

ALLGON AB
 INTERIM REPORT
 JANUARY 1 – SEPTEMBER 30, 2002

THIRD QUARTER 2002

- The market remains difficult to judge.
- Continued reduction of expenses.
- Costs for action program – SEK 80M.
- Deliveries of UMTS and CDMA filters started.
- Broadband antennas launched.

SEK M	Jul-Sep 2002 ^{*)}	Jul-Sep 2002 ^{**)}	Apr-Jun 2002
Orders received	369	369	366
Net sales	337	337	353
Gross income	51	74	81
Operating expenses	-168	-111	-119
Operating income	-117	-37	-38
Income after financial items	-121	-41	-49

^{*)} Including expenses of SEK 80M for the action program.

^{**)} Excluding expenses of SEK 80M for the action program.

MARKET

The operators' investment level in Europe remains low. However, Allgon's invoicing has increased due to increased demand for base station antennas for 3G and for GSM equipment in Russia. The investment level in the American market is high although some slowdown has been noted. The markets in Asia and South America are weak.

The market situation during the fourth quarter is expected to remain unchanged. Prospects for the first quarter of 2003 are difficult to forecast.

GROUP NET SALES AND ORDERS RECEIVED

Net sales for the third quarter fell to SEK 337M (478) and orders received to SEK 369M (499).

GROUP RESULTS

Operating income for the third quarter amounted to SEK -117M (-9) and income after financial items to SEK -121M (-20).

The result includes a positive effect of SEK 13M net attributable to capitalized development expenditure for new products. In addition, the result includes costs of SEK 80M relating to the cost reduction program announced in July (cost of goods sold SEK 23M and operating expenses SEK 57M).

Costs are mainly attributable to the company's decision to reduce its staff by approximately 190. Costs for phasing out premises and write-down of fixed assets and inventories are also included.

The fall in net sales, the different product mix and the weaker USD have resulted in a lower gross margin. This was partly compensated for by reduced expenses mainly resulting from implemented action programs. The action program initiated in the third quarter will make a significant impact on the fourth quarter of 2002 and is expected to make a full impact in the first quarter of 2003. In contrast to the corresponding quarter in 2001, the effects of hedging did not have a negative effect on operating income. Income after financial items would have been SEK 1M lower had Allgon not had any hedging.

ALLGON SYSTEMS

Net sales fell to SEK 240M (329).

Sales of base station antennas were strong and new broadband antennas were launched. In the third quarter, a number of contracts were signed for repeater solutions, including some for airport and GSM-R (trains) projects. Deliveries of filters to a UMTS operator in Europe and an American CDMA supplier commenced in the third quarter and are expected to increase in the fourth quarter. Sales of combiners for TDMA continue to fall and currently account for less than ten percent of Group sales.

Operating income amounted to SEK -67M (-3). Operating income was positively affected by SEK 10M net, which was attributable to capitalized development expenditure for new products, and negatively affected by SEK 48M for the action program.

ALLGON MOBILE COMMUNICATIONS

Net sales fell to SEK 76M (132).

Volumes were low in July and August but increased in September, partly driven by a build-up of inventories ahead of the Christmas sales and also by the fact that Allgon has started deliveries of antennas for new telephone models. So far this year, AMC has commenced deliveries of antennas for ten new telephone models.

Allgon has also been selected as supplier for several new models for which deliveries will start during 2003.

Operating income amounted to SEK -9M (11). Operating income was positively affected by SEK 3M net attributable to capitalized development expenditure for new products and negatively affected by SEK 9M for the action program.

ALLGON MICROWAVE

Net sales increased to SEK 21M (17).

The market for microwave links in Europe remains weak as 3G operators primarily build on existing sites or where there is access to alternative transmission. During the quarter, Russia was Allgon's largest single market. China and Russia are considered to be the markets with the largest short term potential.

Operating income amounted to SEK -27M (-14). The result was affected by SEK 18M for the action program.

JANUARY-SEPTEMBER 2002

SEK M	Jan-Sep 2002	Jan-Sep 2001
Orders received	1 111	1 542
Net sales	1 057	1 516
Operating income	-194*	-89**
Income after financial items	-215*	-112**

* Income for January – September 2002 was positively affected by SEK 37M net through capitalization of development expenditure and negatively affected by SEK 80M relating to the action program.

** Income for January – September 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

Net sales for the first three quarters of the year fell to SEK 1,057M (1,516) and orders received to SEK 1,111M (1,542).

GROUP RESULTS

Operating income for the first three quarters of 2002 amounted to SEK -194M (-89) and operating income after financial items to SEK -215M (-112).

Income was positively affected by SEK 37M net, which was attributable to capitalization of development expenditure for new products, and negatively affected by SEK 80M for the action program.

