



ALLGON AB
INTERIM REPORT
JANUARY 1 – JUNE 30, 2002





SECOND QUARTER 2002

SEK M	Apr - Jun 2002	Jan-Mar 2002
Orders received	366	379
Net sales	353	367
Operating income	-38	-39
Income after financial items	-49	-45

- Continued weak market.
- High demand for base station antennas in the USA (GSM) and Europe (UMTS).
- Fall in sales of combiners (TDMA) and mobile telephone antennas.
- 3G order for repeaters in Hong Kong.
- Continued reduction of expenses.
- A new cost reduction program will be implemented during the second half of the year.

Market

The market remained weak during the quarter. The operators' financial situation and difficulties in achieving a breakthrough for new services resulted in continued low level of investment in capacity and coverage.

The expansion rate of the GSM networks in North America and parts of Eastern Europe was strong whilst investments were low in other parts of Europe. Expansion of the new CDMA network in China has slowed down temporarily because of one operator's difficulties in attracting customers to the network.

3G has been launched in Japan and the rollout has started in Europe with building of masts and associated equipment. However, there appear to be some delay in rolling out the actual base station, as the operators postpone their major investments pending market maturity for the new networks and services they will be distributing.

The market for the second half of 2002 is difficult to judge. The expansion rate of the GSM networks in the USA is expected to remain high, whereas it is uncertain when the expansion of the UMTS in Europe and CDMA in China will accelerate.

Group net sales and orders received

Net sales during the second quarter fell to SEK 353M (519) and orders fell to SEK 366M (479).

Group results

Operating income during the second quarter amounted to SEK -38M (-6) and income after financial items to SEK -49M (-13).

Income was positively affected by SEK 12M attributable to capitalized development expenditure for new products. The previous year's results included business area Wireless Solutions with SEK -8M. A capital gain of SEK 109M from the divestment of the business area is also included as an item affecting comparability. In addition, the results included one-off costs totaling SEK 64M.

The fall in net sales and the different product mix have resulted in a lower gross margin. This was partly compensated for by reduced expenses resulting from action programs implemented during 2001. There was also a reduction in expenses in relation to the first quarter of 2002. In addition, the effects of hedging had a positive effect on the results, in contrast to the corresponding

Comparative figures for the corresponding period in the previous year are stated in brackets if not otherwise stated.



quarter in the previous year.

Income after financial items would have been SEK 17M lower had Allgon not had any hedging.

Allgon Systems

Net sales fell to SEK 262M (370). The fall is mainly attributable to reduced sales of combiners (TDMA.)

Sales of base station antennas remained high in the second quarter, especially sales to GSM operators in the USA and UMTS operators in Europe. In the past three quarters, Allgon has delivered approximately 12,000 UMTS antennas in Europe. However, sales of other UMTS equipment were weak, but are expected to increase towards the end of the year. Deliveries of filter panels for CDMA and UMTS will start during the third quarter. The market in Asia remained weak whereas the market in Russia was strong.

Operating income amounted to SEK -12M (-61). Operating income was positively affected by SEK 9M which was attributable to capitalized development expenditure for new products. Last year's operating income included one-off costs of SEK 45M.

Allgon Mobile Communications

Net sales fell to SEK 72M (133). The fall is due to lower volume and a larger proportion of built-in antennas.

Allgon commenced deliveries of antennas for six new telephone models and deliveries to an additional nine new models will begin during the second half of the year. During the quarter, production started in Beijing (China). No volume growth is anticipated until production is increased ahead of the Christmas sales of mobile telephones. Allgon has developed a new type of antenna, mainly intended for folding mobile telephones, which is 80 percent smaller than current built-in antennas. Several mobile telephone manufacturers have expressed an interest in this antenna.

Operating income amounted to SEK -3M (-21). Operating income was positively affected by SEK 3M attributable to capitalized development expenditure for

new products. The previous year's income included one-off costs of SEK 19M.

Allgon Microwave

Net sales amounted to SEK 20M (14).

