

# DORO

## Interim report (1 Jan. – 30 June 2001)

- **Sales totalled SEK 545 million (653 m)**
- **Loss before tax of SEK -81 million (5 m)**
- **EPS after standard tax of SEK -8.04 (0.34)**
- **Stiff competition and clearance sale of products**
- **Important reduction of the balance sheet**

### **Sales and results**

During the first six months of the year, DORO, the telecommunications company listed on the O-list of the Stockholm Stock Exchange, recorded sales of SEK 545 million (653 m), a drop of 16% over the same period last year. The total demand has been weak on all markets.

The Group made a loss before tax of SEK -81 million (5 m). The US dollar strengthened during Q2 and affected margins negatively. Competition has been stiff due to both customers and competitors having substantial stocks. Large costs have decreased the results. The costs consisting of various clearance sales, depreciation of stock, disturbances in product supply and restructuring costs. The USD has also increased during the period and decreased the margins.

The sales in Q2 was million 266 (306) and the pretax result was million -55 (-7).

### **Stiff pricing competition and clearance sale of products**

Lacklustre trade conditions continued in Q2. Activities in Australia contracted at the end of last year, and similarly fell during Q1 2001 in the Nordic region and Q2 in the rest of Europe. Pricing competition has been stiff due to customers and competitors holding substantial stock. Comprehensive clearance sales of older ranges have been carried out and stock has been written-off to adapt it to the new market prices.

During Q1, DORO was hit by major problems in its product supply. These problems decreased during Q2 and at the end of the period had returned to close to normal levels. The first half-year has been charged by the real costs and estimated future guarantee-costs.

Exchanges and wireless broadband are also seeing flat demand, as many companies have reduced investments.

### **Stronger dollar**

The dollar continued to strengthen from the start of 2001. A majority of DORO's products are bought in US dollars and sold in other currencies. The purchase price usually drops for each different product. The price reduction level has usually absorbed the higher USD exchange rate. The rising US dollar rate has only been marginally compensated for in higher sales prices. DORO's board decided to change its currency policy in April and a further amendment has been decided today. To reduce the risk level, 75% (previously 50 %) of the US dollar flow will also be hedged for the coming six months' sales. The new regulations have been steadily phased in during Q2.

### **Important reduction of the balance sheet**

The Group's balance sheet total has fallen by SEK 179 million to SEK 545 million since the start of the financial year. Investments totalled SEK 4-million (3 m). Goodwill stood at SEK 65 million (91 m).

The Group's net debt (interest-bearing liabilities less cash) has risen by SEK 48 million to SEK 248 million since the start of the year. The debt/equity ratio has gone up from 1.51 to 2.91. Stock has fallen due to considerably lower purchase volumes and comprehensive clearance sales of old models.

The cash flow from current operation was positive in Q2.

### **Restructuring scheme**

During the year an efficiency scheme will continue at all the companies in the Group. This will include completing a rationalisation scheme whereby the number of products in the Group will be reduced by 30%. Further cost-cutting measures will be implemented in all areas of the Group and the headcount will continued to fall, and further cuts are due. A comprehensive scheme is underway to reduce stock levels.

### **Gunnar Åkerblom new CEO**

Gunnar Åkerblom started as CEO on 7 May. He has an M.E and was previously CEO at Heidelberg Nordic, a German group in the graphic media industry. He was voted onto DORO's board on 14<sup>th</sup> March.

### **DOROs strategy**

A process for reviewing the strategy for DORO has started and has high priority by the new management. The reason is that the turbulent telekom-sector is specially requesting that your long-term works with the correct customer – and product segment. The ambition is to present the strategy in Q3.

**New issue**

The work to restore DORO's financial position following is progressing via capital rationalisation and profit improving measures. The AGM authorized the board to carry out a new share issue, of SEK 75 – 100 million, to enable the company's future growth.

DORO's Board expects to revert in the question after the above described strategy process.

**Sales per region and product line**

Healthy sales were recorded in France, Finland and Poland. Sales of cordless telephones and terminal products have been down due to disruptions in product supply and weak demand.

DORO is mainly active in the following product sectors: cordless telephones, terminal products, switchboards, and wireless broadband products. The largest proportion of sales is in cordless telephones (50% of sales), followed by terminal products (30%). The proportion for company switchboards and wireless broadband products is 10% each.

**European restructuring**

The stiff competition in Europe coupled with the positional change of GSM manufacturers, means that many firms are re-thinking their future strategies. Different telekom-operators are changing their purchase patterns and moving away from in-house development of terminal products.

DORO is taking part in several structure discussions.

**Parent company**

The parent company's net sales totalled SEK 11 million (14 m) during the first six months. The loss before tax was SEK -22 million (28 m).

**Future reports**

The Board has decided on the following dates for the coming year's quarterly reports: 17 October 2001 and 23 January 2002. The AGM will be held on 5 March 2002.

Quarterly reports can be found on DORO's website at: [www.DORO.com](http://www.DORO.com).

This interim report has been drawn up according to the same accounting principles as the last Annual Report and has not been subject to examination by DORO's auditors.

