

TABLE OF CONTENTS

PART I -- FINANCIAL INFORMATION

ITEM 1 -- FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ITEM 2 -- MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ITEM 3 -- QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

PART II -- OTHER INFORMATION

ITEM 6 -- EXHIBITS AND REPORTS ON FORM 8-K

SIGNATURES

EXHIBIT INDEX

[Exhibit 27.1--Financial Data Schedule](#)

**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended September 30, 2000

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from Not Applicable to

Commission file number 1-6016

ALLEN TELECOM INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware 38-0290950
(State or Other Jurisdiction of (I.R.S. Employer Identification No.)
Incorporation or Organization)

25101 Chagrin Boulevard, Suite 350, Beachwood, Ohio 44122
(Address of Principal Executive Offices) (Zip Code)

(Registrant's Telephone Number, Including Area Code) (216) 765-5855

NOT APPLICABLE

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock:

Class of Common Stock	Outstanding at November 1, 2000
Par value \$1.00 per share	27,966,580

ALLEN TELECOM INC.

TABLE OF CONTENTS

	Page No.
PART I. FINANCIAL INFORMATION:	
ITEM 1 — Financial Statements:	
Condensed Consolidated Balance Sheets - September 30, 2000 and December 31, 1999	3
Condensed Consolidated Statements of Income - Three and Nine Months Ended September 30, 2000 and 1999	4
Condensed Consolidated Statements of Cash Flows - Nine Months Ended September 30, 2000 and 1999	5
Condensed Consolidated Statements of Stockholders' Equity - Nine Months Ended September 30, 2000 and 1999	6
Notes to Condensed Consolidated Financial Statements	7- 9
ITEM 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations	10-14
ITEM 3 — Quantitative and Qualitative Disclosures About Market Risks	15
PART II. OTHER INFORMATION:	
ITEM 6 — Exhibits and Reports on Form 8-K	15
Signatures	16
Exhibit Index	17

ALLEN TELECOM INC.
PART I — FINANCIAL INFORMATION
ITEM 1 — FINANCIAL STATEMENTS
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	September 30, 2000	December 31, 1999
	<u>(Unaudited)</u>	
ASSETS		
Current Assets:		
Cash and equivalents	\$ 21,182	\$ 22,085
Accounts receivable (less allowance for doubtful accounts of \$2,771 and \$2,537, respectively)	94,874	87,394
Inventories: Raw materials	55,333	43,608
Work in process	25,630	19,343
Finished goods	20,521	19,762
	<hr/>	<hr/>
Total inventories (net of reserves)	101,484	82,713
	<hr/>	<hr/>
Deferred income taxes	4,288	6,966
Other current assets	3,651	4,992
	<hr/>	<hr/>
Total current assets	225,479	204,150
Property, plant and equipment, net	40,197	49,253
Excess of cost over net assets of businesses acquired	131,270	134,723
Deferred income taxes	36,805	30,281
Other assets	40,059	33,023
	<hr/>	<hr/>
TOTAL ASSETS	\$473,810	\$451,430
	<hr/>	<hr/>
LIABILITIES		
Current Liabilities:		
Notes payable and current maturities of long-term obligations	\$ 895	\$ 2,181
Accounts payable	46,266	41,139
Accrued expenses	27,288	27,943
Income taxes payable	2,979	2,464
Deferred income taxes	5,452	2,361
	<hr/>	<hr/>
Total current liabilities	82,880	76,088
Long-term debt	140,284	120,905
Deferred income taxes	1,353	3,455
Other liabilities	9,793	10,070
	<hr/>	<hr/>
TOTAL LIABILITIES	234,310	210,518
	<hr/>	<hr/>
STOCKHOLDERS' EQUITY		
Common stock	30,036	30,010
Paid-in capital	183,076	181,335
Retained earnings	65,411	57,014
Accumulated other comprehensive loss	(22,832)	(10,685)
Less: Treasury stock (at cost)	(14,753)	(14,978)
Unearned compensation	(1,438)	(1,784)
	<hr/>	<hr/>
TOTAL STOCKHOLDERS' EQUITY	239,500	240,912
	<hr/>	<hr/>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$473,810	\$451,430
	<hr/>	<hr/>

See accompanying notes to the Condensed Consolidated Financial Statements.

