

## message to shareholders

Dear Shareholder,

I am pleased to be able to announce Mitec's second quarter results for our 2001 fiscal year.

This quarter has been characterized by a number of exciting developments. I am proud to report that Mitec's aggressive pursuit of market share in the Satcom sector continued to pay substantial dividends. As the enclosed highlights table demonstrates, our satcom sales in the second quarter helped us boost our overall sales revenue by 9% over the same period last year. Mitec's sales for the first six months have climbed by 17% in regards with last year, a growth we anticipate accelerating throughout this fiscal year.

Additionally, a heightened demand for our products saw our backlog increase by 10% over the previous quarter. Wireless products, the mainstay of our operation, represented 78% of this backlog.

Equally positive was the continuing improvement in our cash earnings. Mitec's earnings before interest, taxes, depreciation and amortization (EBITDA) increased for a third consecutive quarter. Second quarter was up 11% over the previous quarter, which represents \$0.13 per share. Over the past six months, our EBITDA totaled \$0.27 per share, outstripping last year's results by 47%.

Our earnings in the second quarter reached \$0.01 per share, which is identical to last year's results. Mitec's earnings, for the current six-month period, amounted to \$0.01 per share, as compared to \$0.02 per share in fiscal 2000.

Maintaining Mitec's reputation as an innovator and market leader requires that we continue our vigorous commitment to research and development, and over the past six months we have significantly increased these expenditures. We invested \$0.20 per share in the second quarter, up \$0.05 per share from the same quarter last year. This brings our R&D expenditures for the past six months to \$0.36 per share, as compared to \$0.29 per share a year earlier, representing an increase of 27%.

Mitec's proactive R&D philosophy has allowed us to enter into six critical new development programs with two major network providers. All these programs focus on third generation (3G) networks. The initial roll out of the 3G broadband wireless network infrastructures is expected to begin in the next fiscal year, and we are convinced that these programs will help to ensure a healthy growth in our future revenues.

On October 24th, Mr. Serge Fournier resigned as Mitec's President and COO for personal reasons. We wish him well in his future endeavors. With the full support of the Board and our executives, I immediately took over as President and CEO. Since I have previously occupied these positions, the transition was very smooth. Nevertheless, my role as President is an interim one and a search for a replacement is in progress. The position of Chairman of the Board is now being co-chaired by two present Directors of Mitec: Lionel Hurtubise, Chairman of the Board of Ericsson Canada and Hubert Marleau, President of Palos Capital.

Mitec's experienced and committed team is well equipped to meet each and every challenge in the dynamic telecommunications field. In the remaining months of this fiscal year, we will spare no effort to ensure that we meet our sales growth and earnings objectives. I expect a robust third quarter for Mitec, and the outlook for the balance of the 2001 fiscal year is positive.

On behalf of the directors and employees of Mitec, I would like to wish you and your family the very best for the holiday season.



Myer Bentob  
President and Chief Executive Officer  
December 7, 2000.

## FINANCIAL HIGHLIGHTS

Unaudited (In thousands of CDN dollars)

	3 months ended October 31,		6 months ended October 31,	
	2001	2000	2001	2000
<b>Sales</b>	\$ 12,700	\$ 11,600	\$ 24,900	\$ 21,300
wireless	7,300	7,700	14,100	13,600
satcom	5,400	3,900	10,800	7,700
<b>Net Earnings</b>	72	132	93	186
<b>R&amp;D</b>	1,900	1,400	3,400	2,700
<b>EBITDA</b>	1,100	1,000	2,500	1,700
<b>Backlog</b>				
wireless	\$ 23,200	\$ 7,700	\$ 23,200	\$ 7,700
satcom	\$ 6,500	\$ 3,100	\$ 6,500	\$ 6,500

## CONSOLIDATED BALANCE SHEETS

## Mitec Telecom Inc.

Unaudited  
(In thousands of CDN dollars)

	as at October 31,	
	2000	1999
<b>ASSETS</b>		
<b>Current</b>		
Cash and term deposits	\$ 583	\$ 2,130
Marketable securities at cost, which approximates market value	-	-
Trade receivables	11,679	7,954
Income tax receivable	1,126	558
Inventories	10,772	6,771
Prepaid expenses and other	387	280
Deferred income taxes	698	100
<b>Total current assets</b>	<b>25,245</b>	<b>17,793</b>
Capital assets	21,437	21,202
Long-term investment	1,072	1,101
Deferred income taxes	1,158	77
Goodwill	867	1,020
	\$ 49,779	\$ 41,193
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Bank indebtedness	\$ 5,140	\$ 2,135
Accounts payable and accrued liabilities	8,105	8,429
Current portion of long term-debt	581	-
Deferred income taxes	130	-
<b>Total current liabilities</b>	<b>13,956</b>	<b>10,564</b>
Long-term debt	4,922	-
Obligation under capital lease	252	-
Deferred income taxes	1,953	1,094
	7,127	1,094
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock	20,713	20,669
Retained earnings	8,622	9,287
Cumulative translation adjustment	( 639 )	( 421 )
<b>Total shareholders' equity</b>	<b>28,696</b>	<b>29,535</b>
	\$ 49,779	\$ 41,193

## CONSOLIDATED STATEMENTS OF INCOME

Mitec Telecom Inc.

