

# Year-end report 2008

January – December 2008

Press release, February 13, 2009

## Strong sales, however fourth quarter generated a loss following dramatic currency fluctuations as well as extraordinary provisions

### Fourth quarter 2008:

- Net sales in Q4 increased to SEK 121.1 m (113.9), an increase of 6.3 percent.
- Operating loss (EBIT) of SEK 10.4 m (profit: 6.1), while the pre-tax loss amounted to SEK 10.6 m.
- EBIT includes extraordinary items estimated at SEK –12.9 m, due to currency fluctuations and provisions for the restructuring of inventories.
- Loss per share after tax of SEK 0.69 (profit: 0.32).
- Order intake was SEK 105.5 m (82.1), an increase of 28.5 percent.

### Full-year 2008:

- Net sales of SEK 362.5 m (346.3), an increase of 4.7 percent.
- Operating loss (EBIT) of SEK 8.2 m (profit 9.2), while pre-tax loss of SEK 10.1 m.
- Loss per share after tax of SEK 0.66 (profit: 0.43).
- For the full-year cash flow from operations was negative at SEK 22.8 (negative: 30.2), mainly due to negative results and increase in working capital.

Doro Group	2008	2007	2008	2007
	Oct-Dec	Oct-Dec	Full-year	Full-year
Net sales, SEK m	121.1	113.9	362.5	346.3
Operating profit (EBIT), SEK m	-10.4	6.1	-8.2	9.2
Operating margin, %	-8.6	5.4	-2.3	2.7
Pre-tax profit, SEK m	-10.6	6.1	-10.1	8.1
Net profit, SEK m	-12.0	5.5	-11.5	7.5
Earnings per share before tax, SEK	-0.61	0.35	-0.58	0.47
Earnings per share after tax, SEK	-0.69	0.32	-0.66	0.43



### Comments by the CEO, Jérôme Arnaud:

"In line with our strategy, 2008 was a year of steady growth in the Care Electronics business unit, off-setting lower sales in Home Electronics and Business Electronics. However, the expected positive results failed to materialize, due mainly to the exceptional impact of currency fluctuations in Q4 and a sudden general drop in consumer electronics consumption, primarily in the UK.

The Doro Group's sales rose 6.3 percent, while order intake grew by 28.5 percent in the fourth quarter 2008, driven by continued growth in Care Electronics. This business unit doubled its sales compared with equivalent quarter in 2007, now accounting for 43.3 percent of total Group sales. At the same time sales in Home Electronics and Business Electronics' share of total sales continued to fall, decreasing by 21.7 percent in Q4.

The achievements of Care Electronics have mainly been driven by its success of GSM products and its geographical expansion, including in the US market, which we entered in November.

The rapid appreciation of the US dollar in late 2008 had a negative impact on our margins. Unstable exchange rates caused our Board to adopt a revised and structured hedge policy and our company increased prices. We see the acceptance of the latter by our customers as an evidence of the added value our niche products and as an affirmation of confidence in Doro.

The sudden slow down in the economy has led us to streamline and simplify our operations our operations into two business units instead of three. Effective as of first quarter 2009, the business units Home Electronics and Business Electronics are merged to business unit Home.

We firmly believe our Care strategy is driving the company toward profit. We have initiated even more aggressive measures to expand our share of the Care Electronics segment in our key markets, the Nordic region and Continental Europe, while we continue to establish the Doro brand in the US market.

As we enter 2009, I am confident that Doro is in a better position to meet the challenges in the present market situation."

### Net sales

Doro's sales amounted to SEK 121.1 m (113.9) for the fourth quarter, an increase of 6.3 percent. For the full-year, sales increased to 362.5, an increase of 4.7 percent. Sales by Care Electronics represented 43.3 percent of total sales in fourth quarter (23.0) and 39.4 percent for the full-year (14.7).

### Operating profit (EBIT)

The loss before tax and financial items for the fourth quarter amounted to SEK 10.4 m (profit: 6.1) and SEK 8.2 m (profit: 9.2) for the 2008 full-year.