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Lund, Sweden, 16 July 2001  
The Board of Directors, DORO AB

# INTERIM REPORT 1 JAN – 30 JUN 2001

## INCOME STATEMENT (SEK m)

	2001 Apr-Jun	2000 Apr-Jun	2001 Jan-Jun	2000 Jan-Jun	Last 12 months	2000	1999
Net sales	266	306	545	653	1346	1454	1183
Operating costs	-303	-305	-596	-632	-1424	-1460	-1095
Operating profit before depreciatic	-37	1	-51	22	-78	-6	88
Depreciation acc. to plan	-6	-6	-12	-12	-25	-25	-15
Operating profit after depreciation	-42	-5	-62	10	-103	-31	73
Net financial items	-12	-2	-19	-5	-27	-13	-8
Pretax profit	-54	-7	-81	5	-130	-44	65
Taxes	16	1	24	-1	20	-5	-19
Net profit	-38	-6	-57	3	-110	-49	46

## KEY FIGURES

	2001 30 Jun	2000 30 Jun	2000	1999
Debt / Equity ratio	2,91	1,01	1,51	0,73
Equity / Asset ratio	16	26	20	39
Numbers of shares (average thousand)	9703	9703	9703	9703
EPS before tax	-8,31	0,48	-4,58	6,67
EPS after tax	-5,82	0,34	-5,01	4,67
Reported equity per share	8,97	19,41	14,97	21,85
Return on average shareholders equity	-98	2	-27	23
Return on average capital employed	-35	6	-3	26
Market price at period's end	15,9	68,5	26,5	108
Market value (SEK m)	154	665	257	1048

EPS after taxes last 12 months -11,03 Kr.

## SUMMARY OF BALANCE SHEET (SEK m)

	30 Jun 2001	30 Jun 2000	31 Dec 2000	31 Dec 1999
Fixed assets	89	113	93	82
Inventories	264	289	321	210
Current receivables	188	321	290	240
Cash at hand	6	2	20	15
Total assets	545	725	724	546
Shareholders' equity	87	189	145	212
Interest bearing liabilities	253	190	219	155
Non-interest bearing liabilities	205	346	359	180
Total equity and liabilities	545	725	724	546

## SHAREHOLDERS EQUITY (SEK m)

	30 Jun 2001	30 Jun 2000	31 Dec 2000	31 Dec 1999
Opening balance	145	212	212	184
Result of the period	-57	3	-49	36
Dividend	0	-19	-19	-17
Currency effect and other	-2	-7	1	9
Closing balance	87	189	145	212

**SUMMARY OF CASH FLOW (SEK m)**

	2001	2000	2001	2000	2000	1999
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun		
Operating profit after depreciation	-42	-5	-62	10	-31	73
Depreciation	6	6	12	12	25	15
Net financial items	-12	-2	-19	-5	-13	-8
Taxes	16	1	24	-2	-4	-19
Changes in working capital	36	-97	6	5	-7	-26
Cashflow from current operations	4	-97	-40	20	-16	34
Acquisitions	0	0	0	-40	-26	-50
Investments	-2	-2	-4	-3	-11	-10
Cashflow from investments	-2	-2	-4	-43	-37	-60
Loans raised	3	73	34	35	64	30
New issue	0	0	0	0	0	0
Dividend paid out	0	0	0	-19	-19	-17
Translation difference and other	-6	10	-4	-6	13	10
Cash flow from financing activities	-3	83	30	10	58	23
Change in liquid funds	-1	-16	-14	-13	5	-3
Net debt	248	188	248	188	200	140

**QUARTERLY EARNINGS TREND (SEK m)**

	2001		2000			
	Q1	Q2	Q1	Q2	Q3	Q4
Net sales	279	266	347	306	324	477
Operating costs	-293	-303	-326	-305	-329	-499
Operating profit before depreciation	-15	-37	21	1	-5	-22
Depreciation acc. to plan	-6	-6	-6	-6	-6	-8
Operating profit after depreciation	-20	-42	15	-5	-11	-30
Net financial items	-6	-13	-3	-2	-4	-5
Pretax profit	-26	-55	12	-7	-15	-35
Taxes	8	16	-3	1	2	-4
Net profit	-18	-38	8	-6	-13	-39

**QUARTERLY BALANCE SHEET, (SEK m)**

	2001		2000			
	31 Mar	30 Jun	31 Mar	30 Jun	30 Sep	31 Dec
Fixed assets	86	89	117	113	112	93
Inventories	328	264	254	289	389	321
Current receivables	223	188	284	321	301	290
Cash at hand	7	6	17	2	8	20
Total assets	644	545	672	725	810	724
Shareholders' equity	126	87	201	189	183	145
Interest bearing liabilities	250	253	117	190	269	219
Non-interest bearing liabilities	268	205	356	346	358	359
Total equity and liabilities	644	545	674	725	810	724

**SALES PER REGION (SEK m)**

	2001	2000	2000	1999
	Jan-Jun	Jan-Jun		
Nordic	216	258	575	553
Other Europe	262	318	666	475
Outside Europe	67	77	213	155
Total	545	653	1454	1183