ALLEN TELECOM INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
Sales	\$106,765	\$ 89,536	\$ 283,161	\$ 242,950
Costs and expenses:				
Cost of sales (Note 2)	(74,835)	(63,688)	(198,265)	(171,515)
Selling, general and administrative expenses (Note 2)	(15,353)	(14,954)	(46,694)	(42,497)
Research and development and product engineering costs	(6,924)	(6,890)	(19,491)	(22,264)
Other income (Note 3)	—	3,013	—	3,238
Interest expense	(2,899)	(2,397)	(7,995)	(7,094)
Interest income	530	269	1,457	974
Income before taxes and minority interests	7,284	4,889	12,173	3,792
Provision for income taxes	(2,966)	(1,810)	(4,991)	(1,425)
Income before minority interests	4,318	3,079	7,182	2,367
Minority interests	(33)	(447)	(85)	(1,154)
Income from continuing operations	4,285	2,632	7,097	1,213
Discontinued emissions testing operation: Gain on sale (net of income taxes) (Note 4)	—	—	1,300	2,363
Net income	<u>\$ 4,285</u>	<u>\$ 2,632</u>	<u>\$ 8,397</u>	<u>\$ 3,576</u>
Earnings per common share, basic and diluted:				
Continuing operations	\$.15	\$.10	\$.25	\$.04
Discontinued operations – gain on sale	—	—	.05	.09
Net income	<u>\$.15</u>	<u>\$.10</u>	<u>\$.30</u>	<u>\$.13</u>
Weighted average common Shares outstanding:				
Basic	27,820	27,480	27,800	27,430
Assumed exercise of stock options	560	240	430	180
Diluted	<u>28,380</u>	<u>27,720</u>	<u>28,230</u>	<u>27,610</u>

See accompanying notes to the Condensed Consolidated Financial Statements.

ALLEN TELECOM INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2000	1999
CASH FLOW FROM OPERATIONS:		
Income from continuing operations	\$ 7,097	\$ 1,213
Adjustments to reconcile income to operating cash flow:		
Depreciation	10,086	11,236
Amortization of goodwill	5,841	5,195
Amortization of capitalized software	1,984	2,185
Other amortization	232	544
Non-cash pension gain	(1,160)	—
Non-cash loss on write-down of assets	393	321
Gain on investments	—	(3,732)
Changes in operating assets and liabilities:		
Receivables	(13,211)	(19,005)
Inventories	(24,706)	(9,650)
Accounts payable and accrued expenses	14,981	4,394
Income taxes	(1,642)	(5,162)
Other, net	(2,179)	2
CASH USED BY OPERATING ACTIVITIES	(2,284)	(12,459)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of discontinued emissions testing business	—	9,387
Collection from sale of common stock investment	—	10,934
Investments in telecommunication subsidiaries	(8,512)	(423)
Capital expenditures	(7,644)	(6,208)
Sales and retirements of fixed assets	511	9
Capitalized software product costs	(2,755)	(985)
CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(18,400)	12,714
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (repayments of) borrowings	18,851	(6,422)
Collection on installment note receivable	1,000	—
Treasury stock sold to employee benefit plan	576	694
Exercise of stock options	297	144
CASH PROVIDED (USED) BY FINANCING ACTIVITIES	20,724	(5,584)
Net Cash Provided By Discontinued Emissions Testing Business	—	1,810
NET CASH PROVIDED (USED)	40	(3,519)
Effect of foreign currency exchange rate changes on cash	(943)	(2,156)
Cash and equivalents at beginning of year	22,085	19,900
CASH AND EQUIVALENTS AT END OF PERIOD	\$ 21,182	\$ 14,225
Supplemental cash flow data:		
Cash paid during the period for:		
Interest	\$ 6,677	\$ 5,830
Income taxes	\$ 6,127	\$ 6,285

See accompanying notes to the Condensed Consolidated Financial Statements.

