



INTERIM REPORT JANUARY 1 – SEPTEMBER 30, 2000

- Net sales rose by 32 percent to SEK 1,986 million (1,508).
- Operating income fell by 23 percent to SEK 71 million (92). Income after financial items fell by 47 percent to SEK 48 million (90). Surplus pension funds from SPP affected income positively by SEK 30 million (-).
- Allgon Systems reported record sales during the third quarter of SEK 462 million (287), an increase with 61 percent. Sales for January-September amounted to SEK 1,227 million (791). Operating income increased by 76 percent during the third quarter to SEK 75 million (43).
- Allgon Mobile Communications income was affected by low sales volumes and over capacity.
- Deliveries at Allgon Microwave were 50 percent higher than previous quarter.
- Wireless Solutions launched new WLAN products.

Market

Expansion of the infrastructure of the mobile telephone networks in North America **is** very rapid. The previous trend with a consolidation of the American operators continued. Improved roaming, anticipated strong subscriber growth and increased utilization of the mobile telephone networks stimulated this development. In South America, investments in infrastructure were stable.

Subscriber growth remains high in Europe.

A recovery in South-East Asia can be noted in the form of increased subscriber growth and capacity expansion. The subscriber trend in China remains strong. China now has more than 60 million subscribers and is thus the second largest market in the world after the USA, followed by Japan.

Third quarter 2000

Allgon's net sales for the third quarter rose by 23 percent to SEK 672 million (545). Especially Allgon Systems, which reported record sales during the third quarter, contributed to the high net sales. Operating income fell by 66 percent to SEK 16 million (47). Income after financial items fell by 55 percent to SEK 18 million (40).

Investments in Allgon Microwave and Wireless Solutions affected income negatively by SEK -33 million (-12).

Third quarter income includes SEK 15 million relating to surplus pension funds from SPP.

Group net sales and order intake

Net sales rose by 32 percent to SEK 1,986 million (1,508). Orders received increased by 7 percent to SEK 1,887 million (1,761).

Allgon Systems

Net sales rose by 55 percent to SEK 1,227 million (789). The increase was especially evident in North and South America.

Sales of **repeater networks** increased in North and South America.

Sales of **radio equipment** and **antenna systems** developed very positively, especially in North America. Antenna sales more than doubled compared with the same period in the previous year. Sales of radio equipment also developed very strongly. Sales of antenna systems also increased in China, thanks to the local production unit which was established there during the second quarter.

Operating income rose by 229 percent to SEK 142 million (62).

Lars Jehrlander took over as Head of Business Area Allgon Systems on October 2, 2000.

Allgon Mobile Communications

Net sales fell by 6 percent to SEK 674 million (717). Allgon's distribution between retractable, fixed and built-in antennas was 34/64/2 (38/61/1) percent.

During the third quarter, Allgon and Motorola Semiconductor Product Sector signed a letter of intent for a collaboration relating to joint development of new technology for antenna systems intended for the third generation's wireless multimedia terminals. Allgon's DCA concept (Digital Controlled Antenna) will use new technology from Motorola. The collaboration relating to DCA will also include other advanced radio components.

The cost savings program is being implemented. Fixed costs will be reduced by at least SEK 50 million on an annual basis compared with the first half of 2000, with full effect as of first quarter 2001.

Allgon Mobile Communications is involved in several projects relating to built-in antennas with leading mobile telephone manufacturers that have chosen Allgon as supplier.

Sales of **antennas for satellite telephones** amounted to SEK 33 million (14).

Operating income fell by 72 percent to SEK 29 million (102).

Allgon Microwave

Net sales amounted to SEK 80 million (2).

Marketing activities in Asia, Europe and South America continued. A product range in accordance with FCC standard for the American market is being produced, and sales of this product are expected to start during the first half of 2001.

The operating result amounted to SEK –33 million (-38).

Wireless Solutions

Net sales amounted to SEK 5 million (-).

During the quarter, Wireless Solutions launched a new range of WLAN products for wireless data transmission with 11 Mbit/s, which is mainly directed at OEM manufacturers. A new PC card, new wireless access nodes, adapters for printers and stationary personal computers as well as a web camera are included in the new product range.

The operating result amounted to SEK –50 million (-).

Results

Allgon's gross margin fell due to overcapacity in Allgon Mobile Communications' operations.

Allgon's operating income fell by SEK 23 million to SEK 71 million (92). Operating income is charged with the growth investments, Wireless Solutions and Allgon Microwave, at SEK -88 million (-38). The result also includes SEK 30 (-), which relates to surplus pension funds from SPP. This amount is reported under other operating income/expenses. The reduced sales volumes in Business Area Allgon Mobile Communications negatively affected operating income.

