

# DORO

## Q3 report (1 Jan. - 30 Sep. 2000)

- **Net sales totalled SEK 977 million (782 m)**
- **Loss before tax of SEK -10 million (44 m)**
- **EPS after standard tax of SEK -1.02 (SEK 3.16)**
- **Negative impact again of rising USD and components shortage**
- **Change in CEO**
- **This year's profit will be considerably lower than last year's**

### Sales and results

During the first nine months of the year, DORO, the telecommunications company listed on the O-list (Attract40) of the OM Stockholm Exchange, recorded sales of SEK 977 million (782 m), an increase of 25% on the same period last year. Adjusted for acquisitions, sales were down by 9%.

The Group made a loss before tax of SEK 10 million (+44 m) in Q3. Margins have been lower because the US dollar has progressively strengthened during the year. This has only been partly compensated for by higher sales prices. Product supply has been limited because of the components shortage. Demand has been good, but DORO has not been able to deliver volumes as planned. Logistical costs have risen to compensate for delayed deliveries.

Two companies acquired in 1999 (UpGrade of Sweden and DORO Atlantel of Poland) are progressing according to plan. Initially they will contribute significant additional sales, positive results and increased balance sheet.

DORO Matra Telecom has been badly hit by the product shortage 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 for Q3 totalled SEK 324 million (245 m). The loss before tax was SEK 15 million (+10 m).

### Stronger Dollar

The dollar has continued to strengthen since the start 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 (around 25% of the flow) in US dollars.

Due to the components shortage, suppliers' prices are steady or rising. The very strong US dollar has only been marginally compensated for in sales prices on the important markets that have long-term price commitments. Prices will continue to be adjusted during the year and at the start of 2001.

**Components shortage continues**

The shortage of different components continued during Q3. This shortage has been caused by a worldwide lack of manufacturing capacity and has mainly affected DECT – digital wireless telephones. Products with different memory circuits have also been hit. The main reason is the substantial growth in demand for mobile phones and computers. Delivery orders are in place until the beginning of next year. Activities in France have been hit by prolonged major disturbances to product supplies.

The shortage of products increases the purchase price and logistics costs, while new projects have been delayed.

DORO does not foresee any let up in the global components shortage earlier than during 2001.

**Restructuring scheme**

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

**Outlook for the coming year**

DORO stands by its assessment that the profit for the year will be considerably lower than last year (a pre-tax profit of SEK 65 million).

**Change of CEO**

Claes Bühler, DORO's former CEO, left the company on 28 September 2000.

The recruitment process to find his replacement has started and the deputy CEO Ingvar Karlsson will be acting CEO.

**Dispute with supplier**

DORO reported a dispute with one of its suppliers in its financial statement for 1999.

Different attempts have been made to solve the dispute without success. DORO has now taken this case to court. The legal assessment is that DORO's prospects of winning the dispute are good. The remaining risk amounts to SEK 20-25 million.

**The market**

DORO has signed an agreement with Telia whereby the two companies will jointly develop and produce products for the consumer market. The first deliveries were made in Q3 and a further agreement has been signed.

UpGrade's wireless broadband products have been launched by DORO's subsidiaries.

The market for cordless telephones progressed well at the start of the year. Due to the global components shortage DORO could not supply the required amounts. The X100 and 4055 telephones were launched during the year. A new range of analogue cordless phones was introduced during Q3, namely the 1200 series and the Audioline 20.

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

The market for switchboards has progressed well. The network of PBX distributors continues to expand outside Sweden.

DORO's new website has started in Sweden and during the coming months all the subsidiaries will introduce home pages. The website provides e-commerce solutions for retailers and facilitates accessibility of information.

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

A strong growth in sales was seen 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 Q2 and Q3. Sales in the UK were also very high at the start of last year. This year's sales are considerably lower. This is partly due to lower planned sales of low-margin products.

DORO is mainly active with the following product lines: 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 264 million to SEK 810 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 8 million (10 m). Goodwill has risen to SEK 89 million (26 m) due to corporate acquisitions.

The Group's net debt (interest-bearing liabilities less cash) has risen by SEK 121 million to SEK 261 million since the start of the year. The debt/equity ratio has gone up from 0.73 to 1.47. Greater account receivables have mainly been caused by the new companies. Stock has increased due to seasonal increases, acquisitions and the effects of reduced purchases delayed by long lead-times. Most of these liabilities are in SEK, AUD and GBP.

