

# DORO

## Financial statement for 2000

- Net sales totalled SEK 1454 million (SEK 1183 m)
- Dispute with supplier adds SEK 21 million charge (SEK 10 m) to final results.
- Loss before tax of SEK 44 million (SEK +65 m)
- EPS after standard tax SEK –5.01 (SEK 4.70)
- End of component shortage in sight
- The Board proposes no dividend for the year (SEK 2.00)
- The Board will propose to AGM new share issue amounting to SEK 75-100 million

### Sales and results

DORO, the telecommunications company listed on the O-list of the OM Stockholm Exchange, recorded sales of SEK 1454 million (1183 m) over the year, an increase of 23% on last year. Adjusted for acquisitions, sales were down by 8%.

The Group made a loss before tax of SEK 44 million (+65 m). Margins have been lower because the US dollar progressively strengthened during the year. This has only been partly compensated for by higher sales prices. Product supply has been limited due to the components shortage. Demand has been good, but DORO has not been able to deliver volumes as planned. Air transport costs have risen by about SEK 15 million to compensate for delayed deliveries. The previously reported dispute with a supplier has gone to court and a write-down of the remaining risk has affected results by SEK 21 million (10 m).

UpGrade of Sweden and DORO Atlantel of Poland, acquired in 1999, contributed significantly improved sales, positive results and increased balance sheets.

DORO Matra Telecom has been badly hit by the product supply problem and the stronger dollar, which has meant that results were worse than planned.

Goodwill depreciation has increased and net financial items have fallen due to the acquisitions.

Sales in Q4 totalled SEK 477 million (401 m). The loss before tax was SEK 35 million (+21 m). Adjusted for the dispute with the supplier the loss before tax was SEK 14 million (27 m)

### Stronger Dollar

The dollar continued to strengthen from the start of 2000, only to fall back during the final two weeks of the year. 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. In accordance with its currency policy, DORO hedges a limited amount of US dollars (for price commitments longer than six months).

Due to the components shortage, suppliers' prices are steady or rising. The rising US dollar rate has increased the purchase costs by approximately SEK 125 million and that has only been partly compensated for in sales prices.

### **End of component shortage in sight**

At the end of 2000 various signals suggested that the end of the component shortage is in sight. A good supply of products exists for delivery in the second half of 2001. Chip manufacturing capacity is expanding. This shortage has been caused by a worldwide lack of manufacturing capacity and has mainly affected DECT – digital wireless telephones. The main reason is the substantial growth in demand for mobile phones and computers, which has meant that chip manufacturers haven't had time to expand their factories. Activities in France have been hit by prolonged major disturbances to product supplies towards the end of the year.

### **Efficiency scheme and concentration**

During the year an efficiency scheme was carried out at all the companies in the Group. This included completing a rationalisation scheme whereby the number of products in the Group will be reduced by 30% during 2001. Further cost-cutting measures will be implemented in all areas of the Group.

A number of measures have been implemented to improve concentration on and reduction of, risk levels. A number of smaller product lines (telefax and ISDN data products) have been terminated.

The wireless broadband development project being conducted in association with Wireless Solutions has been cancelled due to serious delays, as the market situation had completely changed.

### **No dividend**

The Board drew up a dividend policy two years ago in conjunction with the year-end procedures. The aim is to pay out a dividend that is between a third and a half of the profit after tax. The Board proposes that no dividend be paid this year (SEK 2.00 last year).

### **New share issue**

The work to restore DORO's financial position after last year's strong expansion is progressing via capital rationalisation and profit improving measures. The Board will propose to the AGM a new share issue amounting to SEK 75-100 million to finance the company's future growth.

### **Outlook for the coming year**

An assessment of the market conditions for the coming financial year will be made at the AGM on 14 March.

### **Dispute with supplier**

DORO reported a major dispute with one of its suppliers in last year's Annual Report. Different attempts have been made to solve the dispute without success. DORO has now taken Nissho Iwai to court in Osaka, Japan. The legal process can take a long time. The year's results have been charged with SEK 21 million (10 m) and with that there is no remaining risk.

### **The market**

DORO has signed an agreement with Telia whereby the two companies will jointly develop and produce products for the consumer market. Major deliveries were made in the latter part of the year and a further agreement has been signed.

UpGrade has continued to expand in the wireless broadband sector. The business is now changing towards more comprehensive projects. Two major projects in Iceland and in Norway have been completed.

The market for cordless telephones progressed well during the year. Due to the global components shortage DORO could not supply the required amounts. The new X100 and 4055 telephones were launched during the year.

Terminal products (telephones, telephone answering machines, caller identity products, etc.) continue to perform well, and part of DORO's product range has been launched in France and Poland.

The market for switchboards did not progress at the same rate as last year during Q3 and Q4 . The switchboard business was further expanded in the Nordic region during the year. In December an agreement was signed with Partner Electric of Denmark, and in January 2001 an agreement was signed with Swyx of Germany to distribute their switchboards.

### **Sales per region and product line**

Strong improvements in sales were noted in Australia, Poland and at UpGrade. Sales of telephony products have been lower in the Nordic region due to the product shortage and restructuring of the Norwegian business. The French activities have been hit by the disturbances to the product supply during 2000. Sales in the UK were very high at the start of 1999. This year's sales are considerably lower. This is partly due to lower planned sales of low-margin products.

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%) and company switchboards (10%). The proportion for wireless broadband products is approaching 10% of total sales.

