

message to shareholders

Dear Shareholder,

The third quarter ended January 31, 2001, has been one of the most eventful in Mitec's 27-year history. Not only did it signal a turnaround in our growth and earnings as sales reached record levels, but we also completed a landmark merger with the Swedish-based electronics manufacturer, BEVE Invest AB (BEVE). In exchange for all the outstanding shares of BEVE, Mitec issued 6.2 million of its common shares. Notwithstanding the recent downturn in the telecommunications industry, Mitec is confident that the merger with BEVE significantly advances our principal corporate goal, which is to become a partner of choice to the world's preeminent network providers.

I am pleased to report that Mitec's third quarter and nine-month sales increased by 54% and 28% respectively from the corresponding periods last year. These results do not include BEVE's operations, which will be consolidated into Mitec's fourth quarter financial reports effective February 1st, 2001.

BEVE is a profitable and rapidly expanding company, whose revenues in its last fiscal year were approximately \$50 million, a single year increase of over 300%. The merger with BEVE represents a mutually perfect fit for both companies.

Some of the highlights of the transaction include the doubling of Mitec's workforce, the addition of 85,000 square feet of manufacturing capacity in Europe and a projected growth in sales to \$140 million in our next fiscal year, with notable earnings for the full year. With this transaction we have also acquired a pool of extremely talented and accomplished executives, who will further strengthen our management team. Chief among these is Mr. Thomas Nuorimaa, president of BEVE, who will head up our European operations and has joined our Board of Directors and its Executive Committee.

Mitec's widely recognized design expertise also adds extensive value to BEVE's first-rate contract manufacturing services. Together, we can now offer a wider range of competitive products to large European network providers. We are now a truly global player, firmly entrenched in the European and North American wireless, satcom and terrestrial communications markets. We are also planning to expand our presence in Asia.

Mitec's third quarter was also characterized by a number of other achievements. Our robust wireless and satcom sales allowed us to remain profitable despite increased R&D investments. Fuelled by the growing demand for 2.5G CDMA products, wireless sales rose 87% over last year's third quarter while satcom and terrestrial products sales increased 20% over the same period last year.

Mitec signed its first OEM supply agreement with Nokia Networks, which we estimate will be worth more than \$13 million over a 12-month period. Through this OEM agreement, Mitec made a decisive entry into the GSM market, the number one market by standard, with the deliveries of tower top amplifiers to Nokia Networks. This radio frequency equipment for high-speed data wireless communications networks is for both the European and North American markets. This new relationship with Nokia offers us significant opportunities.

In addition, Mitec qualified as an official supplier for Ericsson's Product Unit: the Wideband Radio Networks division. This division is at the forefront of 3G wireless network technology developments worldwide.

As previously announced, Nortel Networks has reduced its orders by \$6.0 million during the third quarter, however, this will have little impact on end-of-the-year results. Nortel is expected to contribute only 15% to Mitec's overall revenues for fiscal year 2001 and the order cutback has been accounted for in the updated guidance we have provided.

On behalf of our directors and employees, I wish to thank you all sincerely for your continued support. I am confident that the combined strengths of Mitec and BEVE will allow us to take the Company to new levels of success, creating value for all our shareholders and enable us to fully realize our common goal, which is to be a leading global presence in the wireless telecom industry.



Myer Bentob
President and Chief Executive Officer
March 13, 2001

FINANCIAL HIGHLIGHTS

Unaudited (in thousands of CDN dollars)

	3 months ended January 31		9 months ended January 31	
	2001	2000	2001	2000
Sales	\$ 13,477	\$ 8,750	\$ 38,371	\$ 30,056
wireless	8,670	4,719	22,733	18,317
satcom	4,807	4,031	15,638	11,739
Net Earnings	152	(895)	245	(709)
R&D	1,764	1,424	5,199	4,135
EBITDA	1,095	(1,101)	3,248	536

CONSOLIDATED BALANCE SHEETS

Mitec Telecom Inc.