Income after financial items, which amounts to SEK 48 million (90), includes a positive one-off effect of approximately SEK 20 million from the divestment of the vehicle antenna operation. Income after financial items would have been SEK 51 million higher if Allgon had not had any hedging.

An action program has been initiated to improve profitability. The program comprises intensified activities aimed at reducing production costs as well as a savings program for expenses.

Financial position

At September 30, 2000, the equity ratio amounted to 44 percent (50 percent at December 31, 1999). Net borrowing amounted to SEK 277 million at the period-end. (SEK 162 million at December 31, 1999).

Capital expenditure

During the period, capital expenditure in buildings and land, machinery and equipment amounted to SEK 176 million (196) gross, of which the new construction for Allgon Systems amounted to SEK 64 million (98).

Offers from LGP and REMEC

On August 22, LGP Telecom Holding AB made an offer for Allgon. Allgon was offered 0.56 of a newly-issued share in LGP for each issued Allgon A and B share. The offer expired on October 11. The Allgon Board of Directors supported by its financial advisors recommended the shareholders to reject the offer. LGP announced on October 16 that their offer had met with acceptances representing only 17 percent of the share capital and the offer will therefor not be completed.

On September 28, REMEC Inc. made an offer for Allgon. REMEC raised its offer on October 9. Allgons Board of Directors recommended the shareholder supported by its financial advisors to accept the offer.

New growth target

Allgon has revised its long-term target for average annual sales growth from 20 percent to 30 percent over the next five years.

Future information dates

January 18, 2001	Year-end Report
March 15, 2001	Annual General Meeting
April 19, 2001	Three-Month Interim Report

Täby, October 17, 2000

Allgon AB (publ)

Jan Edhäll
President and CEO

For further information, please contact:

Jan Edhäll
President and CEO, Allgon AB

Telephone: +46 8-540 822 31

Claes Silfverstolpe
Chief Financial Officer, Allgon AB

Telephone: +46 8-540 822 32

Condensed Consolidated Statement of Income (SEK million)	2000 Jan- Sep	1999 Jan- Sep	1998 Jan- Sep	1999 Jan- Dec
Net sales	1,986	1,508	1,294	2,136
Cost of goods sold	-1,348	-936	-804	-1,340
Gross income	638	572	490	796
Selling expenses	-215	-177	-135	-244
Administrative expenses	-122	-86	-71	-123
Research and development costs	-272	-217	-159	-297
Other operating income/expenses	42	0	-18	-8
Operating income	71	92	107	124
Net financial income/expenses	-23	-2	-6	3
Income after financial items	48	90	101	127
Taxes	-14	-27	-22	-44
Minority interests of net income for the period	-2	-1	-2	-2
Net income for the period	32	62	77	81

Condensed Consolidated Balance Sheet (SEK million)	2000 Sep 30	1999 Sep 30	1998 Sep 30	1999 Dec 31
Assets				
Fixed assets	598	346	198	492
Current assets	1,018	760	695	889
Total assets	1,616	1,106	893	1,381
Equity and liabilities				
Shareholders' equity	712	613	547	694
Minority interests	3	5	4	3
Provisions	55	47	34	63
Long-term liabilities	216	11	4	92
Current liabilities	630	430	304	529
Total equity and liabilities	1,616	1,106	893	1,381
Key figures	2000 Jan-Sep	1999 Jan-Sep	1998 Jan-Sep	1999 Jan-Dec
Orders received (SEK million)	1,887	1,761	1,302	2,266
Operating margin (%)	4	6	8	6
Profit margin (%)	2	6	8	6
Return on operating capital (%)	10	24	41	20
Return on capital employed (%)	15	25	32	21
Return on shareholders' equity (%)	6	14	20	13
Equity ratio (%)	44	56	62	50
Interest-bearing liability (SEK million)	359	18	9	219
Average number of full-time employees	1,265	1,019	860	1,053
Capital expenditures for:				
- buildings and land (SEK million)	66	100	46	151
- machinery and equipment (SEK million)	110	96	74	130
Numbers of shares at period-end (thousands)	29,266	28,800	28,800	28,800
Earnings per share (SEK)	1.08	2.16	2.68	2.80
Equity per share (SEK)	24	21	19	24

