales distributed by geographical markets (SEK M)	2001 Jul-Sep	2001 Apr-Jun	2001 Jan-Mar	2000 Oct-Dec	2000 Jul-Sep	2000 Apr-Jun	2000 Jan-Mar
Europe	94	104	142	157	149	151	169
North & South America	279	305	298	390	406	363	388
Asia	104	108	77	159	115	116	124
Rest of world	1	2	2	4	2	2	1
Total	478	519	519	710	672	632	682

Net sales distributed by Business Areas (SEK M)	2001 Jul-Sep	2001 Apr-Jun	2001 Jan-Mar	2000 Oct-Dec	2000 Jul-Sep	2000 Apr-Jun	2000 Jan-Mar
Systems	329	370	325	476	462	384	381
Mobile Communications	132	133	153	196	173	224	277
Microwave	17	14	22	32	34	22	24
Wireless Solutions 1)	-	2	19	6	3	-2	-
Total	478	519	519	710	672	632	682

Operating income distributed by Business Areas (SEK M)	2001 Jul-Sep	2001 Apr-Jun	2001 Jan-Mar	2000 Oct-Dec	2000 Jul-Sep	2000 Apr-Jun	2000 Jan-Mar
Systems	-3	-60	-19	56	75	35	32
Mobile Communications	11	-21	-15	16	-29	31	27
Microwave	-14	-18	-15	-12	-9	-12	-12
Wireless Solutions 1)	-	-8	-11	-26	-22	-17	-11
Total	-6	-107	-60	34	15	37	36
Common Group items	-2	104	-10	-45	4	0	-11
Goodwill amortization	-1	-3	-4	-3	-3	-4	-3
Operating income	-9	-6	-74	-14	16	33	22

1) Wireless Solutions is included until May 2001.

NOTES

	2001 Jan-Sep	2000 Jan-Sep
Change in equity (SEK M)		
Opening balance as per December 31	693	694
Change in translation difference	18	11
Dividend	-	-25
Net income for the quarter	-102	32
Closing balance according to balance sheet as per Sept 30	609	712

Taxes

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