

DORO

Q3 report (1 Jan. - 30 Sep. 2002)

- Sales totalled SEK 585 million (777 m)
- Profit before tax of SEK 5 million in Q3 – first profit since Q1 2000
- Loss before tax of SEK 7 million (–115 m) for first nine months
- **EPS after tax SEK –0.67 (SEK –10.18)**
- Market share retained on lacklustre market
- Continued restructuring and reduced costs
- Conditions for a profit before tax judged to be good for the full year

Sales and results

DORO, listed on Stockholmbörsen's O-list, recorded sales of SEK 585 million (777 m) for the first nine months of 2002, a fall of 25% compared with the previous year.

Adjusted for the disposed telephone exchange activities, sales fell by 19%. Margins have improved due to better quality giving lower guarantee costs, better stock control and launches of new products.

Overheads have fallen thanks to lower personnel and administration costs. Reduced borrowing and reduced loans in foreign currency have cut financial costs.

The Group's loss before tax was SEK 7 million (–115 m).

Sales in Q3 amounted to SEK 193 million (232 m) and the profit before tax was SEK 5 million (–34 m). This is DORO's first recorded quarterly profit since Q1 2000.

Market and range

The sales trend has basically followed the general development in home electronics and telecom products. The lacklustre demand from 2001 continues. It is estimated that DORO has around the same market share as last year

Demand for DORO's corded telephones continues to exceed expectations, which has underpinned the company's position on the market thanks to the extensive range for both consumers and smaller companies.

Within the cordless analogue range a new pair of analogue phones (CT1) will be launched in the Nordic region and Poland in Q4. The new analogue program (CT0) launched in the autumn in France, the UK and Australia, has been well received in all three countries.

The market for cordless broadband products continued to be weak during the first nine months of the year. Several different distribution agreements have been signed to further strengthen the product portfolio.

Restructuring and reduced costs

Restructuring is proceeding according to plan and the headcount has been reduced to 191 (266). DORO's costs have been cut by over 25% compared to the same period last year.

DORO's strengthened quality assurance routines continue to have the desired effect and the quality of DORO's new products is now so high that reject levels are at a highly competitive level. The results are considerably lower quality costs, a much-improved image and greater customer satisfaction.

Co-operation agreements have been signed with two major suppliers within the product supply sector concerning the development and manufacture of new telephony products. Improved forecasting and a greater synergy of the range in Europe are other measures being introduced to improve delivery precision and flexibility. When fully introduced these measures will also create more rational purchasing and logistics as well as reducing tied-up capital in stocks.

The Nordic structure is being further co-ordinated through the creation of a joint Nordic management team that has responsibility for administration, logistics and stocks. Sales and marketing support is being retained in each respective country to ensure the best customer contacts and knowledge of local market conditions.

Significant restructuring has been carried out within wireless broadband, focusing on fewer products and markets. Reducing staff and administrative costs has cut overheads. The Swedish business was moved to Lund during Q3.

Balance sheet continues to decline

The consolidated balance sheet total has declined by SEK 86 million to SEK 311 million (426 m) since the start of the financial year. Investments totalled SEK 5 million (7 m). Goodwill stood at SEK 31 million (57 m).

The Group's net debt (interest bearing liabilities less cash) has declined to SEK 83 million (219 m). The net debt/equity ratio has improved to SEK 1.80 (4.65). Cash and unutilised credit lines amounted to SEK 60 million at the end of Q3. Stock has fallen by SEK 13 million to SEK 112 million (193 m) from already low levels.

The cash flow from current activities was negative in Q3 at SEK -6 million (+22 m) and for the first nine months stood at SEK -49 million (-17 m). DORO usually has a negative cash flow for the first nine months. Last year's comprehensive clearance sale of stock produced a better cash flow. This is the pivotal explanation for the worse cash flow compared to the same period last year.

Outlook for the coming year

DORO stands by the assessment made in its Annual Report that 2002 will show a positive trend in terms of the company's internal processes and produce significantly better results compared to last year. Considerably better product quality has reduced returned items and guarantee provisions. Demand in the telecom sector is expected to

continue to be flat for the remainder of the year. DORO has hedged 50% of the expected forthcoming six-month's cash flow in US dollars. The current significantly lower exchange rate will have an impact on margins firstly at the end of Q4. In summary, conditions for a profit before tax are judged to be good for the full year.

Parent company

The parent company's net sales totalled SEK 28 million (16 m). The loss before tax was SEK 24 million (–46 m).

Future reports

The Board has decided on the following date for 2002's final quarterly report: 30 January 2003.

The AGM will be held on 13 March 2003

The Board has decided on the following dates for 2003's quarterly reports: 25 April, 18 August, 21 October, and 30 January 2004.

The quarterly reports will be available at DORO's website: www.DORO.com.