The market in Europe remains weak both within GSM and UMTS. Deliveries of UMTS are expected to begin during the fourth quarter. During the quarter, an initial first order was re-ceived in China. Deliveries will start in July.

Operating income remained unchanged at SEK -18M (-18).

JANUARY – JUNE 2002

SEK M	Jan-Jun 2002	Jan-Jun 2001
Orders received	742	1043
Net sales	720	1038
Operating income	-77*	-80**
Income after financial items	-94*	-92**

* Income in the first half of 2002 was positively affected by SEK 24M through capitalization of development expenditure.

**Income for the first half of 2001 includes items affecting comparability of SEK 109M which relate to a capital gain and one-off costs totaling SEK 83M.

Group net sales and orders received

Allgon's net sales during the first six months fell to SEK 720M (1,038) and orders received to SEK 742M (1,043).

Group results

Operating income amounted to to SEK -77M (-80) and operating income after financial items to SEK -94M (-92).

Income was positively affected by SEK 24M which was attributable to capitalization of development expenditure for new products. The previous year's results include business area Wireless Solutions with SEK -19M. A capital gain of SEK 109M from the divestment of the business area is also included as an item affecting comparability. In addition, the results include one-off costs in the remain-

Comparative figures for the corresponding period in the previous year are stated in brackets if not otherwise stated.



ning business areas totaling SEK 83M.

Income after financial items would have been SEK 22M lower had Allgon not had any hedging. On the closing date, there were forward contracts, which have not yet been taken up in the income statement, amounting to USD 2M at an average spot rate of SEK 9.58.

Financial position

At June 30, 2002, the equity ratio amounted to 41 percent (December 31, 2001: 42 percent). Cash flow before financial operations amounted to SEK 1M (121) for the first quarter and the net debt to SEK 183M (December 31, 2001: SEK 194M). The previous year's cash flow included SEK 227M from the sale of business area Wireless Solutions.

Capital expenditure

During the period, capital expenditure in tangible and intangible fixed assets amounted to SEK 11M gross (71) and SEK 24M, respectively.

Significant events after the end of the period

Against the background of the continued weak market trend, Allgon will implement a new cost reduction program during the second half of the year.

Parent company

Operations in the parent company, Allgon AB (publ), consist of Group co-ordination tasks such as Group management, Group reporting, finance management and IT co-ordination. Assets consist mainly of shares in subsidiaries. During the period, sales amounted to SEK 0M (0) and income after financial items to SEK -14M (-14).

Accounting and valuation principles

From January 1, 2002, Allgon applies the Swedish Financial Accounting Standards Council's new recommendation

RR15 Intangible assets. In accordance with RR15, expenditure for development of new products, production and information systems shall be reported as intangible assets if such expenditure is not highly likely to lead to financial benefits for the company in the future. The acquisition value of such an intangible asset shall be written off over its estimated economic life. Allgon's chosen application of the new rules means that very strict demands are set for expenditure for development to be reported as an asset.

During the first half of 2002, expenditure for development of new products totaling SEK 24M has been reported as an asset. The depreciation period for the asset applied by Allgon amounts to between 6-36 months. In the first half of 2002, depreciation of capitalized development expenditure amounted to SEK 0.4M. In accordance with Allgon's previous accounting principles, all expenditure for development of new products was written off continuously.

Apart from the application of RR15, the same accounting principles and calculation methods have been applied in this Interim Report as in the latest Annual Report. Other new recommendations by the Swedish Financial Accounting Standards Council have had no effect on the company's results and position.

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

Future information dates:

October 18, 2002:

Interim Report January 1 – September 30 2002

Täby, July 16, 2002
Allgon AB (publ)


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Comparative figures for the corresponding period in the previous year are stated in brackets if not otherwise stated.