The largest rise in figures is for cordless telephones, while wireless broadband products increased most in relative terms.

### **Financial performance and investments**

The Group's balance sheet total has risen by SEK 178 million to SEK 724 million since the start of the current financial year. DORO Matra Telecom and DORO Atlantel have been included since 1 January. The recently acquired companies are responsible for a majority of the climb in the balance sheet total. Investments totalled SEK 11 million (11 m). Goodwill has risen to SEK 70 million (56 m) due to corporate acquisitions. The Group's net debt (interest-bearing liabilities less cash) has risen by SEK 60 million to SEK 200 million since the start of the year. The debt/equity ratio has gone up from 0.73 to 1.51. Account receivables have risen, mainly due to acquisitions. Stock has increased due to acquisitions and the effects of reduced purchases delayed by long lead-times. Most of the interests bearing liabilities are in SEK, AUD and GBP.

### **Staff**

The average number of employees in the Group rose to 312 (242), mainly due to the acquisitions of UpGrade Communications, the French business and Atlantel in Poland. Most companies have reduced their headcount. Major staff reductions have been carried out in France and Norway.

### **Events after the end of the financial year**

An agreement has been signed with the German company, Swyx, to distribute their IP switchboards. DORO's main shareholder, RunDor, has invited 34 executives to buy call options in DORO for a total 180,000 shares.

### **Parent company**

The parent company's net sales totalled SEK 36 million (24 m). The loss before tax was SEK 5 million (+51 m). Dividends have been received from the subsidiaries.

### **AGM, 14 March 2001**

The AGM will be held on Wednesday 14 March at 5 p.m. at the Scandic Hotell Star in Lund.

**Future reports**

The Board has decided on the following dates for the coming year's quarterly reports: 17 April, 16 July, 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).

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The Board of Directors, DORO AB

25 January 2001

Lund, Sweden

**REPORT FOR 2000****INCOME STATEMENT (SEK m)**

	2000	1999	1998
	Jan-Dec	Jan-Dec	Jan-Dec
Net Sales	1454	1183	1000
Operating costs	-1460	-1095	-923
OPERATING PROFIT BEFORE DEPRECIATION	-6	88	77
Depreciation acc. to plan	-25	-15	-13
OPERATING PROFIT AFTER DEPRECIATION	-31	73	65
Net financial items	-13	-8	-10
PRE TAX PROFIT	-44	65	55
Taxes	-5	-19	-18
NET PROFIT	-49	46	37

**SUMMARY OF BALANCE SHEET (SEK m)**

	31 Dec	31 Dec	31 Dec
	2000	1999	1998
Fixed assets	93	82	26
Inventories	321	210	204
Current receivables	290	240	159
Cash at hand	20	15	18
TOTAL ASSETS	724	546	407
Shareholders' equity	145	212	184
Interest bearing liabilities	219	155	96
Non-interest bearing liabilities	359	180	127
TOTAL EQUITY AND LIABILITIES	724	546	407

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

	2000	1999	1998
	Jan-Dec	Jan-Dec	Jan-Dec
Operating profit after depreciation	-31	73	65
Depreciation	25	15	13
Net financial items	-13	-8	-9
Taxes	-4	-19	-19
Change in working capital	7	-26	-32
CASHFLOW FROM CURRENT OPERATIONS	-16	34	17
Acquisitions	-26	-50	-58
Investments	-11	-10	-17
CASHFLOW FROM INVESTMENTS	-37	-60	-75
Loans raised	64	30	-19
New issue	0	0	83
Dividend paid out	-19	-17	-3
Translation difference and other	13	10	11
CASH FLOW FROM FINANCING ACTIVITIES	58	23	72
Change in liquid funds	5	-3	14
NET DEBT	200	140	78

**KEY FIGURES**

	001231	991231	981231
Debt / equity ratio	1,51	0,73	0,52
Equity / asset ratio	20%	39%	45%
umber of shares (average thousand)	9703	9703	8236
EPS before tax	-4,58	6,67	6,68
EPS after standard tax of 30 %	-5,01	4,67	4,67
Reported equity per share	14,97	21,85	18,94
Return on average shareholders equity	-27,2%	23,0%	29,1%
Return on average capital employed	-2,6%	25,8%	33,1%
Market price at period's end	26,5	108,0	72,5
Market value (SEK m)	257	1048	703

**Quarterly earnings trend, (SEK m)**

	2000				1999			
	Qv I	Q II	Q III	Q IV	Q I	Q II	Q III	Q IV
Net sales	347	306	324	477	274	263	245	401
Operating costs	-326	-305	-329	-499	-250	-243	-229	-373
OPERATING PROFIT BEFORE DEPRECIATION	21	1	-5	-22	24	20	16	28
Depreciation acc. to plan	-6	-6	-6	-8	-4	-2	-3	-5
OPERATING PROFIT AFTER DEPRECIATION	15	-5	-11	-30	20	17	12	23
Net financial items	-3	-2	-4	-5	-1	-3	-2	-2
PRE TAX PROFIT	12	-7	-15	-35	19	14	10	21
Tax	-3	1	2	-4	-6	-4	-3	-6
NET PROFIT	8	-6	-13	-39	13	10	7	15

**Sales per region (SEK m)**

	2000	1999	1998
Nordic	575	553	515
Other Europe	666	475	383
Outside Europe	213	155	102
Total	1454	1183	1000