This Financial Statement 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, 22 October 2002

The Board of Directors, DORO AB

INTERIM REPORT 1 JAN – 30 SEP 2002

INCOME STATEMENT (SEK m)

	2002 Jul-Sep	2001 Jul-Sep	2002 Jan-Sep	2001 Jan-Sep	Last 12 months	2001	2000
Net sales	193	232	585	777	907	1099	1454
Operating costs	-185	-247	-583	-842	-955	-1215	-1460
Operating profit before depreciation	8	-15	2	-65	-48	-116	-6
Depreciation acc. to plan	-4	-5	-11	-17	-35	-42	-25
Operating profit after depreciation	4	-20	-8	-82	-83	-157	-31
Net financial items	1	-14	2	-33	-3	-37	-13
Pretax profit	5	-34	-7	-115	-86	-194	-44
Taxes	-1	-8	-8	16	-24	0	-5
Net profit	4	-43	-14	-99	-110	-195	-49

KEY FIGURES

	2002 30 Sep	2001 30 Sep	2001	2000
Net Debt / Equity ratio	1,80	4,65	0,58	1,38
Equity / Asset ratio	15	11	15	20
Numbers of shares (average thousand)	21468	9703	10508	9703
EPS before tax	-0,31	-11,81	-18,48	-4,58
EPS after tax	-0,67	-10,18	-18,51	-5,01
Reported equity per share	2,13	4,79	5,71	14,97
Return on average shareholders equity	-36	-115	-189	-27
Return on average capital employed	-3	-34	-65	-8
Market price at period's end	4,2	7	11,5	26,5
Market value (SEK m)	90	68	247	257

SUMMARY OF BALANCE SHEET (SEK m)

	30 Sep 2002	30 Sep 2001	31 Dec 2001	31 Dec 2000
Fixed assets	45	79	57	93
Inventories	112	193	125	321
Current receivables	144	142	207	290
Cash at hand	10	13	8	20
Total assets	311	426	397	724
Shareholders' equity	46	47	60	145
Interest bearing liabilities	93	232	43	219
Non-interest bearing liabilities	172	148	294	359
Total equity and liabilities	311	426	397	724

SHAREHOLDERS EQUITY (SEK m)

	30 Sep 2002	30 Sep 2001	31 Dec 2001	31 Dec 2000
Opening balance	60	145	145	212
Result of the period	-14	-99	-195	-49
Dividend	0	0	0	-19
New issue	0	0	100	0
Currency effect and other	0	1	10	1
Closing balance	46	47	60	145

SUMMARY OF CASH FLOW (SEK m)

	2002	2001	2002	2001	2001	2000
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep		
Operating profit after depreciation	4	-20	-8	-82	-157	-31
Depreciation	4	5	11	17	42	25
Net financial items	1	-13	2	-32	-37	-13
Taxes	-1	-9	-8	16	0	-4
Changes in working capital	-14	59	-46	65	214	18
Cashflow from current activities	-6	22	-49	-17	61	-6
Acquisitions	0	0	0	0	4	-26
Investments	-2	-3	-5	-7	-9	-11
Cashflow from investments	-2	-3	-5	-7	-5	-37
Loans raised	-8	-21	50	13	-176	64
New issue	0	0	0	0	100	0
Dividend paid out	0	0	0	0	0	-19
Translation difference and other	6	9	6	4	9	3
Cash flow from financing activities	-2	-12	56	17	-67	48
Change in liquid funds	-10	7	2	-7	-12	5
Net debt	83	219	83	219	35	200

QUARTERLY EARNINGS TREND (SEK m)

	2002			2001			
	Q 1	Q 2	Kv 3	Q 1	Q 2	Q 3	Q 4
Net sales	216	176	193	279	266	232	322
Operating costs	-222	-176	-185	-293	-303	-247	-373
Operating profit before depreciation	-6	0	8	-15	-37	-15	-50
Depreciation acc. to plan	-5	-2	-4	-6	-6	-5	-25
Operating profit after depreciation	-11	-2	4	-20	-42	-20	-75
Net financial items	1	-1	1	-6	-13	-14	-5
Pretax profit	-9	-3	5	-26	-55	-34	-80
Tax	-1	-6	-1	8	16	-8	-16
Net profit	-10	-9	4	-18	-38	-43	-96

QUARTERLY BALANCE SHEET, (SEK m)

	2002			2001			
	31 Mar	30 Jun	30 Sep	31 Mar	30 Jun	30 Sep	31 Dec
Fixed assets	55	51	45	86	89	79	57
Inventories	131	133	112	328	264	193	125
Current receivables	168	135	144	223	188	142	207
Cash at hand	20	20	10	7	6	13	8
Total assets	374	339	311	644	545	426	397
Shareholders' equity	51	40	46	126	87	47	60
Interest bearing liabilities	56	101	93	250	253	232	43
Non-interest bearing liabilities	267	198	172	268	205	148	294
Total equity and liabilities	374	339	311	644	545	426	397

SALES PER REGION (SEK m)

	2002	2001	2001	2000
	Jan-Sep	Jan-Sep		
Nordic	236	309	432	575
Other Europe	251	357	500	666
Outside Europe	98	111	168	213
Total	585	777	1099	1454