### **Parent company**

The parent company's net sales totalled SEK 22 million (15 m) during the first nine months. The profit before tax was SEK 17 million (29 m). Dividends have been received from the subsidiaries.

**Future reports**

The Board has decided on the following date for the final quarterly report: 25 January 2001. The Annual General Meeting will be held on 14 March 2001. Quarterly reports can be found on DORO's website at [www.DORO.com](http://www.DORO.com).

This report has not been audited.

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16 October 2000

Lund, Sweden

The Board of Directors, DORO AB

## REPORT FOR Q3 2000

## INCOME STATEMENT (SEK m)

	2000	1999	Last	1999	1998
	Jan-Sep	Jan-Sep	12 months		
Net Sales	977	782	1379	1183	1000
Operating costs	-960	-723	-1334	-1095	-923
OPERATING PROFIT BEFORE DEPRECIATION	17	59	45	88	77
Depreciation acc. to plan	-18	-9	-23	-15	-13
OPERATING PROFIT AFTER DEPRECIATION	-1	50	22	73	65
Net financial items	-9	-6	-11	-8	-10
PRE TAX PROFIT	-10	44	11	65	55
Taxes (standard tax at 30 %)	0	-13	-3	-19	-18
NET PROFIT	-10	31	8	46	37

## SUMMARY OF BALANCE SHEET (SEK m)

	30 Sep	30 Sep	31 Dec	31 Dec
	2000	1999	1999	1998
Fixed assets	112	41	82	26
Inventories	389	248	210	204
Current receivables	301	194	240	159
Cash at hand	8	4	15	18
TOTAL ASSETS	810	487	546	407
Shareholders' equity	183	203	212	184
Interest bearing liabilities	269	146	155	96
Non-interest bearing liabilities	358	138	180	127
TOTAL EQUITY AND LIABILITIES	810	487	546	407

## SUMMARY OF CASH FLOW (SEK m)

	2000	1999	1999	1998
	Jan-Sep	Jan-Sep		
Operating profit after depreciation	-1	50	73	65
Depreciation	18	9	15	13
Net financial items	-9	-6	-8	-9
Taxes (standard tax at 30 %)	0	-13	-19	-19
Change in working capital	-61	-55	-26	-32
CASHFLOW FROM CURRENT ACTIVITIES	-53	-15	34	17
Acquisitions	-40	-24	-50	-58
Investments	-8	-10	-10	-17
CASH FLOW INVESTMENTS	-48	-34	-60	-75
Loans raised	114	33	30	-19
New issue	0	0	0	83
Dividend paid out	-19	-17	-17	-3
Translation difference and other	-1	19	10	11
CASH FLOW FINANCING ACTIVITIES	94	35	23	72
Change in liquid funds	-7	-14	-3	14
NET DEBT	261	143	140	78

**KEY FIGURES**

	000930	990930	991231	981231
Debt / equity ratio	1,47	0,72	0,73	0,52
Equity / asset ratio	23%	42%	39%	45%
Number of sharss (average thousand)	9703	9703	9703	8236
EPS before tax	-1,02	4,52	6,67	6,68
EPS after standard tax of 30 %	-1,02	3,16	4,67	4,67
Reported equity per share	18,83	20,91	21,85	18,94
Return on average shareholders' equity	-6,7%	21,7%	23,0%	29,1%
Return on average capital employed	0,1%	21,8%	25,8%	33,1%
Market price at period's end	50,0	86,0	108	72,5
Market value (SEK m)	485	834	1048	703

Rolling EPS, after standard tax of 30 %, is SEK 0,97 for the last 12 months.

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

	2000			1999			
	Q1	Q2	Q3	Q1	Q2	Q3	Q4
Net sales	347	306	324	274	263	245	401
Operating costs	-326	-305	-329	-250	-243	-229	-373
OPERATING PROFIT BEFORE DEPRECIATION	21	1	-5	24	20	16	28
Depreciation acc. to plan	-6	-6	-6	-4	-2	-3	-5
OPERATING PROFIT AFTER DEPRECIATION	15	-5	-11	20	17	12	23
Net financial items	-3	-2	-4	-1	-3	-2	-2
PRE TAX PROFIT	12	-7	-15	19	14	10	21
Tax (standard at 30 %)	-3	1	2	-6	-4	-3	-6
NET PROFIT	8	-6	-13	13	10	7	15

**Sales per region (SEK m)**

	Jan-Sep 2000	Jan-Sep 1999	1999	1998
Nordic	388	358	553	515
Other Europe	448	309	475	383
Outside Europe	141	115	155	102
Total	977	782	1183	1000