CONSOLIDATED STATEMENTS OF INCOME IN SUMMARY (SEK M)	2002 Jan-Jun	2001 Jan-Jun	Jul 2001 -Jun 2002	2001 Jan-Dec
Net sales	720	1 038	1 683	2 001
Cost for goods sold	-542	-799	-1 240	-1 497
GROSS INCOME	178	239	443	504
Selling expenses	-104	-131	-227	-255
Administrative expenses	-45	-62	-91	-107
Research and development costs	-114	-187	-260	-333
Other operating income/expenses	8	-48	5	-51
Items affecting comparability	-	109	-	109
OPERATING INCOME	-77¹⁾	-80	-130	-133
Net financial income/expense	-17	-12	-32	-27
INCOME AFTER FINANCIAL ITEMS	-94	-92	-162	-160
Taxes	28	12	49	33
Minority interest in the period's income	-1	-2	-2	-3
NET INCOME FOR THE PERIOD	-67	-82	-115	-130
Earnings per share before and after dilution (SEK)	-2.29	-2.82	-3.90	-4.43
Number of shares at the period end (000)	29 266	29 266	29 266	29 266
Average number of shares (000)	29 266	29 266	29 266	29 266

1) Income has been positively affected by SEK 24M through capitalization of development expenditure.



CONSOLIDATED BALANCE SHEET IN SUMMARY (SEK M)	2002 30 Jun	2001 30 Jun	2002 30 Jun	2001 31 Dec
Assets				
Intangible fixed assets	38	10	38	19
Tangible fixed assets	399	479	399	442
Financial fixed assets ²⁾	82	13	82	5
Inventories	279	325	279	298
Current receivables	333	689	333	489
Cash and bank	94	135	94	134
TOTAL ASSETS	1 225	1 652	1 225	1 387
Equity and liabilities				
Shareholders' equity	491	633	491	576
Minority interest	5	6	5	4
Provisions ²⁾	152	144	152	107
Long-term liabilities	207	226	207	224
Current liabilities	370	643	370	476
TOTAL EQUITY AND LIABILITIES	1 225	1 652	1 225	1 387
Pledged assets	-	-	-	-
Contingent liabilities	36	26	36	35
CASH FLOW ANALYSIS (SEK M)				
	2002 Jan-Jun	2001 Jan-Jun	Jul 2001 -Jun 2002	2001 Jan-Dec
Cash flow from current operations before changes in working capital	-55	-113	-18	-84
Change in working capital	92	72	166	146
Cash flow from current operations	37	-41	148	62
Cash flow from investment operations	-36	162 ³⁾	-75	123 ³⁾
Cash flow before financial operations	1 ⁴⁾	121	73	185
Cash flow from financial operations	-38	-57	-123	-148
The period's cash flow	-37 ⁴⁾	64	-50	37

2) From the second quarter, deferred income taxes recoverable relating to 2001 are reported under financial fixed assets. These were previously offset against provisions for taxes.

3) SEK 227M relates to the sale of Wireless Solutions.

4) Earlier stated SEK 9M respectively SEK -23M.



KEY FIGURES	2002	2001	Jul 2001	2001
	Jan-Jun	Jan-Jun	-Jun 2002	Jan-Dec
Orders received (SEK M)	742	1 043	1 652	1 952
Operating margin (%)	-11	-8	-8	-7
Profit margin (%)	-9	-8	-7	-7
Return on capital employed in operations (%)	-22	-16	-17	-15
Return on equity (%)	-25	-25	-20	-20
Equity ratio (%)	41	39	41	42
Interest-bearing liability (SEK M)	256	376	256	303
Net debt (SEK M)	183	241	183	194
Average number of full-time employees	896	1 209	974	1 112
Capital expenditure in tangible fixed assets (SEK M)	11	71	46	106
Depreciation (SEK M)	-42	-60	-86	-104
Equity per share (SEK)	17	22	17	20
NET SALES DISTRIBUTED BY REGION (SEK M)	2002	2001	Jul 2001	2001
	Jan-Jun	Jan-Jun	-Jun 2002	Jan-Dec
Europe	222	246	421	445
North- & South America	363	603	880	1 120
Asia	134	189	372	427
Rest of the world	1	-	10	9
TOTAL	720	1 038	1 683	2 001
NET SALES DISTRIBUTED BY OPERATION (SEK M)	2002	2001	Jul 2001	2001
	Jan-Jun	Jan-Jun	-Jun 2002	Jan-Dec
Systems	526	695	1 200	1 369
Mobile Communications	155	286	409	540
Microwave	39	36	74	71
Wireless Solutions ⁵⁾	-	21	0	21
TOTAL	720	1038	1 683	2 001
OPERATING INCOME DISTRIBUTED BY OPERATION (SEK M)	2002	2001	Jul 2001	2001
	Jan-Jun	Jan-Jun	-Jun 2002	Jan-Dec
Systems	-29	-79	-68	-118
Mobile Communications	0	-36	23	-13
Microwave	-34	-33	-66	-65
Wireless Solutions ⁵⁾	-	-19	-	-19
TOTAL	-63¹⁾	-167	-111	-215
Common-wide items	-11	94 ⁶⁾	-14	91 ⁶⁾
Goodwill amortization	-3	-7	-5	-9
OPERATING INCOME	-77	-80	-130	-133

