



# Annual Report 2011

From big  
buttons to  
big ideas!



doro 

# With simplicity in mind

We develop products that are  
exceptionally easy to understand  
and use – specially designed for people  
who want to communicate easily  
and comfortably. Helpful solutions for doing  
the things you like to do.



# A global leader in telecom for seniors

Doro stands for easy-to-use telecom products for seniors – an area in which we are a global leader. With our foundation in telecom and our constantly developing knowledge of the needs of the elderly – or as we call them, seniors, we help people who face the challenges of ageing to live an easier, safer and more fulfilling everyday life.

## Our products

We sell telephones with large buttons, clear sound, easy-to-read displays and, in particular, a number of functions that facilitate the user's everyday life and provide security. These are phones that we have developed based on our background in telecom and our knowledge of the target group, which we continuously maintain by means of studies and coordination with experts and representatives of the target group.



## Our market

We operate in one of the world's largest markets – telecom, within which we focus on a special segment that we actually established and in which we are currently the leader – people over the age of 65. This senior group is growing rapidly. There are currently about 546 million people above the age of 65 around the world. By 2020, seniors are expected to number about 728 million<sup>1)</sup>.

## Our global presence

Our operations are global. To reach the world's seniors, we have over recent years built up an international distribution network spanning five continents. This consists of leading telephony operators and retailers who have natural contact channels to the end-users – seniors.



## A successful investment

Those who invested in Doro when the new strategy was adopted in 2007 made a good investment. Between January 1, 2008 and January 1, 2012, Doro's share price has risen by 333 percent. That can be compared with the Stockholm Stock Exchange's<sup>2)</sup> development of -11 percent. In addition, shareholders received a dividend of SEK 0.50 per share for the 2010 financial year. For the 2011 financial year, the Board proposes a dividend of SEK 1.00.

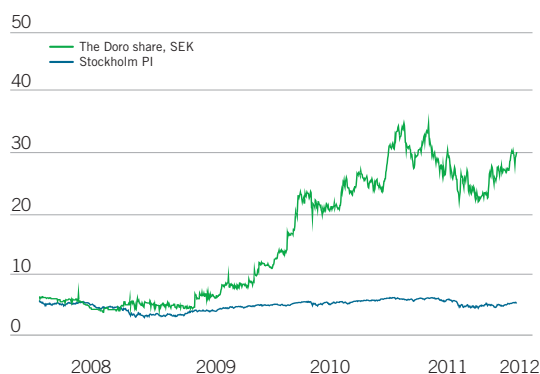
## Our new area mHealth and other Android applications – Doro 3.0

In the second phase of our transformation, we are making use of both the resources and knowledge we have amassed regarding mobile telephony for seniors by developing applications that today's more technology-accustomed seniors demand. In particular, we have focused on Doro 3.0, offering Doro Experience, which combines an uncomplicated user interface with our new device Doro PhoneEasy® 740 to connect users with friends and relatives. Also included is a web-based service through which the user, a relative or service provider can configure content and a selection of Android and Windows-based applications and integrated services. Such applications include contacts and calendars but also news services, games and mHealth services. The latter are mobile-based services that help users look after their health and attend to any chronic conditions they may have.

1) www.census.gov.

2) Stockholm PI share index.

The Doro share price trend, Jan 2008 – Jan 2012



# Continued growth

- Net sales rose to SEK 745.4 M (632.8) – an increase of 17.8 percent.
- Operating profit (EBIT) rose to SEK 62.0 m (47.0), an increase of 31.9 percent.  
The operating margin improved to 8.3 percent (7.4).
- Profit for the year amounted to SEK 57.9 million (57.1).
- Earnings per share after tax amounted to SEK 3.62 (2.04) while earnings per share after full tax amounted to SEK 3.02 (2.99).
- Cash flow from current operations totalled SEK 104.9 million (80.4).
- Order bookings rose to SEK 747.9 m (643.1), an increase of 16.3 percent. Sales for the Care product range increased by 27.7 percent.
- The Board of Directors proposes a dividend of SEK 1.00 per share.
- Close to one million mobile phones sold in 2011.
- Doro continues to receive awards. It was named Company of the Year and received the Guldmobilen award in Sweden and the Mobile d'Or in France.
- Product development continued. Among other events, nine fixed-line phones were launched and seven new Mobile phones, including the fifth generation of simple mobile phones with new functions, such as cameras and 3G technology.
- The global distribution network was further extended with 12 new retailers, strengthening Doro's presence in the US, the UK and Ireland. New countries include South Africa and Australia.
- Doro's strong protection of intellectual property was confirmed through three rulings.
- To strengthen Doro's position in mHealth, increase service content and shorten the time needed to launch the concept, Prylos SAS and Birdy Technology were acquired. The acquisitions have had a marginal effect on Doro's sales and earnings in 2011.

## Four reasons to invest in Doro

- Leader in a niche market, which is growing.
- Well-defined vision with clear strategy.
- Good track record of growth.
- Company has entered in the promising field of easy-to-use interface for PC and tablets.

Net sales

**+18 %**

EBIT

**+32 %**

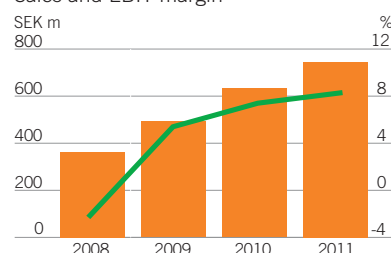
EBIT margin

**+0.9 ppt**

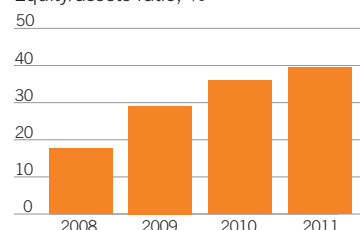
Order intake

**+16 %**

Sales and EBIT margin



Equity/assets ratio, %



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■ Reviewed by Doro's auditors

Doro AB is a public limited liability company. Its headquarters are located in Lund, Sweden. Denna årsredovisning finns även i svensk version. All values are in Swedish krona (SEK). Unless otherwise stated, figures in parentheses relate to the 2010 fiscal year. In the event of any difference between this version and the Swedish original Annual Report, the Swedish shall govern. This Annual Report was published on the company's website ([www.doro.com](http://www.doro.com)) on February 28, 2012. Printed versions can be ordered from Doro AB. Doro AB in corporation with RHR/CC, [www.rhr.se](http://www.rhr.se). © Doro AB 2012.

# Building our lead in the senior niche

Developments over the year have further confirmed the soundness of our focus – mobile telephony products and services based on unique expertise on the needs of seniors. What pleases me more is that we have attained the financial strength and market position that will allow us to sustain our long-term position as the world's foremost provider of mobile phones and services tailored specifically to the needs of seniors.

## Continued growth and improved profitability in 2011

During my fifth year as CEO, we vigorously pursued our strategy of extending our partnership network among retailers, operators and distributors in existing and new markets. In fact, we secured new agreements with several major distributors and operators.

This enabled Doro to continue increasing its sales, which rose by 18 percent over the year – close to our financial target. In addition, our order bookings remain strong as we enter 2012. Although earnings were, to some extent, burdened by the investments required by the expansion process, our EBIT margin continued to improve – rising from 7.4 percent to 8.3 percent and bringing us closer to our financial target of 10 percent.

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What pleases me more is that we have attained the financial strength and market position that will allow us to sustain our long-term position.

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All of our regions were profitable in 2011 and improved their results. Our business model, in which we adapt technology and outsource most functions, permits faster growth with mainly variable costs. This business model is quite distinct from that found among standard mobile manufacturers.

