

Sales double and new customer agreements

- The Company's net sales for the period totaled SEK 23.3 million (4.2). Other operating income for the period was SEK 5.4 million (4.0). During 2Q net sales amounted to SEK 15.3 million compared to SEK 8.0 million during 1Q.
- The Group's operating loss for the period was SEK 68.9 million (-108.0).
- Liquid funds and current investments at the period's end reached SEK 103.7 million (228.4). As previously announced, the Company expects to achieve a positive cash flow within the framework of current financing, which includes the company's agreement with Credit Suisse First Boston (CSFB) and the Company's credit for financing account receivables.
- The equity/assets ratio at the period's end was 70.7% (80.3%).
- SwitchCore has about 50 design wins divided between some 35 customers. During 2Q SwitchCore announced a number of partnerships with businesses such as CORECESS Inc, Cyberpath Inc, Comtec Systems Co Ltd, Ramix and World Wide Packets. In addition, the partnership with Intel has generated a number of customer projects.
- SwitchCore's internal forecasts based on current partnerships are in line with independent market assessors' predictions of cautious growth in the market for Gigabit Ethernet products in 2002. For the coming two years it is estimated that the number of Gigabit Ethernet network connections will rise by about 60% annually, while the total sales figure for Gigabit Ethernet products is estimated to rise by about 30% annually over the same period. There are however no indications of a change in the trend for the data communication market.

Events after the period's end:

On July 1, SwitchCore announced that the Allied Telesyn Group of Companies is using SwitchCore's switch/router devices in their SwitchBlade series of products. The Allied Telesyn Group of Companies, with its head office in Hong Kong, is one of the key equipment vendors for enterprise and workgroup switching solutions. The SwitchBlade uses SwitchCore's CXE-16, CXE-1000 and CXE-5000 devices in a scalable architecture configured to accomplish a throughput of 48 million packets per second on up to 32 Gigabit Ethernet ports.

On July 2, SwitchCore announced its partnership with Asanté Technologies, a leading provider of network solutions for the education, enterprise, and service provider marketplaces. Asanté is working in partnership with SwitchCore to develop Gigabit switches using SwitchCore's CXE-2010 and CXE-16 products.

On July 9, SwitchCore announced that Wideband Corporation, a company that develops network equipment for the enterprise networking segment, had launched its *Professional Series* of Gigabit Ethernet Switches based on SwitchCore's CXE-2010 switching devices.

General information about the business

SwitchCore AB designs, develops, and markets integrated network devices for data and Internet communication. The devices are sold to network equipment manufacturers and suppliers. The growth in data communication forms the foundation of the Company's business concept. Network equipment suppliers are successively taking on roles as systems integrators and distributors; specialized subcontractors, such as SwitchCore, drive these trends.

The core of SwitchCore's expertise is in its CXE technology, which is a design method. In brief, this means that performance-sensitive parts of integrated circuits are designed so that many functions fit onto a very small silicon surface. Advantages for customers include high performance, small chip size, and low power consumption. Together, this all contributes to SwitchCore being able to cut customers' manufacturing costs and time-to-market. The Company has so far launched five products, CXE-16, CXE-1000, CXE-2000, CXE-2010 and CXE-5000.

Footnote: The figures in parentheses (xx) correspond to the figures for the same period last year.

Comments by the CEO

"We are satisfied with the sustained performance over the first six months, which is in line with our plan for 2002. The Intel partnership is progressing well and we now perceive a growth in sales. We have doubled our earnings between 1Q and 2Q while keeping costs under control. We are also pleased to be able to regularly announce, despite a hesitant market, new partnerships with companies such as Corecess, Cyberpath and Comtec Systems," says Henric Isacsson, SwitchCore's CEO.

"The enterprise market for Ethernet products has seen a slightly positive trend over the first six months. The Metropolitan and access market is more apprehensive. Infrastructure investments, primarily greater broadband expansion, are necessary to stimulate this market segment," he states.

"The partnership with Allied Telesyn, announced after the close of the period, is very significant for us – not only because Allied Telesyn is one of the leading companies in the enterprise market segment, but also because they develop extremely advanced, chassis-based systems based on our products," Henric Isacsson concludes.

Sales and results for the period

· The Group's net sales for the period amounted to SEK 23.3 million (4.2). Other operating income for the period was SEK 5.4 million (4.0). To a large extent, net sales consist of sales from the sale of commercial products as opposed to earlier quarters when sales were primarily generated by the sale of reference designs and test units.