The fourth quarter included extraordinary costs to total SEK 12.9 m, following the rapid appreciation of the US dollar and provisions related to the slump in the UK market and the general recession in the Business Electronics segment.

### Cash flow, investments and financial position

The cash flow from operations in the fourth quarter was negative in an amount of SEK 2.5 m (positive: 7.0) and SEK 22.8 m (negative: 30.2) for the full-year, due mainly to changes in working capital.

At year-end 2008, Doro had a net debt of SEK 30.7 m. The company had pre-agreed credit facilities of SEK 60.0 m. The equity/asset ratio was 17.6 percent (24.5) at the end of the period.

The Board of Doro has implemented a new treasury policy setting the rules for a systematic hedge policy in line with Doro's price commitment. This is expected to stabilize the effect of currency changes on margins in 2009.

### **Business units**

#### **Care Electronics**

Care Electronics supplies telecom and electronic products adapted to the needs of senior citizens. The business unit doubled its sales in Q4 to SEK 52.4 m (26.2) and enjoyed a growth of 180 percent, from SEK 51.0 m to SEK 142.7 m in 2008, representing 39.4 percent of Doro's total sales for 2008.

The sales increase was mainly driven by sales of GSM products and geographical expansion.

#### **Home Electronics**

Home Electronics offers domestic phones and other products for families. Sales have continued to slow due to the general market trend and the impact of the recession in several markets, which resulted in a sales drop of 24.6 percent to SEK 60.3 m (80.0) in the fourth quarter and a drop of 25.7 percent to SEK 189.4 m (254.9) over 2008 as a whole.

#### **Business Electronics**

Business Electronics provides simple telecom solutions for enterprises by means of analog and VoIP technologies. Sales rose by 9.1 percent to SEK 8.4 m (7.7) in the fourth quarter while, over the year as a whole, sales fell by 24.8 percent to SEK 30.4 m (40.4). The decline is explained by the time it took to switch from sales of analog technology to VoIP.

Home Electronics and Business Electronics business units will merge organizationally and be reported as one entity from January 1, 2009.

### **Regions**

Doro's largest markets are Continental Europe, with 42 percent of Group sales, the Nordic region (38 percent) and the UK (16 percent). Doro also operates through distributors in other selected markets (4 percent).

### **Personnel**

At the end of 2008, the headcount was 59 (58). 28 are based in Sweden, 17 in France, 6 in the UK, 4 in Norway and 4 in Hong Kong.

### **Parent Company**

The Parent Company's net sales for the 2008 full-year amounted to SEK 176.2 m (28.6). Doro Nordic AB, the former sales company, merged with the parent company Doro AB on January 1, 2008.

The loss before tax for the full-year was SEK 14.4 m (30.9).

### **Doro share**

Doro is listed on the Nasdaq OMX Nordic Exchange Stockholm, Small Cap - Telekom/IT.

### **Outlook**

Doro currently has good order intake and has managed to raise its prices to offset currency fluctuations. However, a forecast for 2009 will not be given at this point in time, due to the uncertainty of the general business climate.

### **Risks**

Risks and instability factors are mainly related to supplier disruption, customer relations, exchange rate fluctuations and loan financing, which is more difficult following the general bank crisis. Apart from these risks and the instability factors, described on pages 24, 41 and 42 of the 2007 Annual Report, no other risks of any significance have been identified during the last period.

### **Accounting principles**

Where the Group is concerned, this interim report is prepared according to IAS 34, Interim Financial Reporting, and the Annual Accounts Act. Where the Parent Company is concerned, the report has been prepared according to the Annual Accounts Act.

### **Financial calendar**

The Board has set the following dates for the publication of Doro's interim reports:

January – March 2009: May 6, 2009

January – June 2009: August 19, 2009

January – September 2009: November 11, 2009

### **Annual General Meeting 2009**

The AGM will be held at the Scandic Star Hotel, Glimmervägen 5 in Lund, Sweden, on March 26, 2009 at 3 pm CET.

The notice to attend the AGM will be available on [www.doro.com](http://www.doro.com)

### **Nomination Committee**

A Nomination Committee consisting of Tedde Jeansson (Originat AB), Arne Bernroth (Nordea Bank) and Bo Kastensson (Chairman of the Board of Doro AB) was elected at the Annual General Meeting held on May 6, 2008. Tedde Jeansson is the Chairman of the Nomination Committee.