We also renewed and extended our product range with features and functions demanded by seniors, including cameras, photo-sharing and messaging capabilities.

## Value for investors

The company's shares have, over time, continued to prove a good investment. Even though the share price decreased by

13 percent over the year, this was less than the Stockholm Stock Exchange as a whole, which declined by 18 percent. I am also pleased that our situation encouraged the board to recommend a dividend of SEK 1:00 per share.

## Investment for an even stronger future

Doro is in the enviable position of being able to maintain its focus on where its niche market is headed. We continue to closely monitor how future technologies can be adapted to seniors and we communicate closely with them to ascertain what their needs are today and are likely to be in the future.

Our plan has a two-pronged approach. On the one hand, we shall continue to extend our presence within the feature-phone segment; one that most players are abandoning. On the other hand, we are beginning to provide solutions that simplify the use of Android devices, while developing our own smartphones and tablets.

This new evolution correlates largely with two demographic trends. Not only will the senior portion of the population grow, an increasing number will be older seniors. At the same time, seniors' familiarity with technology will increase through greater exposure in their younger years.

In response to the first trend, Doro is developing feature-phones that can be configured remotely by relatives. As a reaction to the latter trend, Doro launched its first Android-based smartphone, the Doro PhoneEasy® 740, at the Mobile World Congress in Barcelona in February 2012.

Thanks to our acquisition of Prylos in the summer of 2011, we have, in less than six months, developed and launched an Android-based solution that simplifies the interface of any Android device. This solution is intended for the end-users of Doro smartphones and for telecom operators, or other service providers, for integration into android devices offered by them. The solution is linked to an application store dedicated to seniors called Doro selection, which offers applications developed by Doro or well-known third parties targeting the same group of users. Doro Selection will offer a limited






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Doro Selection will offer a limited but relevant range of applications that can be purchased by relatives and automatically synchronized with the senior's device.

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but relevant range of applications that can be purchased by relatives and automatically synchronized with the senior's device. Available applications will include games, wellness, social media, news services and health-related applications.

#### From active seniors to elderly care and mHealth

While most of our devices answer active seniors' needs, Doro also offers a set of devices more suited to seniors requiring assistance. Through our acquisition of Birdy and in partnership with health-application developers, we are developing our Android platform to offer an efficient remote monitoring solution for elderly people. This can alert relatives or a call center if an emergency is detected by a fall sensor, smoke detector, appliance switch, alarm button or other sensor. Applications like these enhance peace of mind, not only for users, but also for their loved ones. Possibilities now also exist to use mobile phones to monitor seniors' regular use of medication – reminding them to take their medicines and issuing an alert to carers if the user fails to respond. Blood-sugar levels can also be monitored via a device built into certain models. Such services herald the advent of an area referred to as mobile healthcare or mHealth.

In summary, the past year carried us forward in our mission to make the lives of seniors easier and more enjoyable by providing quality telecom products designed specifically to address their needs. As demographic and technological

changes take place, we must also invest and develop to continue pursuing that mission. Naturally, our success in achieving this mission will also benefit Doro's shareholders and other stakeholders.

#### Regional focus

As we enjoy considerable opportunities to increase our value by enriching our offering, we will prioritize Europe, the Americas and the Pacific region while limiting activities elsewhere for the time being. More particularly, we are establishing our own subsidiary in Germany to fully support our existing customers and to attract new strategic ones.

In conclusion, I am happy to affirm that Doro has the financial and personnel resources needed to continue its development and expansion. At the end of the day, it is the skill, knowledge and commitment of the company's employees that represent its principal asset and on which its continued success will be built.

Lund, February 2012

Jérôme Arnaud, President and CEO

# Flexible and efficient business model

with limited capital tied-up

Doro offers seniors, easy-to-use telephones designed to meet their needs. Production and logistics are among other functions outsourced to efficient partners making our business cost and capital efficient and easy to adapt to changes in demand. This allows us to grow at attractive margins.







With an indepth knowledge of the target group, which we continuously maintain by means of studies and coordination with experts and representatives of the target group, Doro applies its own resources to develop and design telephones that offer value for money. To gain cost-efficient access to the latest technology, which naturally we adapt to our target group, we also establish cooperative partnerships with leading technology companies.

We also have our own competent marketing organization that is continuously developing a global distribution network and that provides services, support and guarantees. The network consists of well-known operators and retailers working closely with consumers and is able to efficiently penetrate its respective markets and reach end-users – seniors.

### Outsourcing for cost efficiency and flexibility

Staying one step ahead of our competitors requires access to the right technologies, production resources and logistics. We have therefore chosen to outsource these functions as well as certain aspects of administration. In this way, we minimize our overheads, which grants us the flexibility to quickly adjust our resources to our development and current market situation, thereby protecting our margins.

### Asian production

All production is carried out according to Doro's specifications. In recent years, Doro has however outsourced its production to a limited number of suppliers in China even though we are starting to use European ones for some categories of products. Decisive in the selection of manufacturing partners is that they are able to maintain production in accordance with Doro's requirements.

Combined with extensive procurement expertise and contingency planning, these partnerships ensure reliable deliveries.

Our manufacturing partners are continuously followed up through regular inspections that cover six key areas in par-

ticular. The results are documented in a *Supplier Score Card* and are mainly used to help suppliers improve their operations and, by extension, Doro's. Over the year, the processing of the database *Doro quality web* was refined, which will significantly further enhance our opportunities to improve performance. See more on page 15.

#### All suppliers are assessed in the following areas:

- Forecast level of goods returned by customers.
- Supplier checks/checks on incoming goods.
- Precision of delivery.
- Lead times.
- Results of third-party CSR audits.
- Payment terms.

### Systems to maximize efficiency

Our business model imposes considerable demands on increasingly enhanced production planning and component supply. We therefore apply a Group-wide business system that, together with a product database, facilitates purchasing and planning.

Through the standardization of certain components, such as adapters and boxes, we have also been able to enhance the efficiency not only of the production process but also that of the logistics function.

### Flexible and cost-efficient logistics

Due to larger volumes, more versions and shortened lead-times, an efficient logistics function is increasingly important. To minimize costs, we work both with direct deliveries to major customers, as well as with central warehouses. For products with ever briefer life-cycles – although not as brief as those of traditional mobile phones – we must also be able to quickly deliver to the markets where demand exists while taking into account the requirements, preferences and regulations that can vary between countries.

# Vision and strategies

Doro's vision is to be the most trusted global brand in easy-to-use telecom care products. Our business mission is to help people who face the challenges of ageing to live an easier, safer and more fulfilling everyday life. We have a clear and simple strategy to achieve long-term growth with sustainable earnings that we launched already in 2007. A strategy that stands firm, since its five components remain successful.



## From feature phones to smartphones, tablets and applications

In line with our mission to help people facing the challenges of ageing to live more straightforward and secure everyday lives with fewer limitations, we have in recent years, supplied the world's seniors with easy-to-use telephones with a number of useful features. Now, based on the knowledge we have amassed on telecommunications, technology and seniors, we are expanding our offering to seniors with new services.

In particular, we have focused on Doro 3.0 with Doro Experience. An uncomplicated user interface which together with our new device Doro PhoneEasy® 740 can connect users with friends and relatives. Also included is a web-based service through which the user, a relative or service provider can configure content and a selection of Android and Windows-based applications and integrated services. Additional applications that can be bought from Doro Selection include calendars, contact registers, news services and games but also mHealth services. The latter are mobile-based services that help users look after their health and attend to any chronic conditions they may have.

## Trends driving growth

Alongside the fact that the world's seniors are growing in number, the need to maintain closer contacts with friends and loved ones also favors continued market growth. So does an increased level of technological maturity among the seniors of tomorrow.