ALLEN TELECOM INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Amounts in Thousands)
(Unaudited)

	<u>Total</u>	<u>Common Stock</u>	<u>Paid-In Capital</u>	<u>Comprehensive Income (Loss)</u>	<u>Retained Earnings</u>
For the nine months ended September 30, 2000:					
Beginning Balance, January 1, 2000	\$240,912	\$30,010	\$181,335		\$57,014
Comprehensive Income (loss):					
Net income	8,397			\$ 8,397	8,397
Other comprehensive loss:					
Foreign currency translation adjustments	(12,147)			(12,147)	
Comprehensive loss				<u>\$ (3,750)</u>	
Treasury stock reissued	576		263		
Exercise of stock options	297	33	264		
Employee stock plan tax benefits	1,331		1,331		
Restricted stock cancellation	(98)	(7)	(117)		
Amortization of unearned compensation	232				
Ending Balance, September 30, 2000	<u>\$239,500</u>	<u>\$30,036</u>	<u>\$183,076</u>		<u>\$65,411</u>
For the nine months ended September 30, 1999:					
Beginning Balance, January 1, 1999	\$250,081	\$29,759	\$180,604		\$59,869
Comprehensive Income (loss):					
Net income	3,576			\$ 3,576	3,576
Other comprehensive loss:					
Foreign currency translation adjustments	(7,099)			(7,099)	
Comprehensive loss				<u>\$ (3,523)</u>	
Treasury stock reissued	694		(81)		
Exercise of stock options	144		68		
Restricted stock, net	(170)	32	61		
Amortization of unearned compensation	302				
Ending Balance, September 30, 1999	<u>\$247,528</u>	<u>\$29,791</u>	<u>\$180,652</u>		<u>\$63,445</u>

[Additional columns below]

[Continued from above table, first column(s) repeated]

	<u>Accumulated Other Comprehensive Loss</u>	<u>Treasury Stock</u>	<u>Unearned Compensation</u>
For the nine months ended September 30, 2000:			
Beginning Balance, January 1, 2000	\$(10,685)	\$(14,978)	\$(1,784)
Comprehensive Income (loss):			
Net income			
Other comprehensive loss:			

loss:			
Foreign currency translation adjustments	(12,147)		
Comprehensive loss			
Treasury stock reissued		313	
Exercise of stock options			
Employee stock plan tax benefits			
Restricted stock cancellation		(88)	114
Amortization of unearned compensation			232
			<u> </u>
Ending Balance, September 30, 2000	<u>\$ (22,832)</u>	<u>\$ (14,753)</u>	<u>\$ (1,438)</u>
For the nine months ended September 30, 1999:			
Beginning Balance, January 1, 1999	\$ (2,255)	\$ (15,985)	\$ (1,911)
Comprehensive Income (loss):			
Net income			
Other comprehensive loss:			
Foreign currency translation adjustments	(7,099)		
Comprehensive loss			
Treasury stock reissued		775	
Exercise of stock options		76	
Restricted stock, net			(263)
Amortization of unearned compensation			302
			<u> </u>
Ending Balance, September 30, 1999	<u>\$ (9,354)</u>	<u>\$ (15,134)</u>	<u>\$ (1,872)</u>

See accompanying notes to the Condensed Consolidated Financial Statements.

ALLEN TELECOM INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Significant Accounting Policies:

General

In the opinion of the management of Allen Telecom Inc. (the "Company"), the accompanying unaudited condensed consolidated interim financial statements reflect all adjustments necessary to present fairly the financial position of the Company as of September 30, 2000 and the consolidated results of its operations, cash flows and changes in stockholders' equity for the periods ended September 30, 2000 and 1999 in accordance with accounting principles generally accepted in the United States of America. The results of operations for such interim periods are not necessarily indicative of the results for the full year. The year-end 1999 consolidated condensed balance sheet was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

Consolidation Policy

The Company's consolidated financial statements include the accounts of all wholly owned and majority owned subsidiaries. Intercompany accounts and transactions have been eliminated. To facilitate preparation of financial statements, the Company's principal European operations are included in the consolidated financial statements on a two-month delayed basis.