1) Income has been positively affected by SEK 24M through capitalization of development expenditure.

5) Wireless Solutions was included to May 2001 inclusive.

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



QUARTERLY VALUES

CONSOLIDATED

STATEMENT OF INCOME IN SUMMARY (SEK M)

	2002 Apr-Jun	2002 Jan-Mar	2001 Oct-Dec	2001 Jul-Sep	2001 Apr-Jun	2001 Jan-Mar	2000 Oct-Dec
Net sales	353	367	485	478	519	519	710
Cost for goods sold	-272	-270	-366	-333	-424	-375	-466
GROSS INCOME	81	97	120	145	95	144	244
Selling expenses	-50	-54	-66	-57	-64	-67	-83
Administrative expenses	-21	-24	-24	-22	-25	-37	-45
Research and development costs	-56	-58	-77	-69	-87	-100	-104
Other operating income/expenses	8	0	3	-6	-34	-14	3
Items affecting comparability	-	-	-	-	109	-	-29
OPERATING INCOME	-38⁸⁾	-39⁷⁾	-44	-9	-6	-74	-14
Net financial income/expense	-11	-6	-4	-11	-7	-5	-7
INCOME AFTER FINANCIAL ITEMS	-49	-45	-48	-20	-13	-79	-21
Taxes	16	12	20	1	16	-4	0
Minority interest in the quarter's income	-1	0	1	0	-2	-1	-1
NET INCOME FOR THE QUARTER	-34	-33	-27	-19	1	-84	-22
Earnings per share before and after dilution (SEK)	-1.14	-1.14	-0.93	-0.68	0.05	-2.86	-0.73
Number of shares at the period end (000)	29 266	29 266	29 266	29 266	29 266	29 266	29 266
Average number of shares (000)	29 266	29 266	29 266	29 266	29 266	29 266	29 266

CONSOLIDATED

BALANCE SHEET IN SUMMARY (SEK M)

	2002 30 Jun	2002 31 Mar	2001 31 Dec	2001 30 Sep	2001 30 Jun	2001 31 Mar	2000 31 Dec
Assets							
Intangible fixed assets	38	28	19	8	10	82	86
Tangible fixed assets	399	424	442	463	479	499	485
Financial fixed assets ²⁾	82	20	5	13	13	15	15
Inventories	279	269	298	324	325	391	397
Current receivables	333	396	489	579	690	592	613
Cash and bank	94	111	134	61	135	57	70
TOTAL ASSETS	1 225	1 248	1 387	1 448	1 652	1 636	1 666
Equity and liabilities							
Shareholders' equity	491	537	576	609	633	616	693
Minority interest	5	5	4	5	6	5	4
Provisions ²⁾	152	113	107	124	144	83	76
Long-term liabilities	207	220	224	223	226	221	214
Current liabilities	370	373	476	487	643	711	679
TOTAL EQUITY AND LIABILITIES	1 225	1 248	1 387	1 448	1 652	1 636	1 666
Pledged assets	-	-	-	-	-	-	-
Contingent liabilities	36	36	35	32	29	26	20

2) From the second quarter, deferred income taxes recoverable relating to 2001 are reported under financial fixed assets. These were previously offset against provisions for taxes.