Tomorrow's recently retired seniors will be more accustomed to smartphones and applications. This will increase demand for hardware and services that are easy to use and adapted to the target group, making life easier, more enjoyable and secure. In this perspective, mHealth represents a particularly important area, and is driven by factors such as good medical results and advances in mobile and medical technologies that enable mHealth solutions. There is also a need for new and different healthcare solutions, since the costs of health services are skyrocketing.

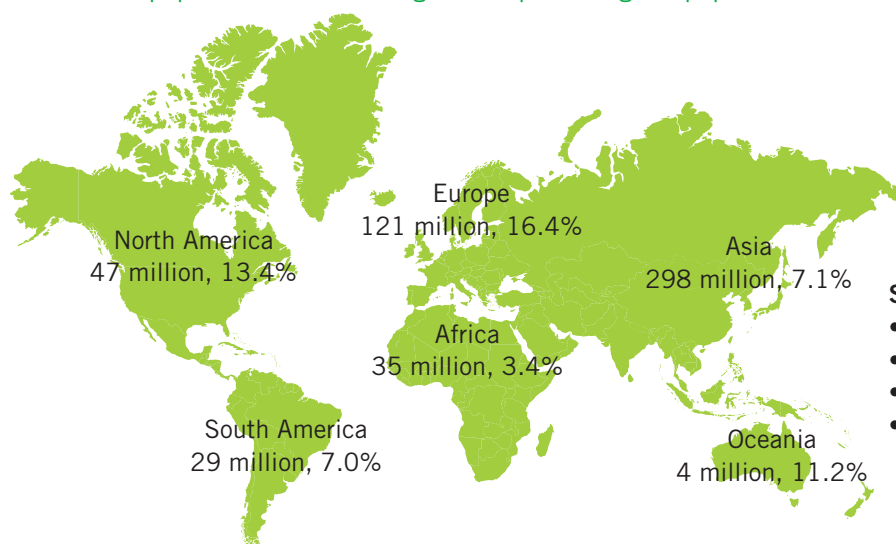
The shift from analogue to digital will also increase demand for mobile telephony adapted to the needs of seniors.

# A large and growing market

Our mission is to help people facing the challenges of ageing to live more straightforward and secure everyday lives with fewer limitations. The senior group – people above the age of 65 – is growing rapidly. There are currently about 546 million people above the age of 65 around the world. By 2020, seniors are expected to number about 728 million<sup>1)</sup>.

Telecom  
Target +65

## Global population above the age of 65/percentage of population



### Share of EU's population over 65 years with<sup>4)</sup>:

- reduced vision: 82 %
- reduced hearing: 29 %
- reduced dexterity: 42 %
- feelings of insecurity: 46 %

The group is also keeping active longer than was the case among earlier generations. But although today's seniors are healthier than their predecessors, their sight, hearing, movement, dexterity and memory does nonetheless deteriorate. Consequently, Doro's products are developed in close cooperation with experts in the relevant fields to ensure that they offer the very best in everything from user-friendliness via sound quality to adapted modern and relevant services.

## Market development

Today, an average of 60 percent of the world's population has a mobile phone and in the richer countries, there are 109 mobile phones per 100 inhabitants<sup>2)</sup>. This also reflects the trend where an increasing number of people switch from traditional telephony in favor of mobile phones<sup>3)</sup>.

According to GfK, the Western European market, excluding Norway and Finland, of seniors feature phones alone represented 1.5 million units in 2011, while the global mobile phones market including smartphones declined by 26 percent during the same period.

Another way to look at our market is the penetration of our mobile phones among 65+ population. In total we have sold above 2.1 million units. In the Nordic region alone, if we divide the quantities of mobile phones sold by the population above 65 years, we reach a penetration of 15 percent, in Ireland 8 percent, while in other countries we are still below 3 percent and in US/Canada below 1 percent. So if we use Nordic penetration as a benchmark we can sense how big the potential is.

Another user-driven trend is smartphones – often based on the Android-platform. These are experiencing the greatest growth and now, according to Gartner, account for nearly 25 percent of all phones sold. Suitably designed, such phones will also attract seniors who are more accustomed to technology and therefore represent a clear option in a growing segment in which we hold a leading position. The smartphone market segment is an additional market. Initially, we believe we will attract users who have not yet used a smartphone and that will be ready to try it because it is an easy-to-use Doro phone.

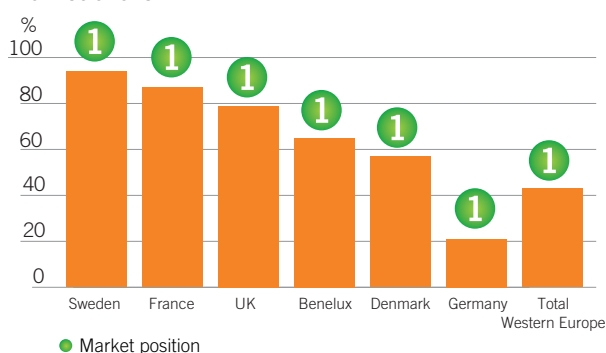
1) www.census.gov. 2) www.prb.com. 3) www.itu.int. 4) Senior Strategic.

# A market leader with advantages

Doro operates within a relatively new niche market, although demographic trends and increasing interest in easy-to-use mobile phones show this market to be expanding.

Category  
leadership

Market share



#### Market leader in all European markets

As this picture shows we are number one in all major European countries, even if our market share differs from country to country and thus provides us with a further market potential.

Thanks to certain strategic moves in recent years, Doro has attained a leading market position globally in mobile telephony for seniors, a segment that did not exist before Doro established it in 2007. And we expect to hold about 10 percent of that segment within the space of two to five years. This leading position is important because the leading company is the one that customers and end-users will remember when making purchases. In addition, it provides cost advantages that strengthen both competitiveness and margins. Competitors include Alcatel, Emporia, Samsung and ZTE. Some of these are global players that are larger than Doro and cover additional target groups. In particular, they seek to meet the needs of those who switch models frequently as this offers a way in which to keep volumes up. However, they often lack our degree of specialization that allows us to focus in particular on the needs of seniors. Emporia focus on senior consumers like us, but with a smaller size and less presence among telecom operators. Smaller players can in some countries present a big button offering but being local companies they lack our advantages of scale when it comes to development, production and sales.



# Product development with seniors in focus

Innovation  
and improved  
ease of use

Many people, not only those over the age of 65, have need for an easy-to-use mobile phone. We offer them telephones with large buttons, clear sound, easy-to-read displays and, in particular, a number of functions that facilitate the user's everyday life and provide security.

In contrast with many larger telecom companies that consider the senior segment too small; Doro keeps the end-user in mind from an early stage. Doro gains insights into how seniors use mobile phones by compiling information in various ways, including:

- Extensive market surveys involving thousands of seniors around Europe that provide us with a broad picture of how seniors use their mobile phones and what trends exist.
- Qualitative research methods, focus groups and in-depth studies that provide us with a deeper understanding of attitudes.
- Partnership with the Royal National Institute of Blind People (RNIB), the Royal National Institute for Deaf People (RNID) in the UK and with the Norwegian organization Enklere liv (Simpler Life).

These and many others provide our research and development department with information about seniors and their needs. Through newly hired specialists and the acquisitions of Prylos and Birdy, Doro's research and development capacity has doubled to some 25 individuals. These people ensure that Doro has access to the very latest trends, information and data, allowing the company to continuously improve the capacity and performance of its products and to develop new services that facilitate and secure seniors' everyday lives. Alongside external consultants who provide Doro with leading-edge expertise in areas of future importance – expertise that is

also thus transferred to the company – we are also working to further develop our telephones and to develop Android-based mHealth services.