Net sales (SEK million)	2000	1999	Change
	Jan-Sep	Jan-Sep	%
Systems	1,227	789	55
Mobile Communications	674	717	-6
Microwave	80	2	
Wireless Solutions	5	-	
Total	1,986	1,508	32
Europe	469	341	38
North & South America	1,157	686	69
Rest of world	360	481	-25
Total	1,986	1,508	32

QUARTERLY FIGURES

Condensed Consolidated Statement of Income (SEK million)

	1999	1999	1999	1999	2000	2000	2000
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Net sales	435	528	545	628	682	632	672
Cost of goods sold	-261	-329	-346	-404	-452	-427	-469
Gross income	174	199	199	224	230	205	203
Selling expenses	-55	-63	-59	-67	-75	-74	-66
Administrative expenses	-26	-30	-30	-37	-36	-48	-38
Research and development costs	-66	-79	-72	-80	-91	-91	-90
Other operating income/expenses	-4	-5	9	-8	-6	41	7
Operating income	23	22	47	32	22	33	16
Net financial income/expenses	4	1	-7	5	-6	-19	2
Income after financial items	27	23	40	37	16	14	18
Taxes	-8	-6	-13	-17	-5	-5	-4
Minority interests of net income for the quarter	-1	0	0	-1	-1	-1	0
Net income for the quarter	18	17	27	19	10	8	14

**Condensed Consolidated
Balance Sheet (SEK million)**

Assets

Fixed assets

Current assets

Total assets

1999	1999	1999	1999	2000	2000	2000
Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30
247	302	346	492	558	553	598
752	761	760	889	946	906	1,018
999	1,063	1,106	1,381	1,504	1,459	1,616

Equity and liabilities

Shareholders' equity

Minority interests

Provisions

Long-term liabilities

Current liabilities

Total equity and liabilities

573	591	613	694	678	687	712
4	4	5	3	3	4	3
51	53	47	63	58	60	55
11	11	11	92	208	207	216
360	404	430	529	557	501	630
999	1,063	1,106	1,381	1,504	1,459	1,616

Key figures

Orders received (SEK million)

Operating margin (%)

Profit margin (%)

Return on operating capital (%)

Return on capital employed (%)

Return on shareholders' equity (%)

Equity ratio (%)

Interest-bearing liability (SEK million)

Average number of full-time employees

Capital expenditures for:

- buildings and land (SEK million)

- machinery and equipment (SEK million)

Number of shares at period-end (thousands)

Earnings per share (SEK)

Equity per share (SEK)

1999	1999	1999	1999	2000	2000	2000
Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
531	520	710	505	601	675	611
5	4	9	5	3	5	2
6	4	7	6	2	2	2
22	18	33	17	10	14	7
23	19	33	22	13	17	14
13	11	18	11	6	5	8
58	56	56	50	45	47	44
18	18	18	219	335	291	359
908	1,028	1,121	1,155	1,199	1,267	1,329
24	41	35	51	55	11	0
28	34	34	34	39	31	40
28,800	28,800	28,800	28,800	29,183	29,183	29,266
0.64	0.57	0.96	0.64	0.34	0.29	0.45
20	21	21	24	23	24	24

Net sales (SEK million)	1999	1999	1999	1999	2000	2000	2000
	Jan- Mar	Apr- Jun	Jul- Sep	Oct- Dec	Jan- Mar	Apr- Jun	Jul- Sep
Systems	220	283	288	355	381	384	462
Mobile Communications	215	245	257	273	277	224	173
Microwave	-	-	-	-	24	22	34
Wireless Solutions	-	-	-	-	-	2	3
Total	435	528	545	628	682	632	672
Europe	113	115	113	162	169	151	149
North & South America	157	248	281	305	388	363	406
Rest of world	165	165	151	161	125	118	117
Total	435	528	545	628	682	632	672
Operating income (MSEK)	2000	1999	2000	1999			
	Jan- Sep	Jan- Sep	Jul- Sep	Jul- Sep			
Systems	142	62	75	43			
Mobile Communications	29	102	-29	30			
Microwave	-33	-38	-9	-12			
Wireless Solutions	-50	-	-22	-			
Total	88	126	15	61			
Net Group costs	-7	-30	4	-13			
Goodwill amortisation	-10	-4	-3	-1			
Operating income	71	92	16	47			
Cash flow analysis (SEK million)	2000	1999					
	Jan- Sep	Jan- Sep					
Cash flow from current operations	111	130					
Change in working capital	-42	-112					
Capital expenditure	-162	-196					
Cash flow after investments	-93	-177					
Financing	119	-22					
Change in liquid funds	26	-199					