Effective January 1, 2001, such European operations will change their fiscal year-end from October 31 to December 31, consistent with the balance of the Company's operations. The results of operations for these European operations for the period November and December 2000 will be recorded directly to retained earnings in the first quarter of 2001 and the operations for January through March 31, 2000 will be included in first quarter reported results. This change in reporting period is not expected to have a significant effect on the consolidated reported results of operations.

2. Special Charges (Gain):

In the fourth quarter 1999, the Company announced the restructuring of certain operations including the discontinuance of certain product lines, the closing of a manufacturing facility and other items. As previously indicated in the financial statements for the year ended December 31, 1999, in the first quarter 2000 the Company incurred pretax charges of \$1,678,000, or \$.04 per basic and diluted share after related income tax effect, incremental to the fourth quarter 1999 restructuring charge. These first quarter 2000 charges, which were not accruable at December 31, 1999, included termination costs of employees notified subsequent to December 31,

ALLEN TELECOM INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

1999, relocation costs, asset write-offs, and other termination related benefits. Of the charge, \$393,000 relates to a non-cash write-off of capital assets and \$1,285,000 are cash related charges.

In the third quarter of 2000, the Company recognized a non-cash pretax gain of \$1,160,000, or \$.03 per basic and diluted share after related income tax effect, with respect to a pension curtailment gain as a result of a reduction in workforce in connection with the aforementioned restructuring. Of the third quarter pretax gain, \$406,000 was recorded in cost of sales and \$754,000 in selling, general and administrative expenses. For the nine months ended September 30, 2000, the Company has incurred net pretax charges (related to the two items discussed above) of \$518,000, or \$.01 per basic and diluted share, after related income tax effect. Of the nine months charge, \$554,000 was recorded in cost of sales and a gain of \$36,000 in selling, general and administrative expense.

The following is a summary of the activity for exit costs incurred (amounts in thousands, except for employee data).

	Severance			
	Accrual	Number of Employees	Sale of Building and Equipment	Other
Accrual balance at December 31, 1999	\$ 1,374	93	\$2,271	\$ 517
Addition to accrual in first quarter 2000	327	5	393	958
Employees terminated	—	(98)	—	—
Charged against accrual	(1,375)	—	(506)	(1,129)
Balance September 30, 2000	\$ 326	—	\$2,158	\$ 346

The term of severance is based on years of service or determined by contractual obligation, and is payable over a period of time. Severance will be paid out in its entirety by October 31, 2001.

3. Other Income:

Other income for the three and nine-months ended September 30, 1999 relates principally to a gain on sale of the Company's investment in NextWave Telecom Inc. The aggregate impact of other income is \$.07 and \$.08 per basic and diluted share after related income tax effects, for the three and nine-month periods, respectively.

4. Discontinued Operations:

The gain on sale from discontinued operations in 2000 represents income from previously contingent purchase price consideration (in the form of a 12% interest bearing installment note) earned on the sale of the Company's former automotive emissions testing business sold in the first quarter of 1999. The gains in 2000 and 1999 are net of related income taxes in the amount of \$700,000 and \$1,403,000, respectively.

ALLEN TELECOM INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Continued)

5. Segment Disclosures:

The following table presents sales to external customers and results of operations for the Company's two operating segments (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
Sales to external customers:				
Telecommunications equipment	\$100,251	\$84,470	\$263,769	\$225,959
Wireless engineering services	6,514	5,066	19,392	16,991
Total sales	<u>\$106,765</u>	<u>\$89,536</u>	<u>\$283,161</u>	<u>\$242,950</u>
Results of operations:				
Telecommunications equipment	\$ 12,675	\$ 7,491	\$ 26,145	\$ 15,050
Wireless engineering services	1,005	(180)	3,902	1,275
	<u>13,680</u>	<u>7,311</u>	<u>30,047</u>	<u>16,325</u>
Other income	—	3,013	—	3,238
Goodwill amortization	(1,980)	(1,733)	(5,841)	(5,195)
General corporate expenses	(2,047)	(1,574)	(5,495)	(4,456)
Net financing costs	<u>(2,369)</u>	<u>(2,128)</u>	<u>(6,538)</u>	<u>(6,120)</u>
Income before taxes and minority interests	<u>\$ 7,284</u>	<u>\$ 4,889</u>	<u>\$ 12,173</u>	<u>\$ 3,792</u>