Doro also enjoys a favorable market position in the Nordic countries, where fixed-line telephony products are sold to private individuals and companies seeking easy-to-use quality products. For these, we have developed some of our former Home Electronics products, where we see synergies with our main area Care Electronics, as a range now labeled Comfort.

## Technological development

To safeguard not only an easy-to-use design but also functionality for the end-user, operational reliability for operators and, not least, an optimal production process, we monitor technical development through forums including:

- Doro's membership of the global sector organization GSM Association and the European development organization Mobile Alley.
- Doro's membership of the Continua Health Alliance, the international organization for the standardization of mHealth products and services – part of the tele-health area.
- Doro's participation continues, together with well-known universities, as an industrial partner in one of the EU's programs, the Vicon project\*, to strengthen the EU's competitiveness.
- Doro's mobile phones have been approved by the laboratories from AT&T, GCF, Orange and Vodafone.

\* Virtual User Concept for Inclusive Design of Consumer Products and User Interfaces (VICON) is a project within the EU's seventh framework program, also known as FP7.



### Doro PhoneEasy® 615 – Designed for seniors

Based on our knowledge of seniors' needs, we have, for example, developed the Doro PhoneEasy® 615, which was launched in early 2011. This is a clamshell model, which minimizes the risk of making accidental calls. Not only was this our first 3G phone, it also includes a good but easy-to-use camera. A screen with variable themes and text size makes life easier for those with impaired vision. So does the voicemail function, which allows the user to listen to recorded messages as easily as receiving an SMS. In addition, the phone has an SMS button for immediate and simplified handling of text messages. Like all Doro phones, it is also equipped with large keys and an alert button.



### Award-winning innovations

Over the years, our innovations and product development efforts have also been recognized and rewarded with several distinctions. We received the Guldmobilen (Golden Mobile) award in November 2011 as the mobile company of the year. The award is organized by the Mobil Business and Mobil magazines. As recently as in December 2011, the Doro PhoneEasy® 615 won the Mobile d'Or award in a contest arranged by MedPi and the French Telecom press, among others.

In January 2012, Doro's design was awarded with the French Janus de la Santé Award.

### ACHIEVEMENTS IN 2011

The year was characterized by intensive product development. In total, we launched seven new basic models and 60 software versions, adapting our phones to specific conditions and customer needs in different countries. In addition, we launched nine fixed-line telephones.

### Tests and recommendations

Over the year, tests of our products have been reported, with favorable results, in a large number of leading newspapers, magazines and websites in Sweden, Norway, Denmark, Finland, Germany, the UK, Ireland, France, Italy, Austria, Australia and Hong Kong. As in recent years, our products have also been recommended by consumer organizations. This year by the Royal National Institute for Deaf People in the UK and the National Consumer Association in the Netherlands.

### The fifth generation of mobile phones

At the start of the year, we launched the Doro PhoneEasy® 615 and Doro PhoneEasy® 610, with a more modern design and improved functions to attract new groups of seniors. One new function is the camera, which many seniors had asked for.

3G technology is another function that is now an obligatory requirement from many operators. With the transition to 3G, we have gained access to a larger market and new countries.

During the third quarter, Doro launched the Doro PhoneEasy® 500 series with three new mobile phones in classic formats but with different functions and ranging from a rather simple and easy-to-use mobile phone with few functions to a more advanced, while still easy-to-use model offering MMS, Bluetooth and a camera.

### Doro 3.0 within mHealth

In what we call Doro 3.0 in our second phase we are developing, together with partners, applications that today's more technology-accustomed seniors demand. In these applications we are making use of both the resources and knowledge we have amassed regarding mobile telephony for seniors. In particular, we have focused on mHealth. That is, mobile-based services that help users look after their health and attend to chronic conditions. Which is entirely in line with our mission.

All of our mobile phones already have a button that can be used to alert carers or relatives in the event of an accident. During 2011, we have further developed the concept to be able to handle other priority situations. Such as when the user has neglected to take medication or a glucose measurement or if the results of a measurement are beyond accepted limits. Applications that are implemented in a Doro phone that is easy-to-use for seniors.

In February 2012 we also launched our first smartphone, which will of course be adapted to the needs of seniors.

### Doro Experience

Future models will also offer what we call the Doro Experience. This is an interface that connects seniors with their friends and relatives. Among other features, it enables sharing of calendars and photo albums. It will also offer a number of other functions that will be available through our own applications site entitled Doro Selection, which we launched in February 2012.

### TeleCare

In the complementary area TeleCare, which provides additional security for seniors and those close to them, our range includes a fixed GSM port that uses the mobile network to automatically connect different sensors, such as fall sensors, wristband alarms and smoke detectors to a call center when activated.

### Acquisitions for positioning in Android applications and mHealth

In order to increase the content of mHealth services and hasten their launch and to position us in this growing area, we acquired two companies in the third quarter: Prylos SAS and Birdy Technology SAS. Prylos is a pioneer in mobile applications for Android telephones. With the acquisition of Birdy we broaden our range based on a common technology – TeleCare.

# Strong distribution

## through leading operators and strategic resellers

Over the year, Doro has continued to increase its geographical presence by extending its partner and retailer network and the Group now has a strong customer portfolio including leading operators, retailers and larger department store chains that have a link to seniors. This network is continuously supported by our own marketing department.

World-wide  
presence

### ACHIEVEMENTS IN 2011

During 2011, we significantly extended our global distribution network with a number of leading operators and retailers working closely with customers.

- We signed an agreement with Belgian mobile operator Mobistar to sell Doro PhoneEasy® 332gsm and the Doro PhoneEasy® 409gsm through its Mobistar Centers retail chain, which has more than 150 stores in Belgium.
- We made a retail deal with Europe's largest retailer to sell Doro PhoneEasy® 409gsm through Tesco Mobile's online shop and Tesco stores throughout the UK.
- We made a deal with Australian retail chain TeleChoice to sell the Doro PhoneEasy® 410gsm model through TeleChoice's online shop and their 153 retail stores nationwide.
- We signed an agreement with retailer Amplifon to sell the Doro PhoneEasy® 332gsm and Doro PhoneEasy® 409gsm in their Italian stores.



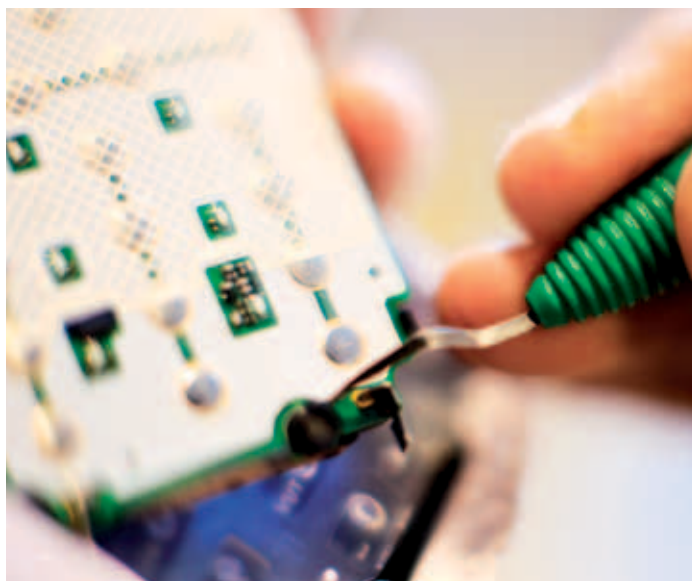
Care specialists channels:



Consumer electronic retailers:



- We made an agreement with Virgin Media in the UK. The Doro PhoneEasy® 409gsm will be sold through Virgin Media's online shop, 78 proprietary stores and, through more than 700 Tesco stores. The phone will also be available through other affiliate stores.
- Doro's American partner, Consumer Cellular, signed an agreement with Sears, Roebuck and Co., a leading American department store chain to sell the Doro PhoneEasy® 410gsm in its 800 stores throughout the US.
- We signed a retail agreement with the Finnish operator Sonera, to sell Doro PhoneEasy® 615 to enhance its offering to seniors.
- We signed a retail agreement with Swedish operator 3 for the Doro PhoneEasy® 615, enhancing 3's offering to seniors.
- We extended our partnership with the Orange Group through a retail agreement with Orange Spain. The company now sells Doro PhoneEasy® 410s in 2,100 stores nationwide in Spain and via [www.orange.es](http://www.orange.es).
- Vodafone Germany added a third easy-to-use Doro mobile telephone to its range – the Doro PhoneEasy® 409s gsm – which will be sold through Vodafone's more than 1,000 shops in Germany.
- Doro entered the African continent through an exclusive agent agreement with Business Beyond Boundaries of South Africa to sell the three models Doro PhoneEasy® 615, Doro PhoneEasy® 341gsm and Doro PhoneEasy® 410s gsm, which have been fully certified by the South African telecommunications authority ICASA.
- Doro's US partner Consumer Cellular signed a distribution agreement with US pharmacy chain Walgreens, which will sell the Doro PhoneEasy® 410gsm model in 826 stores throughout Florida.
- We signed sales agreement with Irish operator O<sub>2</sub> to sell the Doro PhoneEasy® 409bw through more than 70 retail stores and on-line.
- We signed a further agreement with O<sub>2</sub>, this time in the UK, to sell the Doro PhoneEasy® 610 clamshell model through its more than 450 sales points and via the Internet.
- Doro's distributor in Austria, AKL, signed an agreement with Hutchison 3G to sell the Doro PhoneEasy® 615 in Austria.



# A carefully nurtured and protected brand

Brand  
identity

Our brand is backed by a complete value chain, both from the perspective of our customers and of the end-users – from a product developed according to the end-user's requirements regarding feel and simplicity, via products that function reliably, a competent sales organization and services, to support and guarantees.



**Trust** is about always delivering what we promise.

**Care** is about being empathetic and attentive to the needs of others.

**Ease** is about doing all we can to make everyday life a little easier.

## Quality assurance

Doro's products maintain a high level of quality and the Group places great importance on its quality assurance efforts.

Consequently, awareness and control pervade our production processes. Regular checks and well-functioning quality assurance efforts with clear internal and external processes are a prerequisite for being able to enter new product areas.

## Careful inspection and quality control

Before signing a contract with a new manufacturer, regardless of the product area, Doro conducts a corporate assessment consisting of a careful inspection of both the company and its production facilities. Each production series is then tested at the plant through random sampling by our own personnel prior to transportation to any of Doro's central warehouses in Europe. A further quality check is made when the goods arrive at the warehouse. In addition, a more detailed review of all suppliers' quality status is carried out each quarter. This provides both Doro and the supplier with a shared perception regarding the level of quality assurance efforts.

Doro also often assists in troubleshooting the actual

production process. This provides very good insight into opportunities for the development of new products and for further improvement in the production of existing ones.

## Efficient registered designs

We are careful to protect our designs. The efficient protection in the EU is complemented with similar protection in major markets to ensure that our registered designs are well protected.

In 2011 alone, we gained one injunction and two preliminary injunctions prohibiting competitors from marketing mobile phones similar to ours. See page 21.

## Continuous information to increase brand awareness

To demonstrate our capacity for developing innovative, highquality products, we keep the market informed of the benefits our products offer through a number of different channels. In this way, we demonstrate the usefulness of our products to end-users and support the sales of our leading distribution network, while increasing awareness and knowledge of Doro.

## IMPLEMENTED IN 2011

We have recently assessed the recognition and perception of the Doro brand. Naturally, this is at its highest in Sweden where we have been in business the longest. Pleasingly, associations with two of our core values – simplicity and trust – are highly evident.

During 2011, we continued to increase our investment in marketing. To derive the maximum return on our marketing ventures, we work with integrated campaigns that start with training at the retailer level where we provide information on our new products and upcoming marketing activities well in advance. These efforts are followed up with display materials that are distributed to stores so that they are in place when consumer advertising begins. During 2011, the principal media used were television, print and the internet. We launched a new TV commercial that has so far been broadcasted in all four Nordic countries, UK, Ireland and France. We have also worked to improve our online presence through optimization and search word marketing. All planning and implementation of the campaign is carried out in partnership between Doro's headquarters and the international sales

offices. Marketing efforts have mainly focused on our new 600 and 500 series models.

In 2011, we focused on the UK in particular, redoubling our efforts with additional television spots and additional website development. The effects of these efforts can be discerned in our sales in the UK, which rose by 37.1 percent.

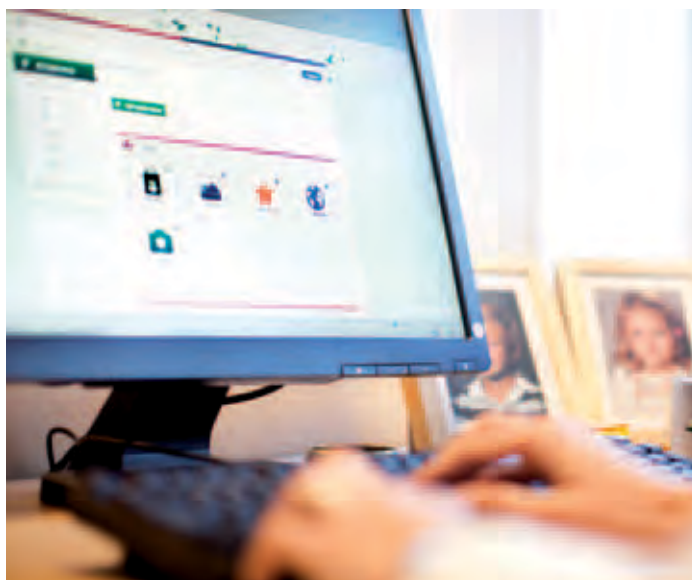
With the purpose of increasing our visibility, we also participated in a large number of trade fairs during the year, including the four main international events:

In January, we attended the CES convention in Las Vegas, the world's largest consumer technology trade show.

In February, we also participated in the mobile telephony sector's most important annual events, the Mobile World Congress in Barcelona to launch several new models and innovative solutions.

To develop our new mHealth services, we also took part in the mHealth 2011 Dubai event in October.

And in December, we were present at mEnabling in Washington, which is a global summit for mobile applications and services for seniors and persons with disabilities.





# Financial targets

## for a lasting business

### Financial targets

Following recent years' continuous growth and improved margins in Doro and the positive development of its business, the Board has reviewed and adopted financial targets for the company. The Board and management of Doro operate the business according to targets for three financial measures – EBIT margin, growth and net debt. Besides, Doro has a dividend policy. The targets are clear and facilitate communications with the financial markets.

### Operational targets

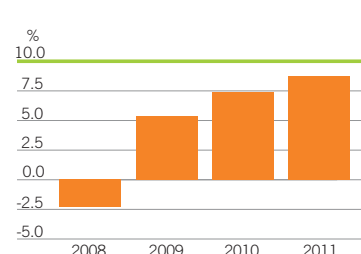
Internally, management guides operations by means of a number of internal operational targets in a number of key areas for the business and these are followed up by management on an ongoing basis. The principal targets that are monitored and followed up include gross margin, sales and EBIT per region, capacity costs and working capital.