Unaudited
(in thousands of CDN dollars)

	as at January 31st,	
	2001	2000
ASSETS		
Current		
Cash and term deposits	\$ 951	\$ 876
Marketable securities at cost	-	-
Trade receivables	8,360	7,560
Inventories	10,982	7,902
Income tax receivable	334	1,086
Prepaid expenses and other	358	406
Future income taxes	659	185
Total current assets	21,644	18,015
Capital assets	21,256	21,315
Future income taxes	1,433	77
Investments	1,057	1,102
Goodwill	829	982
	\$ 46,219	\$ 41,491
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	\$ 3,795	\$ 5,514
Accounts payable and accrued liabilities	6,105	5,939
Income taxes payable	-	84
Current portion of long term debt	582	-
Future Income Taxes	215	109
Total current liabilities	10,697	11,646
Long term debt	4,792	-
Obligation under capital lease	244	-
Future income taxes	1,614	1304
SHAREHOLDERS' EQUITY		
Capital stock	20,721	20,679
Retained earnings	8,774	8,392
Cumulative translation adjustment	(623)	(530)
Total shareholders' equity	28,872	28,541
	\$ 46,219	\$ 41,491

CONSOLIDATED STATEMENTS OF INCOME

Mitec Telecom Inc.

Unaudited

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

	3 months ended January 31st		9 months ended January 31st	
	2001	2000	2001	2000
Sales	\$ 13,477	\$ 8,750	\$ 38,371	\$ 30,056
Cost of sales	9,150	6,937	26,128	21,585
Gross profit	4,327	1,813	12,243	8,471
Expenses				
Research and development	1,764	1,424	5,199	4,135
Selling and administrative	2,188	1,964	5,825	5,345
Financial expenses (income)	119	181	77	337
Interest expenses (income)	190	(7)	551	(131)
	4,261	3,562	11,652	9,686
Income (loss) before income taxes and goodwill amortization	66	(1,749)	591	(1,215)
Income taxes				
Current	347	(1,125)	639	(1,139)
Deferred	(486)	233	(453)	518
	(139)	(892)	186	(621)
Income (loss) before goodwill amortization	205	(857)	405	(594)
Goodwill amortization	53	38	160	115
Net income for the period	\$ 152	\$ (895)	\$ 245	\$ (709)
Average number of shares outstanding ('000)	9,425	9,415	9,423	9,422
Basic earnings (loss) per common share				
Before goodwill amortization	\$ 0.02	\$ (0.09)	\$ 0.04	\$ (0.06)
After goodwill amortization	\$ 0.02	\$ (0.09)	\$ 0.03	\$ (0.07)
Fully diluted earning (loss) per common share				
Before goodwill amortization	\$ 0.02	\$ (0.09)	\$ 0.04	\$ (0.06)
After goodwill amortization	\$ 0.02	\$ (0.09)	\$ 0.03	\$ (0.07)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Mitec Telecom Inc.

Unaudited

(in thousands of CDN dollars)

	3 months ended January 31st		9 months ended January 31st	
	2001	2000	2001	2000
OPERATING ACTIVITIES				
Net income (loss) for the period	\$ 152	\$ (895)	\$ 245	\$ (709)
Add items not affecting cash:				
Amortization of capital assets and goodwill	839	693	2,452	1,997
Deferred income taxes	(486)	234	(453)	518
Other	-	-	-	-
	505	32	2,244	1,806
Changes in non-cash working capital balances related to operations	1,935	(3,823)	(2,931)	(5,150)
Cash provided by (used in) operating activities	2,440	(3,791)	(687)	(3,344)
INVESTING ACTIVITIES				
Decrease (increase) in marketable securities	-	-	-	6,480
Additions to capital assets	(558)	(943)	(1,678)	(7,065)
Proceeds on disposal of capital assets	-	-	-	-
Acquisition of long-term investments	-	-	-	(1,101)
Translation adjustment	(39)	91	122	71
Cash flows related to investing activities	(597)	(852)	(1,556)	(1,615)
FINANCING ACTIVITIES				
Increase (decrease) in bank indebtedness	(1,815)	2,109	2,045	2,986
Increase (repayment) of long-term debt	(130)	-	(412)	-
Increase (decrease) in obligations under capital lease	(8)	-	(39)	-
Issuance of common shares	8	11	32	35
Cancelled shares under normal course issue bid	-	-	-	(203)
Share issue costs and other	-	-	-	-
Cash flows related to financing activities	(1,945)	2,120	1,626	2,818
Increase (decrease) in cash and cash equivalents	(102)	(2,523)	(617)	(2,141)
Cash and cash equivalents, beginning of year	73	2,130	588	1,748
Cash and cash equivalents, end of year	(29)	(393)	(29)	(393)
Cash and cash equivalents consist of:				
Cash and term deposits	951	876	951	876
Bank overdraft	(980)	(1,269)	(980)	(1,269)
	\$ (29)	\$ (393)	\$ (29)	\$ (393)

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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