6. Impact of New Accounting Pronouncements:

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," in June 1998 which will now be effective for financial statements for all fiscal quarters of fiscal years beginning after June 15, 2000. Accordingly, the Company will adopt the provisions of the standard on January 1, 2001. The Company utilizes limited hedging activities primarily in its foreign subsidiaries to limit foreign currency exchange rate risk on receivables. The Company has not yet determined the effect, if any, of the adoption of this Statement on results of operations and financial position.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 (SAB 101), "Revenue Recognition in Financial Statements". SAB 101 summarizes certain of the staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. SAB 101 is effective no later than the fourth fiscal quarter of fiscal years beginning after December 15, 1999. The provisions of SAB 101 did not require any change in the Company's revenue recognition policies and practices.

ALLEN TELECOM INC.
**ITEM 2 — MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

Results of Operations

Summary:

Allen Telecom Inc. reported income from continuing operations of \$4.3 million or \$.15 per common share (all per share information relates to both basic and fully diluted earnings per common share) for the three months ended September 30, 2000, as compared with \$2.6 million (\$.10 per share) for the three months ended September 30, 1999. For the nine months ended September 30, 2000 the Company reported \$7.1 million of income from continuing operations (\$.25 per share), as compared with \$1.2 million (\$.04 per share) in 1999. Total sales for the three months ended September 30, 2000 increased 19% from \$89.5 million in the third quarter 1999 to \$106.8 million in the third quarter 2000. Sales for the nine months ended September 30, 2000 increased 17% over the same period last year from \$243.0 million to \$283.2 million, respectively.

The results of operations for the three months ending September 30, 2000 include a pretax gain of approximately \$1.2 million, or \$.03 per share after related income tax effect, with respect to a pension curtailment gain as a result of a reduction in force in connection with the restructuring announced during the fourth quarter of 1999. For the nine months ended September 30, 2000, the Company has incurred net pretax charges of \$.5 million, or \$.01 per share, after related income tax effect. This net charge includes, in addition to the aforementioned gain, incremental costs for the discontinuance of certain product lines, the closing of a manufacturing facility, employee termination costs and other items reflected in the first quarter of 2000. Of the third quarter pretax gain, \$.4 million was recorded in cost of sales and \$.8 million in selling, general and administrative expenses. Of the nine months net charge, \$.6 million was recorded in cost of sales and a gain of \$.1 million in selling, general and administrative expenses. See Note 2 of Notes to Condensed Consolidated Financial Statements for additional information concerning such special items.

Telecommunications Equipment Manufacturing:

Telecommunications Equipment Manufacturing sales increased \$15.9 million, or 19%, from \$84.4 million in the third quarter 1999 to \$100.3 million in the third quarter 2000. Sales increased approximately 17% from \$226.0 million for the nine-month period ended September 30, 1999 to \$263.8 million for the nine-month period ended September 30, 2000. Increasing demand for antenna and site management products drove the sales increase in both periods. Geographically, all regions showed sales increases with the exception of Asia, which had a decrease in the sales of low margin cable products to China. Sales by product line were as follows:

Sales By Product Line (\$ Millions)	Three Months Ended		Year To Date	
	3Q 2000	3Q 1999	3Q 2000	3Q 1999
Systems Products	\$ 20.4	\$24.2	\$ 58.7	\$ 70.0
Site Management and Other Non-Antenna Products	52.4	39.1	137.5	102.5
Mobile and Base Station Antennas	27.5	21.1	67.6	53.5
Total Telecommunications Equipment Manufacturing	\$100.3	\$84.4	\$263.8	\$226.0

ALLEN TELECOM INC.
ITEM 2 — MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
(Continued)

The strong U.S. dollar relative to the Euro negatively impacted sales and pretax income of European operations in the third quarter 2000 as compared to the third quarter 1999. As a result of exchange differences, reported sales and pretax income in the three months ended September 30, 2000 were \$5.7 million and \$0.9 million lower, respectively, as compared with the corresponding prior year period, assuming the exchange rates stayed the same. For the nine months ended September 30, 2000, the reported sales and pretax income were \$17.2 million and \$3.1 million lower, respectively.