· The Group's operating loss for the period was SEK 68.9 million (108.0).

· The Group's operating loss for the period includes an obsolescence write-down of SEK 1.7 million referring to previous revisions of the company's products.

· The Group's result for the period includes exchange loss of SEK 3.8 million of which SEK 2.5 million is included in operating costs and the remaining SEK 1.3 million is included in financial items. The exchange rate fluctuation refers solely to USD.

2Q sales and results

· The Groups net sales for 2Q totaled SEK 15.3 million (2.8). Other operating income for 2Q was SEK 1.9 million (4.0).

· The Group's operating loss for 2Q was SEK 35.1 million (62.5).

Financing and liquidity

Stockholders' equity stood at SEK 116.3 million on June 30, 2002, and equity per share was SEK 1.35 before the dilution effect of warrants. Within the framework of SwitchCore's agreement with Credit Suisse First Boston (CSFB), and backed by authorization from the AGM, the Company has the option to issue new stock to CSFB, for the equivalent of SEK 200 million. The option is limited by one of the terms of the agreement, which entitles CSFB to deny subscription should the market value of SwitchCore's shares fall below SEK 20. So far the Company has utilized SEK 17 million.

The Company has been granted credit up to a maximum SEK 50 million to finance up to 50% of the company's account receivables.

Thus the Company expects to achieve a positive cash flow through the financial framework above.

The parent company

- The parent company's net sales for the period amounted to SEK 23.3 million (4.2). Other operating income for the period reached SEK 5.4 million (4.0).
- Income after interest income/expense, net was SEK -82.6 million (-92.5).

Products, sales and marketing

SwitchCore's internal forecasts, based on ongoing customer agreements, are in line with independent market assessors' predictions of cautious growth in the market for Gigabit Ethernet products during 2002. For the coming two years it is estimated that the number of Gigabit Ethernet network connections will rise by about 60% annually, while the total sales figure for Gigabit Ethernet products is estimated to rise by about 30% annually over the same period. SwitchCore's customers operate on the Enterprise and MAN/Access markets. SwitchCore maintains its assessment that initial Gigabit Ethernet volumes will first be visible within the Enterprise segment, while customers operating on the MAN/Access market are still susceptible to the general watchful business cycle within the telecom sector. During the period, SwitchCore expanded the number of design wins and customers. A design win is when a customer decides to develop a switch or router based on SwitchCore's CXE products. SwitchCore has about 50 design wins divided between some 35 customers. Almost half of the Company's customers are expected to launch CXE technology-based products during 2002. Some of these customers are about to, or have already launched their products on the market:

On June 27, World Wide Packets, Inc., a leading edge developer of optical network solutions for the access market, launched its LightningEdge LE-410 Concentrator. The product uses SwitchCore's switching devices to deliver 16 Gigabit Ethernet ports.

On June 27, RAMiX Inc. launched an Embedded Ethernet Switch based on SwitchCore's CXE-16 switch silicon. This means that RAMiX will be the first supplier of an Embedded Ethernet Switch offering up to 20 Gigabit Ethernet ports.

On June 3, CORECESS Inc launched the Corecess 7032 High-performance Enterprise Switch based on SwitchCore's CXE-16 and CXE-1000 switching devices.

On May 28, CyberPath Inc announced that they will use SwitchCore's chips in the ESSential F100 and F1000 metro access boxes. ESSential F1000 is based on SwitchCore's CXE-16 delivering 16 Gigabit Ethernet ports for Enterprise/LAN and MAN applications.

On May 2, Comtec Systems Co Ltd launched its "proEnet" CS54F24 Metro Access Switch based on SwitchCore's CXE-1000 switching devices. Comtec Systems Co Ltd is a metro access segment customer and the product, the CS54F24 "proEnet" Metro Access Switch, is based on proven Ethernet technology.

On April 22, SwitchCore and Cicada Semiconductor Corporation launched a 16-port reference design for the Gigabit Ethernet market. The reference design addresses the need for less power, cost and space in the desktop and workgroup markets. Together with Cicada, SwitchCore is offering the first complete reference design to contribute to the development of Gigabit Ethernet.