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 totaling SEK 83M in the remaining business areas.

Income after financial items would have been SEK 24M lower had Allgon not had any hedging. On the closing date, there were forward contracts, which have not yet been taken up as income, amounting to USD 6M at an average spot rate of SEK 9.35.

FINANCIAL POSITION

At September 30, 2002, the equity ratio amounted to 35 percent (December 31, 2001: 42 percent). Cash flow before financial operations amounted to SEK -46M (133) for the first three quarters. The previous year's cash flow includes SEK 227M from the sale of business area Wireless Solutions. At 30 September, 2002, the net debt amounted to SEK 225M (December 31, 2001: SEK 194M).

Liquid funds at Allgon's disposal amount to SEK 165M, including unutilized credit facilities of SEK 105M.

CAPITAL EXPENDITURE

During the period, capital expenditure in tangible and intangible fixed assets amounted to SEK 16M gross (94) and SEK 38M (-), respectively.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

In a news release, Alecta has stated that it has temporarily frozen its payment of company-linked funds. At September 30, 2002, Allgon has a book claim on Alecta of SEK 8M.

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, net sales amounted to SEK -M (-) and income after financial items to SEK 13M (101). Income for the third quarter has been affected by SEK 5M for the action program.

ACCOUNTING AND VALUATION PRINCIPLES

From January 1, 2002, Allgon applies the Swedish Financial Accounting Standards Council's new recommendation RR15 Intangible assets. During the period January - September 2002, expenditure for development of new products of SEK 37M net has been reported as an asset. 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 no effect on the company's results and position.

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

NOMINATION COMMITTEE

The Board of Directors has appointed the following persons as members of the Nomination Committee:

Gunnar Bark (Chairman), tel +46 8-656 40 46
Bo Eklöf, tel +46 18-51 19 95
Per Wejke, tel +46 8-661 34 36

FINANCIAL INFORMATION

From the third quarter, Allgon will not distribute interim reports and year-end reports by mail to shareholders. Interim reports are available on our website, www.allgon.se under Investor Relations/Financial Reports.

FUTURE INFORMATION DATES:

Year-End Report 2002 – February 6, 2003

Annual General Meeting – April 2, 2003

Täby, October 18, 2002

Allgon AB (publ)

Jeff Bork

President and CEO

FOR FURTHER INFORMATION, PLEASE CONTACT:

Jeff Bork

President and CEO, Allgon AB

Telephone: +46 8 540 822 31

Tomas Kihlstrand

Chief Financial Officer, Allgon AB

Telephone: +46 8 540 822 32

JANUARY-SEPTEMBER 2002

Consolidated statements of income in summary (SEK M)	2002 Jan-Sep	2001 Jan-Sep	Oct 2001 -Sep 2002	2001 Jan-Dec
Net sales	1 057	1 516	1 542	2 001
Cost for goods sold	-828	-1 132	-1 193	-1 497
Gross income	229	384	349	504
Selling expenses	-158	-188	-225	-255
Administrative expenses	-84	-84	-107	-107
Research and development costs	-183	-256	-260	-333
Other operating income/expenses	2	-54	5	-51
Items affecting comparability	-	109	-	109
Operating income	-194 1)	-89	-238 1)	-133
Net financial income/expense	-21	-23	-25	-27
Income after financial items	-215	-112	-263	-160
Taxes	62	13	82	33
Minority interest	-2	-3	-2	-3
Net income for the period	-155	-102	-183	-130
Earnings per share before and after dilution (SEK)	-5.29	-3.50	-6.22	-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

Consolidated balance sheet in summary (SEK M)	2002 30 Sep	2001 30 Sep	2002 30 Sep	2001 31 Dec
Assets				
Intangible fixed assets	40	8	40	19
Tangible fixed assets	371	463	371	442
Financial fixed assets ²⁾	113	13	113	5
Inventories	258	324	258	298
Current receivables	317	579	317	489
Cash and bank	79	61	79	134
Total assets	1 178	1 448	1 178	1 387
Equity and liabilities				
Shareholders' equity	405	609	405	576
Minority interest	3	5	3	4
Provisions ²⁾	195	124	195	107
Long-term liabilities	209	223	209	224
Current liabilities	366	487	366	476
Total equity and liabilities	1 178	1 448	1 178	1 387
Pledged assets	-	-	-	-
Contingent liabilities	36	32	36	35

1) Income has been positively affected by SEK 37M net through capitalization of development expenditure.

2) From the second quarter of 2002 deferred income taxes recoverable relating to 2001 are reported under financial fixed assets. These were previously offset against provisions for taxes.