Backlog for the Telecommunications Equipment Manufacturing Segment at September 30, 2000 increased 12% from June 30, 2000 to \$128.8 million from \$114.6 million, and 54% from \$83.6 million at December 31, 1999 to September 30, 2000.

Gross profit margins were 29% in the third quarter of 2000 (29.4% for the nine months ended September 30, 2000), as compared with 29.2% in the third quarter of 1999 (29.5% for the nine months ended September 30, 1999), prior to the aforementioned special charges and gain.

Selling, general and administrative expenses were \$10.6 million, or 10.6% of sales, and \$9.8 million, or 11.6% of sales (excluding special gains and charges), for the third quarters of 2000 and 1999, respectively. These higher costs were related primarily to higher incentive compensation and sales commission expenses; however, the ratio of expenses to sales decreased from the third quarter of 1999 to the third quarter of 2000 due to the spreading of fixed costs on higher sales. For the nine-month periods ended September 30, 2000 and 1999, the ratio of selling, general and administrative expenses to sales were 11.9% and 12.8% (excluding special charges and gain), respectively.

Wireless Engineering Services:

Wireless Engineering Services sales were up \$1.4 million, or 27%, from \$5.1 million in third quarter 1999 to \$6.5 million in third quarter 2000. This increase was due primarily to higher software and engineering consulting sales. Sales were up approximately \$2.4 million or 14% from \$17.0 million for the nine-month period ended September 30, 1999 to \$19.4 million for the nine-month period ended September 30, 2000.

ALLEN TELECOM INC.
ITEM 2 — MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
(Continued)

Gross profit margins for Wireless Engineering Services were 37.9% in the third quarter of 2000 (40.9% for the nine months ended September 30, 2000), as compared with 23.1% in the third quarter of 1999 (27.8% for the nine months ended September 30, 1999). This margin increase is primarily attributable to an increase in higher margin software sales, as well as the benefits from restructuring actions taken during the fourth quarter of 1999, which improved margins of the engineering product lines. In addition, the increased utilization of available engineers contributed to the higher margins.

The selling, general and administrative expenses for Wireless Engineering Services were 22.5% and 26.6% of sales for the third quarters of 2000 and 1999, respectively. The ratio of expenses to sales decreased from the third quarter of 1999 to the third quarter of 2000 due to the spreading of fixed costs on higher sales. For the nine-month period ended September 30, 2000 and 1999 the ratios of selling, general and administrative expense to sales were 20.5% and 20.3%, respectively.

Research and Development:

Research and development and new product engineering costs were flat at \$6.9 million and 6.9% and 8.2% of sales in the third quarter of 2000 and 1999, respectively. The decreased rate is attributable to the fourth quarter 1999 sale of the Company's SSI government development business, which primarily had R&D expenditures. The Company expects R&D spending to gradually increase due to development efforts on new products and continued spending on E911 Geolocation products.

Interest and Financing Expenses:

Net interest and financing costs increased from \$6.1 million for the nine months ended September 30, 1999 to \$6.5 million for the nine months ended September 30, 2000, and from \$2.1 million in the third quarter 1999 to \$2.4 million in the third quarter of 2000. The principal reasons for the increase are a higher level of outstanding borrowings, as well as higher average interest rates.

Provision for Income Taxes:

The Company's effective tax rate was approximately 41.0% for the quarter and nine months ended September 30, 2000 as compared with approximately 37.0% for the comparable 1999 periods. The principal reason for the increase is higher income relating to the Company's foreign operations, which are taxed at rates higher than the United States. The effective tax rate percentage for the nine months ended September 30, 2000 is in line with the Company's current expectation for the full year.