Unaudited

(In thousands of CDN dollars,  
except per share data)

	3 months ended October 31,		6 months ended October 31,	
	2000	1999	2000	1999
<b>Sales</b>	\$ 12,699	\$ 11,626	\$ 24,894	\$ 21,306
Cost of sale	8,466	7,769	16,978	14,648
<b>Gross profit</b>	<b>4,233</b>	<b>3,857</b>	<b>7,916</b>	<b>6,658</b>
Expenses				
Selling and administrative	1,901	1,832	3,637	3,381
Research and development	1,868	1,401	3,435	2,711
Financial expenses (income)	(49)	256	(42)	156
Interest expenses (income)	217	(31)	361	(124)
	<b>3,937</b>	<b>3,458</b>	<b>7,391</b>	<b>6,124</b>
<b>Income before income taxes and goodwill amortization</b>	<b>296</b>	<b>399</b>	<b>525</b>	<b>534</b>
Income taxes				
Current	50	(28)	292	(14)
Deferred	120	257	33	285
	<b>170</b>	<b>229</b>	<b>325</b>	<b>271</b>
<b>Income before goodwill amortization</b>	<b>126</b>	<b>170</b>	<b>200</b>	<b>263</b>
Goodwill amortization	54	38	107	77
<b>Net income for the period</b>	<b>\$ 72</b>	<b>\$ 132</b>	<b>\$ 93</b>	<b>\$ 186</b>
Average number of shares outstanding ('000)	9,422	9,415	9,421	9,425
Basic and fully diluted earnings per common share				
Before goodwill amortization	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.03
After goodwill amortization	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.02

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Mitec Telecom Inc.

Unaudited

(In thousands of CDN dollars)

	3 months ended October 31,		6 months ended October 31,	
	2000	1999	2000	1999
<b>OPERATING ACTIVITIES</b>				
Net income for the period	\$ 72	\$ 132	\$ 93	\$ 186
Add items not affecting cash:				
Amortization of capital assets and goodwill	809	694	1,613	1,304
Deferred income taxes	120	257	33	285
Other	-	-	-	-
	<b>1,001</b>	<b>1,083</b>	<b>1,739</b>	<b>1,775</b>
Changes in non-cash working capital balances related to operations	841	2,127	(4,866)	(1,353)
<b>Cash flows related to (used in) operating activities</b>	<b>1,842</b>	<b>3,210</b>	<b>(3,127)</b>	<b>422</b>
<b>INVESTING ACTIVITIES</b>				
Decrease (increase) in marketable securities	-	6,480	-	6,480
Additions to capital assets	(380)	(1,478)	(1,120)	(6,122)
Proceeds on disposal of capital assets	-	-	-	-
Acquisition of long-term investments	-	(1,101)	-	(1,101)
Translation adjustment	76	(90)	161	7
<b>Cash flows related to investing activities</b>	<b>(304)</b>	<b>3,811</b>	<b>(959)</b>	<b>(736)</b>
<b>FINANCING ACTIVITIES</b>				
Increase (decrease) in bank indebtedness	(194)	697	3,860	875
Increase (repayment) of long-term debt	(164)	-	(282)	-
Increase (decrease) in obligations under capital lease	(26)	-	(31)	-
Cancelled shares under normal course issue bid	-	(113)	-	(203)
Issuance of common shares	11	12	24	24
Share issue costs and other	-	-	-	-
<b>Cash flows related to financing activities</b>	<b>(373)</b>	<b>596</b>	<b>3,571</b>	<b>696</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>1,165</b>	<b>7,617</b>	<b>(515)</b>	<b>382</b>
Cash and cash equivalents, beginning of year	(1,092)	(5,487)	588	1,748
<b>Cash and cash equivalents, end of year</b>	<b>73</b>	<b>2,130</b>	<b>73</b>	<b>2,130</b>
<b>Cash and cash equivalents consist of:</b>				
Cash and term deposits	583	2,130	583	2,130
Bank overdraft	(510)	-	(510)	-
	<b>\$ 73</b>	<b>\$ 2,130</b>	<b>\$ 73</b>	<b>\$ 2,130</b>

### INVESTOR INFORMATION

The common shares of Mitec Telecom Inc. are traded on the Toronto Stock Exchange under the symbol MTM.

For information or assistance regarding individual stock records, transactions or stock certificates, contact: CIBC Mellon Trust  
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### CORPORATE HEADQUARTERS

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