Cash flow analysis (SEK M)	2002 Jan-Sep	2001 Jan-Sep	Oct 2001 -Sep 2002	2001 Jan-Dec
Cash flow from current operations before changes in working capital	-103	-102	-85	-84
Change in working capital	111	88	169	146
Cash flow from current operations	8	-14	84	62
Cash flow from investment operations	-54	147 ³⁾	-78	123 ³⁾
Cash flow before financial operations	-46	133	6	185
Cash flow from financial operations	-9	-142	-15	-148
The period's cash flow	-55	-9	-9	37

Key figures	2002 Jan-Sep	2001 Jan-Sep	Oct 2001 -Sep 2002	2001 Jan-Dec
Orders received (SEK M)	1 111	1 542	1 521	1 952
Operating margin (%)	-18	-6	-15	-7
Profit margin (%)	-15	-7	-12	-7
Return on capital employed in operations (%)	-38	-12	-33	-15
Return on equity (%)	-42	-21	-36	-20
Equity ratio (%)	35	42	35	42
Interest-bearing liability (SEK M)	281	307	281	303
Net debt (SEK M)	225	246	225	194
Average number of full-time employees	884	1 146	904	1 112
Capital expenditure in intangible fixed assets (SEK M)	38	-	50	12
Capital expenditure in tangible fixed assets (SEK M)	16	94	28	106
Depreciation intangible assets (SEK M)	-8	-8	-9	-9
Depreciation tangible assets (SEK M)	-64	-78	-90	-104
Equity per share (SEK)	14	21	14	20

Net sales distributed by region (SEK M)	2002 Jan-Sep	2001 Jan-Sep	Oct 2001 -Sep 2002	2001 Jan-Dec
Europe	349	340	454	445
North- & South America	512	882	750	1 120
Asia	190	289	328	427
Rest of the world	6	5	10	9
Total	1 057	1 516	1 542	2 001

Net sales distributed by operation (SEK M)	2002 Jan-Sep	2001 Jan-Sep	Oct 2001 -Sep 2002	2001 Jan-Dec
Systems	766	1 024	1 111	1 369
Mobile Communications	231	418	353	540
Microwave	60	53	78	71
Wireless Solutions ⁴⁾	-	21	-	21
Total	1 057	1 516	1 542	2 001

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

4) Wireless Solutions is included to May 2001 inclusive.

Operating income distributed by operation (SEK M)	2002 Jan-Sep	2001 Jan-Sep	Oct 2001 -Sep 2002	2001 Jan-Dec
Systems	-96	-82	-132	-118
Mobile Communications	-9	-25	3	-13
Microwave	-61	-47	-79	-65
Wireless Solutions 4)	-	-19	-	-19
Total	-166	-173	-208	-215
Common-wide items	-24	92 6)	-25	91 6)
Goodwill amortization	-4	-8	-5	-9
Operating income	-194 5)	-89	-238 5)	-133

QUARTERLY VALUES

Consolidated statement of income in summary (SEK M)	2002 Jul-Sep	2002 Apr-Jun	2002 Jan-Mar	2001 Oct-Dec	2001 Jul-Sep	2001 Apr-Jun	2001 Jan-Mar	2000 Oct-Dec
Net sales	337	353	367	485	478	519	519	710
Cost for goods sold	-286	-272	-270	-365	-333	-424	-375	-466
Gross income	51	81	97	120	145	95	144	244
Selling expenses	-54	-50	-54	-67	-57	-64	-67	-83
Administrative expenses	-39	-21	-24	-23	-22	-25	-37	-45
Research and development costs	-69	-56	-58	-77	-69	-87	-100	-104
Other operating income/expenses	-6	8	0	3	-6	-34	-14	3
Items affecting comparability	-	-	-	-	-	109	-	-29
Operating income	-117 9)	-38 8)	-39 7)	-44	-9	-6	-74	-14
Net financial income/expense	-4	-11	-6	-4	-11	-7	-5	-7
Income after financial items	-121	-49	-45	-48	-20	-13	-79	-21
Taxes	34	16	12	20	1	16	-4	0
Minority interest	-1	-1	0	0	0	-2	-1	-1
Net income for the quarter	-88	-34	-33	-28	-19	1	-84	-22
Earnings per share before and after dilution (SEK)	-3.01	-1.14	-1.14	-0.93	-0.68	0.04	-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	29 266
Average number of shares (000)	29 266	29 266	29 266	29 266	29 266	29 266	29 266	29 266

4) Wireless Solutions is included to May 2001 inclusive.

5) Income was positively affected by SEK 37M net through capitalization of development expenditure.

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 net through capitalization of development expenditure.

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

9) Income in the third quarter was positively affected by SEK 13M net through capitalization of development expenditure.