The cooperation agreement with Intel is developing according to plan and has already generated new customer projects. Intel is expected to assume full production responsibility for SwitchCore's devices licensed for production by Intel during 3Q. Intel's customers follow the same development cycle as SwitchCore's customers, meaning a lead-time of between six to eighteen months from a design win to product introduction on the market.

During the period, the Company received USD 2 million (of a total USD 4 million) in prepaid royalties from Intel. The remaining USD 2 million in prepaid royalties is expected to be paid at the start of 2003, and not during 2002 as previously reported.

The Company has earlier quoted prepaid royalties in SEK. Given the fluctuating rate of the US dollar, the Company has decided to switch to USD, the currency in which royalties are paid.

Organization and employees

The SwitchCore organization consists of a parent company, SwitchCore AB, first-tier subsidiaries SwitchCore Options AB, SwitchCore Singapore Private Limited, SwitchCore Taiwan AB (dormant) and SwitchCore in Stockholm AB (dormant), and one second-tier subsidiary SwitchCore Corporation (a wholly-owned subsidiary of SwitchCore Options AB).

At the close of the period the distribution of the Group's employees was as follows:

The Group had 90 employees of whom 13% are female and 87% male: 69 in Sweden, 16 in the US and 5 in Asia. The average age is 35. In addition, the company employed 4 people on a project basis at the close of the period.

The Annual General Meeting held in April decided to introduce the Stock Option Plan for employees entailing a maximum 1,000,000 new stocks in the Company. During the period, warrants corresponding to 728,000 stocks were offered to the Group's employees. Within the framework of all stock option plans decided upon, the Board was authorized by the AGM to take such action to ensure the total dilution effect of warrants issued to the employees does not exceed 5%. The theoretical dilution effect of the Company's three option plans is 6.9%, while the dilution effect of warrants actually issued at the close of the period reached 3.8%.

Investments

The Group's investments in tangible fixed assets totaled SEK 0.9 million, of which SEK 0.5 million was in the parent company. Examples of investments include development and testing tools, computer equipment, and office inventory.

R&D

As of January 1, 2002, the Group will adopt the Swedish Financial Accounting Standards Council's recommendation 15 (RR15). In brief, the recommendation means that development expenses related to new products are booked as assets if these expenses in all probability are expected to generate future financial earnings for the company. SwitchCore's interpretation of RR15 means that a new product must have advanced so far in the development phase that expenses are reported as assets only once the product has reached the production phase. All expenses prior to the production phase are written off on a continuous basis. The three-year depreciation plan begins when each product respectively is introduced on the market. In line with this interpretation, product development expenses totaling SEK 7.5 million were capitalized during the period of which SEK 4.9 million refers to personnel costs and remaining SEK 2.6 million refers to other external costs.

Patents

SwitchCore's patent strategy is built on creating a patent portfolio where the most important parts of the CXE technology are protected. The functions of future products are earmarked at an early stage for possible patenting. In total SwitchCore owns four patents in Sweden and two in the US. A further ten patent applications have been submitted for review in the US and four in Sweden.

Management changes

Peter Ygberg, Director of Product Management has been appointed a member of SwitchCore's management group with responsibility for coordinating SwitchCore's product development. He has an M.Sc in Engineering from the Swedish Royal Institute of Technology and has worked as Manager, Hardware Design at SwitchCore's Stockholm office since May 2001. He previously worked at Celsius Tech Electronics and Ericsson, where his assignments included working on hardware development and as a project leader for the JAS39 Gripen aircraft project.

Bodil Rosengren, SwitchCore's CFO, has decided to leave the Company. She is going to a similar position at another business. The task of finding a replacement for Bodil is in its final stages and the Company will issue further information during 3Q.

Outlook for 2002

Both independent market evaluators and major industry players predict a cautious growth in the market for Gigabit Ethernet products during 2002. At this point, no changes are indicated for the data communication market. SwitchCore saw a steady rise in sales in 2Q and this rise is expected to continue over the rest of the year.