7) Income in the first quarter was positively affected by SEK 12M through capitalization of development expenditure.

8) Income in the second quarter was positively affected by SEK 12M through capitalization of development expenditure.



KEY FIGURES	2002	2002	2001	2001	2001	2001	2000
	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
Orders received (SEK M)	366	376	411	499	479	564	547
Operating margin (%)	-11	-11	-9	-2	-1	-14	-2
Profit margin (%)	-9	-9	-6	-4	0	-16	-3
Equity ratio (%)	41	44	42	42	39	38	42
Interest-bearing liability (SEK M)	256	293	303	307	376	448	440
Net debt (SEK M)	183	207	194	246	241	391	370
Average number of full-time employees	874	912	998	1 020	1 159	1 259	1 277
Capital expenditure in tangible fixed assets (SEK M)	5	6	12	23	24	47	26
Cash flow before financial operations (SEK M)	9	-17	52	12	142	-21	-44
Depreciation (SEK M)	-21	-21	-22	-25	-25	-28	-33
Equity per share (SEK)	17	18	20	21	22	21	24
NET SALES DISTRIBUTED BY REGION (SEK M)	2002	2002	2001	2001	2001	2001	2000
	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
Europe	115	107	105	94	104	142	157
North & South America	168	195	238	279	305	298	390
Asia	69	65	138	104	108	77	159
Rest of the world	1	-	4	1	2	2	4
TOTAL	353	367	485	478	519	519	710
NET SALES DISTRIBUTED BY OPERATION (SEK M)	2002	2002	2001	2001	2001	2001	2000
	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
Systems	262	264	345	329	370	325	476
Mobile Communications	71	84	122	132	133	153	196
Microwave	20	19	18	17	14	22	32
Wireless Solutions ⁵⁾					2	19	6
TOTAL	353	367	485	478	519	519	710
OPERATING INCOME DISTRIBUTED BY OPERATION (MSEK)	2002	2002	2001	2001	2001	2001	2000
	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
Systems	-12	-17	-36	-3	-60	-19	56
Mobile Communications	-3	3	12	11	-21	-15	16
Microwave	-18	-16	-18	-14	-18	-15	-12
Wireless Solutions ⁵⁾					-8	-11	-26
TOTAL	-33⁸⁾	-30⁷⁾	-42	-6	-107	-60	34
Common group items	-3	-8	-1	-2	104 ⁶⁾	-10	-45
Goodwill amortization	-2	-1	-1	-1	-3	-4	-3
OPERATING INCOME	-38	-39	-44	-9	-6	-74	-14

5) Wireless Solutions was included to May 2001 inclusive.

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

7) Income in the first quarter was positively affected by SEK 12M through capitalization of development expenditure.

8) Income in the second quarter was positively affected by SEK 12M through capitalization of development expenditure.



NOTES

CHANGE IN CONSOLIDATED EQUITY (SEK M)	2002 Jan-Jun	2001 Jan-Jun
Opening balance as per December 31	576	693
Translation difference	-18	22
Net income for the period	-67	-82
Closing balance according to the balance sheet as per June 30	491	633

ALLGON'S OPERATIONS

We develop, produce and market radio-based solutions and other products for wireless telephony and communication. Our product range consists of antenna systems for infrastructure; filters, combiners and similar products for base stations; repeater networks; microwave radio equipment; mobile telephone antennas. Our customers are system operators and manufacturers, terminal manufacturers and distributors.

OPERATIONS ARE DIVIDED INTO THREE BUSINESS AREAS

- **Systems** (radio equipment, antenna systems and repeater networks)
- **Mobile Communications** (mobile phone antennas)
- **Microwave** (microwave radio)

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