Consolidated	2002	2002	2002	2001	2001	2001	2001	2000
balance sheet in summary (SEK M)	30 Sep	30 Jun	31 Mar	31 Dec	30 Sep	30 Jun	31 Mar	31 Dec
Assets								
Intangible fixed assets	40	38	28	19	8	10	82	86
Tangible fixed assets	371	399	424	442	463	479	499	485
Financial fixed assets 2)	113	82	20	5	13	13	15	15
Inventories	258	279	269	298	324	325	391	397
Current receivables	317	333	396	489	579	690	592	613
Cash and bank	79	94	111	134	61	135	57	70
Total assets	1178	1225	1248	1387	1448	1652	1636	1666
Equity and liabilities								
Shareholders' equity	405	491	537	576	609	633	616	693
Minority interest	3	5	5	4	5	6	5	4
Provisions 2)	195	152	113	107	124	144	83	76
Long-term liabilities	209	207	220	224	223	226	221	214
Current liabilities	366	370	373	476	487	643	711	679
Total equity and liabilities	1178	1225	1248	1387	1448	1652	1636	1666
Pledged assets	-	-	-	-	-	-	-	-
Contingent liabilities	36	36	36	35	32	29	26	20
Key figures								
	2002	2002	2002	2001	2001	2001	2001	2000
	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
Orders received (SEK M)	369	366	376	410	499	479	564	547
Operating margin (%)	-35	-11	-11	-9	-2	-1	-14	-2
Profit margin (%)	-26	-9	-9	-6	-4	0	-16	-3
Equity ratio (%)	35	41	44	42	42	39	38	42
Interest-bearing liability (SEK M)	281	256	293	303	307	376	448	440
Net debt (SEK M)	225	183	207	194	246	241	391	370
Average number of full-time employees	862	874	912	998	1020	1159	1259	1277
Capital expenditure in intangible fixed assets (SEK M)	14	12	12	12	-	-	-	-
Capital expenditure in tangible fixed assets (SEK M)	5	5	6	12	23	24	47	26
Cash flow before financial operations (SEK M)	-47	18	-17	52	12	142	-21	-44
Depreciation intangible assets (SEK M)	-3	-3	-2	-1	-2	-2	-4	-3
Depreciation tangible assets (SEK M)	-24	-21	-21	-26	-25	-25	-28	-33
Equity per share (SEK)	14	17	18	20	21	22	21	24
Net sales distributed by region (SEK M)								
	2002	2002	2002	2001	2001	2001	2001	2000
	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
Europe	127	115	107	105	94	104	142	157
North & South America	149	168	195	238	279	305	298	390
Asia	56	69	65	138	104	108	77	159
Rest of the world	5	1	-	4	1	2	2	4
Total	337	353	367	485	478	519	519	710

2) From the second quarter of 2002, deferred income taxes recoverable relating to 2001 are reported under financial fixed assets. These were previously offset against provisions for taxes.

Net sales distributed by operation (SEK M)	2002	2002	2002	2001	2001	2001	2001	2000
	Jul- Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
Systems	240	262	264	345	329	370	325	476
Mobile Communications	76	71	84	122	132	133	153	196
Microwave	21	20	19	18	17	14	22	32
Wireless Solutions 4)	-	-	-	-	-	2	19	6
Total	337	353	367	485	478	519	519	710
Operating income distributed by operation (MSEK)	2002	2002	2002	2001	2001	2001	2001	2000
	Jul- Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
Systems	-67	-12	-17	-36	-3	-60	-19	56
Mobile Communications	-9	-3	3	12	11	-21	-15	16
Microwave	-27	-18	-16	-18	-14	-18	-15	-12
Wireless Solutions 4)	-	-	-	-	-	-8	-11	-26
Total	-103⁹⁾	-33⁸⁾	-30⁷⁾	42	-6	-107	-60	34
Common group items	-13	-3	-8	-1	-2	104 ⁶⁾	-10	-45
Goodwill amortization	-1	-2	-1	-1	-1	-3	-4	-3
Operating income	-117	-38	-39	-44	-9	-6	-74	-14

NOTES

Change in consolidated equity (SEK M)	2002	2001
	Jan-Sep	Jan-Sep
Opening balance as per December 31	576	693
Translation difference	-16	18
Net income for the period	-155	-102
Closing balance as per September 30	405	609

RR15 Intangible assets

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 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 January-September 2002, expenditure for development of new products totaling SEK 37M has been reported as an asset. The depreciation period for the asset applied by Allgon amounts to between 6-36 months. During the period January-September 2002, depreciation of capitalized development expenditure amounted to SEK 1.1M. In accordance with Allgon's previous accounting principles, all expenditure for development of new products was written off continuously.

4) Wireless Solutions is 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 net through capitalization of development expenditure.

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

9) Income in the third quarter was positively affected by SEK 13M net through capitalization of development expenditure.