### **Dividend proposal**

The Board of Directors of Doro AB proposes that the Annual General Meeting resolve to not distribute any dividend to the shareholders for the 2008 fiscal year.

### **Annual Report 2008**

The Annual Report is scheduled to be published on the Group's web site, [www.doro.com](http://www.doro.com), in mid-March 2009.

### **Interim Reports**

The interim reports are available at [www.doro.com](http://www.doro.com) > Investors room.

### **For further information, please contact:**

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This quarterly report has been drawn up in accordance with the same accounting principles as the last annual report, and has not been subjected to a review by the company's auditors.

Lund, February 13, 2009

**The Board**

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The Board and CEO confirm that this interim report provides a fair overview of the company's and Group's business, position and results and describes the significant risks and uncertainties faced by the company and the Group companies.

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**About Doro**

With over 30 years' experience in telephony Doro is today characterized by innovative and user-friendly consumer electronics products. The company develops markets and sells a wide range of products in three business units: Care Electronics, Home Electronics and Business Electronics. The company's products are sold in more than 30 countries worldwide through a variety of retail outlets, including electronics stores, online stores and specialized channels. The company had sales of SEK 363 million in 2008. Doro's shares are quoted on the Nasdaq OMX Nordic Exchange Stockholm, Small Cap. Read more about Doro at [www.doro.com](http://www.doro.com)

## Financial reports

INCOME STATEMENT (SEK m) Doro Group	2008	2007	2008	2007
	Oct-Dec	Oct-Dec	Full-year	Full-year
Net sales	121.1	113.9	362.5	346.3
Operating costs	-129.5	-107.8	-366.1	-336.3
Operating profit before depreciation	-8.4	6.1	-3.6	10.0
Depreciation according to plan	-2.0	0.0	-4.6	-0.8
Operating profit after depreciation	-10.4	6.1	-8.2	9.2
Net financial items	-0.2	0.0	-1.9	-1.1
Pre-tax profit	-10.6	6.1	-10.1	8.1
Taxes	-1.4	-0.6	-1.4	-0.6
<b>Net profit</b>	<b>-12.0</b>	<b>5.5</b>	<b>-11.5</b>	<b>7.5</b>
Numbers of shares (average thousand)	17,408	17,408	17,408	17,408
EPS before tax, SEK	-0.61	0.35	-0.58	0.47
EPS after tax, SEK	-0.69	0.32	-0.66	0.43

BALANCE SHEET (SEK m) Doro Group	2008	2007
	31 Dec	31 Dec
Intangible assets	14.2	10.4
Tangible assets	5.7	3.8
Financial assets	14.2	15.7
Inventories	58.8	51.2
Current receivables	64.6	72.0
Cash at hand	12.6	8.3
<b>Total assets</b>	<b>170.1</b>	<b>161.4</b>
Shareholders' equity	30.0	39.5
Interest bearing liabilities	43.4	8.1
Non-interest bearing liabilities	96.7	113.8
<b>Total equity and liabilities</b>	<b>170.1</b>	<b>161.4</b>

<b>CASH FLOW (SEK m) Doro Group</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Oct-Dec</b>	<b>Oct-Dec</b>	<b>Full-year</b>	<b>Full-year</b>
Operating profit after depreciation	-10.4	6.1	-8.2	9.2
Depreciation	2.0	0.0	4.6	0.8
Net financial items	-0.2	0.0	-1.9	-1.1
Taxes	0.0	-0.6	0.0	-0.1
Changes in working capital	6.1	1.5	-17.3	-39.0
Cash flow from current activities	-2.5	7.0	-22.8	-30.2
Disposal of Group companies	0.0	0.0	0.0	9.4
Investments	-3.4	-3.0	-10.2	-5.1
Cash flow from investments	-3.4	-3.0	-10.2	4.3
Loans raised	15.3	-2.0	35.3	3.6
New issue	0.0	0.0	0.0	0.0
Dividend paid out	0.0	0.0	0.0	0.0
Cash flow from financing activities	15.3	-2.0	35.3	3.6
Translations difference and other	0.9	2.0	2.0	0.1
<b>Change in liquid funds</b>	<b>10.3</b>	<b>4.0</b>	<b>4.3</b>	<b>-22.2</b>
Net debt	30.7	-0.3	30.7	-0.3