### Target

#### Long-term target of 10 percent for the operating margin

The operating margin is governed by how we can manage our capacity cost and not least gross margin. The latter is determined by agreements with sub-suppliers, price trends on components, how well purchasing can be matched to demand, product mix and the geographical distribution of sales. A level of 10 percent has been set to allow sufficient funds for the continued development of the company, as well as for dividends to shareholders.

### Outcome

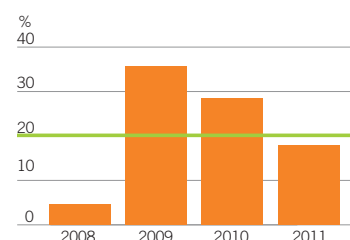


### Comments

The EBIT margin, which is constantly influenced by investments in product and market development, is closing in on the long-term target. In 2011, the margin was affected positively by increased volumes and an improved gross margin. An improvement that can, in part, be attributed to more efficient purchasing procedures and new unique products.

#### Annual sales growth target of 20 percent over the coming years

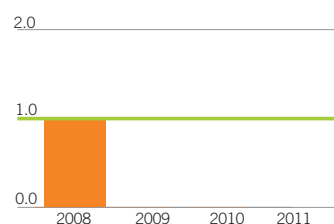
Sales growth is mainly to be achieved organically, although Doro does have capacity to acquire closely related product areas and technologies, for example.



Growth was lower than in 2010, which was primarily due to large parts of the Home product range being phased out. Despite this, the target, which takes the substantial growth of recent years into account, was nearly achieved.

#### A maximum debt/equity-ratio of 1.0 (interest bearing debt/equity)

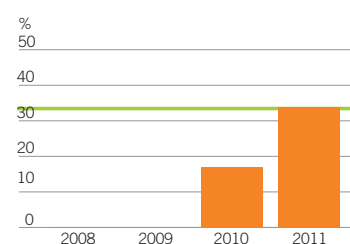
To balance the owners' dividend demands and solvent operations with the continued development of the company, the target that has been set at a maximum of 1.0. That is to say, interest-bearing debt should normally not exceed equity.



Thanks to the directed share issue implemented in 2009 and 2011 and the favorable profit trend of recent years, the company has no net debt and a substantial net cash balance, despite having made major investments and acquisitions.

#### A dividend of approximately one third of the net profit after tax

This provides shareholders with an attractive return while the company secures sufficient resources for investments in future growth.



At present, Doro holds a net cash position and has a strong financial base and readiness to finance growth through investments, either organically or via acquisitions.

The Board can also propose, close to the policy, a dividend of SEK 1.00 per share to be paid in 2012.



# Directors' report

# Operations 2011

Doro AB is a publicly owned limited company (hereafter also referred to as Doro). The company's registered office is in Lund, Sweden, under the corporate registration number 556161-9429. The address of the head office is Magistratsvägen 10, Lund, SE-226 43, Sweden. Doro has subsidiaries in France, Hong Kong, Norway, the US and the UK. The structure of the Group is outlined in Note 9.

## Business activities

Doro is a Swedish company specializing in the development, marketing and sales of telecom products specially adapted to the growing worldwide population of seniors. With over 35 years of experience in telecommunications, and sales in more than 30 countries on five continents, Doro is the world's leading brand for easy-to-use mobile phones.

The company created the category Telecom in Care Electronics and in recent years the products have received several highly distinguished international design awards.

With the purpose of developing the business, Doro has also initiated a development within a new area named mHealth, which entails mobile-based services that help users look after their health and attend to chronic conditions. mHealth is also within Doro Experience with applications that make the seniors everyday life easier. Which is entirely in line with Doro's mission.

## Global conditions

Doro operates in the rapidly changing telecommunication market for seniors in Europe, North and South America and Asia/Pacific.

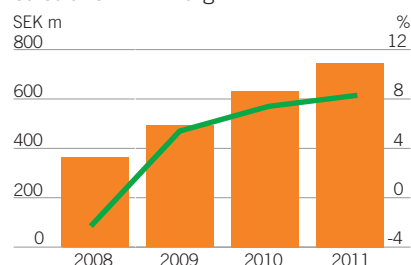
Production takes place in China. The company protects its products by owning the tools, protecting some designs and through active participation in the design, development and quality assurance processes. Large purchase volumes make Doro an attractive customer for manufacturing subcontractors and enable the company to secure competitive costs per unit.

## Past year in summary:

- Net sales rose to SEK 745.4 M (632.8) – an increase of 17.8 percent.
- Operating profit (EBIT) rose to SEK 62.0 m (47.0), an increase of 31.9 percent.  
The operating margin improved to 8.3 percent (7.4).
- Profit for the year amounted to SEK 57.9 m (57.1).
- Earnings per share after tax amounted to SEK 3.62 (2.04) while earnings per share after full tax amounted to SEK 3.02 (2.99).
- Cash flow from current operations totalled SEK 104.9 m (80.4).
- Order bookings rose to SEK 747.9 m (643.1), an increase of 16.3 percent. Sales for the Care product range increased by 27.7 percent.
- The Board of Directors proposes a dividend of SEK 1.00 per share.

- Close to one million mobile phones sold in 2011.
- Doro continues to receive awards. It was named Company of the Year and received the Guldmobilen award in Sweden and the Mobile d'Or in France.
- Product development continued. Among other events, nine fixed-line phones were launched and seven new Mobile phones, including the fifth generation of simple mobile phones with new functions, such as cameras and 3G technology.
- The global distribution network was further extended with 12 new retailers, strengthening Doro's presence in the US, the UK and Ireland. New countries include South Africa and Australia.
- Our strong protection of intellectual property was confirmed through three rulings.
- To strengthen Doro's position in mHealth, increase service content and shorten the time needed to launch the concept, Prylos SAS and Birdy Technology were acquired. The acquisitions have had a marginal effect on Doro's sales and earnings in 2011.

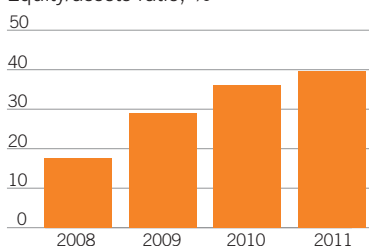
Sales and EBIT margin



EBIT, SEK m



Equity/assets ratio, %



## Financial overview

|  | 2011  | 2010  |
|--|-------|-------|
| Revenue, SEK m                               | 745.4 | 632.8 |
| Operating profit/loss, (EBITDA), SEK m       | 75.6  | 63.1  |
| Operating profit/loss, (EBIT), SEK m         | 62.0  | 47.0  |
| Profit/loss after financial items, SEK m     | 72.9  | 46.4  |
| Profit/loss for the year, SEK m              | 57.9  | 57.1  |
| Operating margin (EBIT), %                   | 8.3   | 7.4   |
| Return on average capital employed, %        | 116.1 | 80.1  |
| Return on average shareholders' equity, %    | 38.8  | 60.4  |
| Equity/assets ratio, %                       | 39.5  | 36.0  |
| Cash flow from current activities, SEK m     | 104.9 | 80.4  |
| Liquid assets (incl. unused credit), SEK m   | 179.9 | 121.5 |
| Number of employees, number                  | 70    | 61    |
| Earnings per share after tax, SEK            | 3.02  | 2.99  |
| Reported shareholders' equity per share, SEK | 9.16  | 6.35  |

Please see page 61 for financial definitions.

## Earnings

Doro's net sales for 2011 amounted to SEK 745.4 m (632.8), an increase of 17.8 percent compared with the strong 2010. Growth was primarily driven by the US and Canada as well as the UK. While Nordic and EMEA regions, were impacted negatively by the phasing out of certain Home products. However, these regions are also, at the second half of the year, benefiting from successful launches of new phones with cameras and 3G technology.