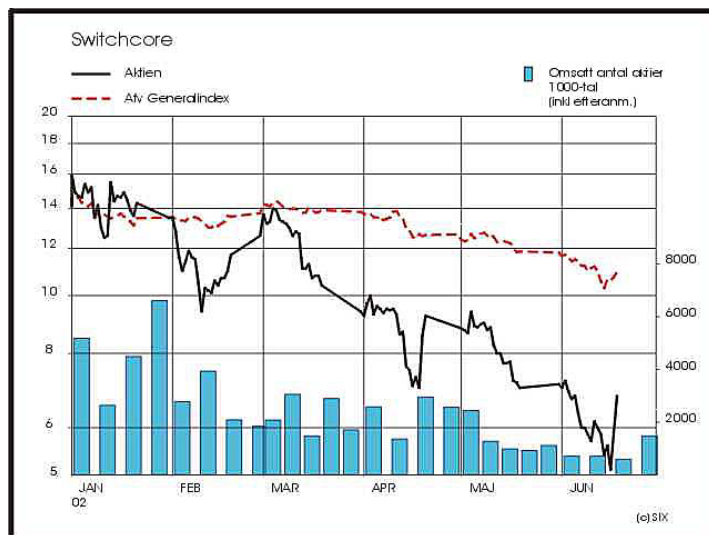
The Company's forecasted gradual rising volume sales is based on estimates indicating that about one half of SwitchCore's customers will launch CXE technology-based products during the year. In addition, the effects of the partnership agreement with Intel will begin to be noticeable.

The Company also feels the expanded partnership with Intel will have a positive effect on the Company's cash flow. SwitchCore's capital will not be tied up in stock and accounts receivable to the same extent since Intel will be in charge of production and sales for three of the Company's devices.

SwitchCore's stocks

The Company's stocks are quoted on the Stockholm Stock Exchange Attract 40 list. The average daily turnover of stocks for the January 1 – June 30, 2002 period was SEK 5.7 million. During the same period, the average number of traded stocks was 495,345 per day. The total number of stocks in the Company at the end of the period was 86,027,805.

Price movement for the period:



On June 28, 2002, the main owners' stockholdings in the Company were:

Per Andersson 1),	6 108 750	7.1%
Christer Svensson,	4 391 820	5.1%
Skandia,	3 146 625	3.7%
Capital Group,	2 890 877	3.4%
Jan Nilsson (incl company),	2 106 825	2.4%

¹ Including 1,000,000 stocks lent to CSFB in connection with the agreement signed January 1, 2001.
Source: SIS Ägarservice June 28, 2002

Per Andersson and Christer Svensson, the main owners, have signed an agreement in which they agree to not dispose more than 20% of their holdings respectively during the period up until December

31, 2002. These agreements do not however apply to those stocks subscribed for in connection with the new stock issue with preferential rights for stockholders carried out in June 2001.

The Company has previously issued 267,094 warrants as remuneration for Credit Suisse First Boston's commitment to subscribe for new stock for a maximum SEK 50 million. Because CSFB has so far subscribed for stocks equivalent to SEK 17 million, a further SEK 33 million can be called on before new warrants are issued.

Reports in 2002

3Q report, January 1 - September 30, 2002

October 24, 2002

Accounting principles

This semi-annual report was prepared according to the Annual Accounts Act and Swedish Financial Accounting Standards Council recommendations.

Lund, Sweden, July 25, 2002

Henric Isacsson, CEO,
SwitchCore AB (publ)

Review report

Review report for the semi-annual report January 1, 2002 – June 30, 2002, SwitchCore AB (publ) corp. identity no. 556541-8869.

We have reviewed this semi-annual report in accordance with the recommendations issued by the Swedish Institute of Authorized Public Accountants (FAR). A review is considerably limited in scope compared with an audit. Nothing has come to our attention that causes us to believe that the semi-annual report does not comply with the requirements of the Securities and Clearing Operations Act and the Annual Accounts Act.