<b>SHAREHOLDERS' EQUITY (SEK m) Doro Group</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Oct-Dec</b>	<b>Oct-Dec</b>	<b>Full-year</b>	<b>Full-year</b>
<b>Opening balance</b>	<b>41.0</b>	<b>32.6</b>	<b>39.5</b>	<b>31.6</b>
Result of the period	-12.0	5.5	-11.5	7.5
Dividend	0.0	0.0	0.0	0.0
New issue	0.0	0.0	0.0	0.0
Currency effect and other	1.0	1.4	2.0	0.4
<b>Closing balance</b>	<b>30.0</b>	<b>39.5</b>	<b>30.0</b>	<b>39.5</b>

<b>OTHER KEY FIGURES Doro Group</b>	<b>2008</b>	<b>2007</b>
	<b>31 Dec</b>	<b>31 Dec</b>
Equity/asset ratio	17.6	24.5
Number of A-shares, average thousand	17,408	17,408
Reported equity per share, SEK	1.73	2.27
Return on average share holders' equity, %	neg	21
Return on average capital employed, %	neg	27
Share price at period's end, SEK	5.00	5.80
Market value, SEK m	87	101

SALES PER SEGMENT (SEK m) Doro Group	2008	2007	2008	2007
	Oct-Dec	Oct-Dec	Full-year	Full-year
Home Electronics	60.3	80.0	189.4	254.9
Business Electronics	8.4	7.7	30.4	40.4
Care Electronics	52.4	26.2	142.7	51.0
<b>Total</b>	<b>121.1</b>	<b>113.9</b>	<b>362.5</b>	<b>346.3</b>

OPERATING PROFIT/LOSS AFTER DEPRECIATION PER SEGMENT (SEK m) Doro Group	2008	2007	2008	2007
	Oct-Dec	Oct-Dec	Full-year	Full-year
Home Electronics	-11.3	5.2	-14.3	8.5
Business Electronics	-5.9	-2.6	-11.8	-1.7
Care Electronics	6.8	3.5	17.9	2.4
<b>Operating profit/loss after depreciation</b>	<b>-10.4</b>	<b>6.1</b>	<b>-8.2</b>	<b>9.2</b>

INCOME STATEMENT (SEK m) PARENT COMPANY*	2008	2007	2008	2007
	Oct-Dec	Oct-Dec	Full-year	Full-year
Net sales	68.2	11.2	176.2	28.6
Operating costs	-70.3	-18.1	-185.6	-59.2
Operating profit before depreciation	-2.1	-6.9	-9.4	-30.6
Depreciation according to plan	-1.8	-0.4	-7.0	-0.6
Operating profit after depreciation	-3.9	-7.3	-16.4	-31.2
Net financial items	4.7	0.3	2.0	0.3
Pre-tax profit	0.8	-7.0	-14.4	-30.9
Taxes	-1.5	0.8	-1.5	0.8
<b>Net profit</b>	<b>-0.7</b>	<b>-6.2</b>	<b>-15.9</b>	<b>-30.1</b>

SUMMARY OF BALANCE SHEET (SEK m) PARENT COMPANY*	2008	2007
	31 Dec	31 Dec
Intangible assets	24.8	17.9
Tangible assets	3.9	1.0
Financial assets	71.4	77.1
Inventories	16.1	0.0
Current receivables	40.3	12.3
Cash at hand	2.7	1.8
<b>Total assets</b>	<b>159.2</b>	<b>110.1</b>

Share holders' equity	29.5	45.3
Interest bearing liabilities	88.4	46.4
Non-interest bearing liabilities	41.3	18.4
<b>Total equity and liabilities</b>	<b>159.2</b>	<b>110.1</b>

\* As of 1 January 2008 Doro Nordic AB is merged with Doro AB.