EBIT amounted to SEK 62.0 m (47.0), an increase of 31.9 percent. The EBIT margin thus rose to 8.3 percent (7.4) despite continued investments in new markets, products and applications. The improved EBIT margin is mainly attributable to the increased sales volume, as well as to the higher gross margin compared with last year. The improvement in the gross margin, which may vary depending on the geographical distribution of sales and on the product mix, is attributable to factors including more efficient purchasing procedures and, at the second half of the year, new unique products.

Profit for the year amounted to SEK 57.9 m (57.1). Net financial items for the year were SEK 11.5 m better than in the previous year. This is primarily due to the fact that Doro's forward rate agreements have, in accordance with IFRS, been assessed under financial items, affecting net financial items positively by SEK 10.1 m (0.2).

The tax expense, which rose by SEK 25.7 m to SEK 15.0 m (+10.7) is attributable to deferred tax assets being offset against profit for the year. The deferred tax assets were thus reduced by SEK 12.6 m, affecting profit. In addition, the tax expense in France increased as a consequence of improved earnings.

## Cash flow, investments and financial position

For the full-year, cash flow from current operations amounted to SEK 104.9 m (80.4), giving a cash conversion rate of 169 percent.

Consolidated net cash flow, which over the year amounted to SEK 56.5 m (49.1), has been impacted by dividends totaling SEK 9.6 m, company acquisitions for SEK 19.6 m and investments of SEK 21.2 m. Investments are attributable to capitalized investments that are primarily attributable to product development since investments in IT have decreased.

At the end of the year, Doro had interest bearing liabilities of SEK 2.4 m (0.0) with a cash balance of SEK 148.4 m (89.5). The company also has unutilized overdraft facilities of SEK 31.5 m (32.0).

The equity/assets ratio improved to 39.5 percent (36.0) at the close of the period.

## Treasury policy

A treasury policy was approved by the Board in December 2008 and was reviewed in December 2010. The purpose of this treasury policy is to clarify responsibilities and outline general rules and guidelines in connection with specific treasury-related areas within Doro AB, in order to support the operations, reduce financial risks and utilize capital and cash flow efficiently.

Forecast net flows per quarter based on normal business volumes and current price lists (usually valid 3-6 months) are hedged 100 percent. The main net currency flows for Doro today are EUR (inflow) and USD (outflow).

Consequently, a key hedge position in Doro's ongoing business will be forward fixed contracts to buy USD with EUR.

## The Board

The Board of Doro AB consists of Bo Kastensson (Chairman of the Board), Charlotta Falvin, Karin Moberg, Jonas Mårtensson, and CEO Jérôme Arnaud. The Vice President & CFO Annette Borén is co-opted to the Board as its secretary.

## Board's proposal for remuneration guidelines

The Board's proposal for guidelines for remuneration to senior executives for 2012 primarily entails that salaries and other remuneration terms for management must be in line with market norms. In addition to a basic salary, management can also receive flexible remuneration, which should have a pre-determined ceiling and be based on results in relation to profit targets (and, in certain cases, other key figures).

The maximum cost of bonus payments for Group Management should not exceed SEK 10 m. In 2011 this amount was SEK 5 m. The total cost for fixed and flexible remuneration should be decided annually at a sum that includes the company's entire remuneration costs, which allow for senior executives to allocate parts of their fixed and flexible salaries to other benefits, such as pensions. Pension plans for management should mainly be defined contribution plans.

Upon dismissal by the company, senior executives may be eligible for redundancy payments, which should have a predetermined ceiling. If the employee resigns his/her position, no redundancy payment will be paid. The Board has the right to deviate from the guidelines if there is considered to be just cause. This proposal is in accordance with the resolution of the 2011 AGM.

## Doro's warrant program for employees implemented

In accordance with the mandate given by the Annual General Meeting on March 23, 2011, all of Doro's employees have been offered warrants to market value granting them the right to acquire shares at the target price of SEK 35.30.

39 employees have subscribed for 752,770 warrants, including the CEO who has subscribed for the full 200,000 warrants allocated to him. Doro AB has subscribed for 192,830 warrants, enabling the Company to potentially sell these at market prices to new employees following the close of the subscription period.

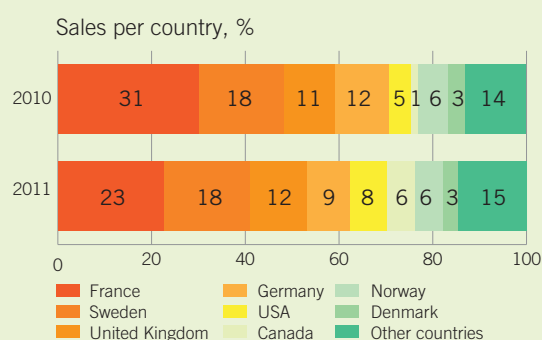
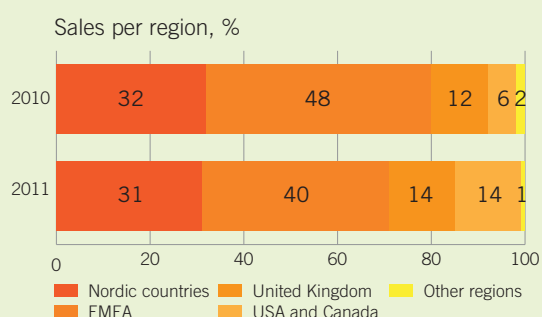
Further detailed terms for the issue of new warrants is available at [www.doro.com](http://www.doro.com).

## Business units

Effective from January 1, 2010, Doro reports its operations according to the following geographical regions: Nordic; UK; EMEA (Europe, the Middle East and Africa); USA/Canada and others.

## Regions

|                  | Nordic                 |       | EMEA                 |      | UK                         |       | USA/Canada                           |        | Other regions |       | Total |       |
|------------------|------------------------|-------|----------------------|------|----------------------------|-------|--------------------------------------|--------|---------------|-------|-------|-------|
|                  | SEK m                  | %     | SEK m                | %    | SEK m                      | %     | SEK m                                | %      | SEK m         | %     | SEK m | %     |
| Sales/growth     | 232.6                  | +13.8 | 297.2                | -1.3 | 104.3                      | +37.1 | 104.0                                | +160.0 | 7.3           | -34.2 | 745.4 | +17.8 |
| EBIT/margin      | 34.9                   | 15.0  | 22.0                 | 7.4  | -0.8                       | -0.8  | 7.9                                  | 7.6    | -2.0          | -27.4 | 62.0  | 8.3   |
| Main customers   | 20:20 Mobile<br>Elkjöp |       | Orange France<br>IVS |      | Orange UK<br>20:20 Ireland |       | Consumer Cellular<br>Rogers Wireless |        |               |       |       |       |
| Main competitors | Emporia<br>ZTE         |       | Emporia<br>ZTE       |      | Geemarc<br>Emporia         |       | Jitterburg<br>Sendo                  |        |               |       |       |       |



## Product development and development costs

Doro carries out product development and design projects together with different external partners. Besides development costs within our own acquired companies, most of the costs are usually absorbed by the manufacturing partner. In many cases, these costs are part of Doro's acquisition values for products. Doro contracts design companies from various countries and these costs are either fixed or variable.

Doro also sometimes buys technology from external companies. Doro invests in molding tools and design protection to protect the design of products. These are activated until such time as the first product is ready for delivery and depreciation is starting.

The Group's development costs for 2011 were SEK 25.9 m (16.4), mainly due to the broadening of the GSM portfolio.