Lund, Sweden, July 25, 2002

Arthur Andersen AB
Per-Arne Pettersson
Authorized Public Accountant

CONSOLIDATED INCOME STATEMENT (KSEK)	Jan 1 2002	Jan 1 2001	Apr 1 2002	Apr 1 2001	Jan 1 2001	Jan 1 2000
	Jun 30 2002	Jun 30 2001	Jun 30 2002	Jun 30 2001	Dec 31 2001	Dec 31 2000
Net sales	23 264	4 240	15 249	2 758	16 965	1 247
Other operating income	5 405	3 972	1 892	3 978	10 682	466
	28 669	8 212	17 142	6 736	27 647	1 713
Raw materials and consumables	-13 048 1)	-2 196	-9 093 1)	-1 305	-9 914	-805
Other external costs	-43 153	-53 327	-22 070	-33 700	-108 874	-84 462
Personnel costs	-35 621	-56 105	-18 129	-31 718	-97 032	-65 854
Depreciation	-5 792	-4 624	-2 996	-2 518	-10 147	-5 765
Items affecting comparability2)	0	0	0	0	-4 702	0
	-97 614	-116 252	-52 288	-69 241	-230 669	-156 886
Operating loss	-68 945	-108 040	-35 146	-62 505	-203 022	-155 173
Result from other securities	0	0	0	0	-8 889 3)	0
Financial income/expense net	640	1 554	-146	414	4 074	7 063
Loss after financial income/expense net	-68 305	-106 486	-35 292	-62 091	-207 837	-148 110
Tax	-338	-768	-239	-453	-1 373	-529
Earnings for the period	-68 643	-107 254	-35 531	-62 544	-209 210	-148 639
CONSOLIDATED BALANCE SHEET	Jun 30 2002	Jun 30 2001			Dec 31 2001	Dec 31 2000
ASSETS						
Capitalized expenditure R&D	7 545 4)	0			0	0
Goodwill	301	2 108			1 204	3 011
Tangible fixed assets	17 323	19 803			19 744	15 808
Financial fixed assets	0	8 889			0	8 889
Current receivables	35 674	49 991			31 622	15 704
Cash and bank and current investments	103 704	228 396			168 531	124 043
Total assets	164 547	309 187			221 101	167 455
STOCKHOLDERS' EQUITY AND LIABILITIES						
Stockholders' equity a)	116 318	248 229			184 961	141 483
Long-term liabilities	678	3 238			511	3 028
Current liabilities	47 551	57 720			35 629	22 944
Total stockholders' equity and liabilities	164 547	309 187			221 101	167 455
Notes and key figures						
Equity/assets ratio, % 5)	70.7%	80.3%			83.7%	84.5%
Earnings per share, SEK 6) 7)	-0.80	-1.90			-2.94	-2.69
Earnings per share, SEK 6) 8)	-0.74	-1.71			-2.75	-2.44
Equity per share, SEK 6) 9)	1.35	3.31 10)			2.15	2.52
Rate of return, equity11)	neg	neg			neg	neg
Rate of return, capital employed12)	neg	neg			neg	neg
No. of stocks at period's end	86 027 805	57 009 135			86 027 805 13	56 250 000
Investments, MSEK	8.4	2.2			6.6	12.7
Operating cash flow, MSEK 14)	-61.3	-102.1			-200.9	-164.4
Average number of employees	88	96			87	70

1) This item includes obsolescence write-down of KSEK 1721

2) This item refers to costs in connection with the cost-cutting program implemented by the company.

3) This item refers to the write-down of stocks in the CICADA Semiconductor Corp.

4) Capitalized expenses for product development

5) Stockholders' equity in relation to balance sheet total

6) Adjusted for new issue and split

7) Calculated on average number of stocks before dilution

8) Calculated on average number of stocks after dilution

9) Calculated on number of stocks at period's end excl. stock options

10) Pro forma after rights issue June, 2001

11) Net earnings less standard tax in relation to adjusted equity

12) Loss after depreciation+ financial income in relation to capital employed

- 13) Pro forma after registration of new stocks (regarding utilized warrants), Jan, 2002.
 14) Operating loss before depreciation less investments and changes in working capital.

a) Stockholders' equity has changed as follows over the period:

Opening balance	184 961	141 483
New issues	0	214 000
Loss for the period	-68 643	-107 254
Closing balance	116 318	248 229

CONSOLIDATED CASH FLOW STATEMENT (KSEK)	Jan 1 2002 - Jun 30 2002	Jan 1 2001 - Jun 30 2001	Jan 1 2001 - Dec 31 2001	Jan 1 2000 - Dec 31 2000
Cash flow from period's activities before change in working capital	-66 733	-110 971	-195 487	-142 925
Cash flow from changes in working capital	10 315	3 521	-6 162	-653
Cash flow from period's activities	-56 418	-107 450	-201 649	-143 578
Cash flow from investment activities	-8 409	-2 197	-6 551	-12 689
Cash flow from financing activities	0	214 000	252 688	237 663
Cash flow for the period	-64 827	104 353	44 488	81 396
Liquid funds at period's start	168 531	124 043	124 043	42 647
Liquid funds at period's end	103 704	228 396	168 531	124 043