ALLEN TELECOM INC.
ITEM 2 — MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
(Continued)

Minority Interests:

Minority interest expense decreased from \$1.2 million to \$.1 million and from \$.4 million to \$.1 million in the nine and three months ended September 30, 1999 and 2000, respectively. This decrease is due to the acquisition in late 1999 of the remaining minority interest in one of the Company's foreign subsidiaries.

Liquidity and Capital Resources:

As set forth in the Condensed Consolidated Statements of Cash Flows, the Company used \$2.3 million of cash by operating activities for the nine months ended September 30, 2000 as compared to using \$12.5 million for the comparable 1999 period. The improvement in cash flow from operations is principally due to increased income from operations. The Company used \$18.4 million of cash in investing activities in the first nine months of 2000, due primarily to the payment of purchase price for the minority interests of European subsidiaries and capital expenditures, as compared to generating \$12.7 million in 1999. The cash flow from investing activities in 1999 related to the sale of the Company's discontinued emissions testing business and cash collected from the sale of a common stock investment. Cash provided by financing activities for the period ended September 30, 2000 was \$20.7 million as compared with cash usage of \$5.6 million for the comparable 1999 period. Such change in cash flows is primarily due to proceeds from borrowings. At September 30, 2000, the Company had available unused worldwide lines of credit in the amount of approximately \$65.0 million.

As indicated above, the strong U.S. dollar relative to the Euro has negatively impacted the translated value of the Company's European operations, whose assets and liabilities are denominated principally in Euro currencies. As can be seen in the Condensed Consolidated Statements of Stockholders' Equity, the "Accumulated Other Comprehensive Loss" (representing the net impact on the translated net asset investment of foreign subsidiaries) has increased from \$10.7 million at December 31, 1999 to \$22.8 million at September 30, 2000. This decline in the translated value of the Company's net foreign asset position, despite increased earnings, is the principal reason for the small decline in Stockholders' Equity at September 30, 2000 as compared with December 31, 1999.

ALLEN TELECOM INC.
ITEM 2 — MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
(Continued)

Legal Disclaimer:

Statements included in this Form 10-Q, which are not historical in nature, are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements regarding the Company’s future performance and financial results are subject to certain risks and uncertainties that could cause actual results to differ materially from those set forth in the forward-looking statements. Factors that could cause the Company’s actual results to materially differ from forward-looking statements made by the Company, include, among others, the cost, success and timetable for new product development, including specifically products for 3G, E911, and power amplification, the health and economic stability of the world and national markets, the availability of capital and financing to the wireless carriers, the uncertain timing and level of purchases of both current products and those under development for current and prospective customers of the Company’s products and services, the impact of competitive products and pricing in the Company’s market, the future utilization of the Company’s tax loss carry forwards, the impact of U.S. and foreign government legislative/regulatory actions, including, for example, the scope and timing of E911 geolocation requirements and spectrum availability and licensing for new wireless applications, and the cost and availability of financing for customers of the Company’s geolocation projects. Allen Telecom Inc.’s Annual Report on Form 10-K and Quarterly Reports on Form 10-Q contain additional details concerning these factors.

ITEM 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under Item 7A of its Annual Report on Form 10-K for the year ended December 31, 1999.

PART II — OTHER INFORMATION

ITEM 6 — EXHIBITS AND REPORTS ON FORM 8-K

- (a) EXHIBITS
(27) Financial Data Schedule.
- (b) REPORTS ON FORM 8-K.
None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

			Allen Telecom Inc.

			(Registrant)
Date:	November 13, 2000	By:	/s/ Robert A. Youdelman
	_____		_____
			Robert A. Youdelman Executive Vice President (Chief Financial Officer)
Date:	November 13, 2000	By:	/s/ James L. LePorte, III
	_____		_____
			James L. LePorte, III Vice President — Finance (Principal Accounting Officer)

EXHIBIT INDEX
ALLEN TELECOM INC.

Exhibit Number

(27)

Financial Data Schedule