At the end of 2011, Doro had no patents registered but Doro does have the right to use patents regulated by agreements. Doro has registered the brands Doro, Care Electronics, Doro PhoneEasy, Ergonomic Sound, Airborne, Audioline and Atlatel. A number of product names, patterns and figures are also protected. During the year three patent applications was filed according to the company's patent processes.

## Investments

Investments are made in design, molding tools, certification processes, control equipment, inventory, computers and software systems. Investments amounted to SEK 21.2 m (20.6). See Accounting Principles.

## Acquisitions

In 2011 Doro acquired two French companies.

Doro acquired Prylos SAS with 12 employees in Paris. The company offers an Android-based platform for Doro's new product launches, as well as a focused development team

within senior telecom solutions. The purchase price for the company amounted to EUR 1.47 million and was paid in cash.

An additional purchase price of approximately EUR 0.2 million can be paid provided certain significant and well-defined sales targets are met during a three-year period.

Doro acquired Birdy Technology SAS as well, partially by way of an issue in kind. The company, established in 2008, had two employees. As its main product, the company developed a fixed GSM gateway which, via the mobile network connects various sensors such as fall sensors, wrist alarms, smoke detectors, etcetera to a call center when the sensors are triggered. The purchase price for Birdy Technology amounted to approximately EUR 1.29 million, of which about EUR 0.61 million was paid in cash to non-executive shareholders and EUR 0.68 million in the form of 241,543 newly issued Doro shares to Birdy's former CEO Xavier Corbin in exchange for his shares in Birdy Technology. The share issue, which resulted in a dilution of 1.3 percent, was made in accordance with the authorization to Doro's Board of Directors approved by Doro's 2011 Annual General Meeting. An additional purchase price of approximately EUR 0.46 m but not totaling more than EUR 0.6 m will be paid to Xavier Corbin provided that certain significant and well-defined sales targets are met during a three-year period.

The acquisitions will support Doro's growth strategy, which includes expanding into mobile health solutions. The effect of the acquisitions on Doro's financial position and earnings in 2011 was marginal.

## Legal processes

During 2011 Doro was involved in four disputes. A detailed account is given in Note 22.

Doro has a commercial dispute with a former distributor



concerning stocks. The value of the stock is SEK 2.7 m, which has been completely written down. Doro await the final decision from the court of Madrid. No further costs are expected.

The German court Landgericht issued a ruling preventing German manufacturer ITM Einkaufs GmbH from selling a model similar in design to Doro's phones. The court found that the phone represented an encroachment on one of Doro's registered designs for its PhoneEasy® 410gsm model.

In an injunction imposing a considerable fine for infringement, the German Landgericht Hamburg court prohibited Emporia Deutschland from holding, selling, using, importing or exporting in, to or from the European Union a clamshell mobile phone. The phone was reminiscent of Doro's equivalent products and thus constitutes an infringement of Doro's registered design rights.

In a preliminary ruling, a Polish court has forbidden the Polish company TelForceOne from manufacturing, launching, importing, exporting or via any other channel, including the Internet, advertising mobile phones labeled DURO. The prohibition refers to mobile phones having keypads of a particular appearance that is similar to Doro designs.

### Quality

Regular, quarterly, follow-ups of suppliers' quality take place with the help of the Doro scorecard. This focuses on the suppliers' plant processes and stipulates escalation points in terms of reported quality shortfalls and how these are to be remedied. For all potential new suppliers an on-site assessment is conducted including an initial evaluation linked to Doro's "Code of Supplier Conduct". Product quality is also checked continually by assessing individual batches.

### Regulations

Doro's Quality and Regulatory Manager validates the company's products to ensure that they meet the prevailing legal requirements in the relevant markets and correspond to technical specifications and environmental regulations.

### Dividend and financial targets

The Board has set a long-term target of 10 percent for the operating margin.

The Board has furthermore adopted an annual sales growth target of 20 percent over the coming years.

The Board has proposed a dividend of SEK 1.00 per share to be paid in 2012, the second dividend payout since the year 2000.

The Company's long-term target is to pay a dividend of approximately one third of the net profit after tax.

Finally, the Board has set a maximum debt/equity-ratio of 1.0 (interest bearing debt/equity). At present, Doro holds a net cash position, and, thus a strong financial base and readiness to finance growth through investments, either organic or via acquisitions.

### Financial overview

The Group issues regular financial reports providing regular quarterly data for the following:

- income statement,
- statement of comprehensive income,
- statement of financial position,
- statement of cash flow,
- statement of changes in equity,
- quarterly summary, and
- five-year summary.

### Quarterly reports

The Board has determined the following publication dates for quarterly reports in 2012:

|                   |                   |
|-------------------|-------------------|
| January–March     | May 11            |
| January–June      | August 21         |
| January–September | November 8        |
| Year-end report   | February 13, 2013 |

The quarterly reports will be published on [www.doro.com](http://www.doro.com).

### Parent Company

In addition to Group Management and finance staff, the Parent Company, Doro AB, provides service functions for the rest of the Group.

Marketing and product development are coordinated by the Parent Company, as well as product and quality department which monitors design and tooling issues, as well as quality assurance for deliveries. Purchasing and logistics is also coordinated by the Parent Company responsible for material flows within the Group.

Doro AB reported sales of SEK 733.7 m (627.4). The profit after financial items was SEK 56.1 m (35.2).

Doro AB is responsible for the majority of the subsidiaries' financing. At year-end Doro AB was net debt free, with a net cash of SEK 133.8 m (73.1). Shareholders' equity was SEK 157.2 m (115.2).

### Risks

Doro's risks and uncertainty factors are mainly related to supplier interruptions, customer relations and exchange rate fluctuations. Doro's financial risk management can be seen in Note 23. Other risks are explained below.

### Price risks

Doro is primarily active in telecommunications and is affected by the general price reductions and cost trend in the consumer electronics industry. This means that sales prices could fall faster than the manufacturing prices.

Doro works proactively with forecasting tools and stock monitoring programs. The company cooperates with suppliers, enabling good flexibility based on forecasts converted into purchase orders. Altered demands from the authorities or technological advances can mean that products in stock will have a significantly lower sales value than expected.

### Loan financing

Doro currently has no net debt. In the event that the company would need to increase its borrowing, it has well established relations with selected banks.

### Cash flow risks

Doro's cash flow from operating activities is usually negative during the first six months of the year and positive in the final quarter. Credit volumes are adjustable to be able to meet these fluctuations.

### Sensitivity analysis

Doro is affected by different factors and the following effects arise following a 1 percent change in different variables (SEK m): The analysis is made in a static environment. In reality, a drop in the USD rate can, for example, lead to lower prices for

|               | 2011  | 2010  |
|---------------|-------|-------|
| Price change  | +/- 4 | +/- 3 |
| Volume change | +/- 3 | +/- 3 |
| USD rate      | +/- 3 | +/- 2 |

customers while an increase can be offset by a slight delay.

Due to the increased volatility in the currency markets in 2008, Doro's Board approved a more active treasury policy in December 2008. The purpose of the policy is to reduce short-term risk exposure for Doro from having income and costs in different currencies. Net currency flows are hedged with currency forward contracts. The hedge policy is expected to partly offset the sensitivity described in the table to the left.

The treasury policy has reduced the risk in Doro's pricelist remarkably.

### Competition risks

Doro is active in competitive markets. The division into different market segments is a means of meeting the competition. Furthermore, Doro continuously runs programs to develop consumer insight, to be first in developing differentiating factors and to increase productivity. The development of the brand and its familiarity among seniors also represents an asset that differentiates Doro from its competitors.

### Credit risks

In recent years Doro has experienced very low credit losses, due to the fact that the main customer group is large businesses groups with regular trade. In 2011 Doro had confirmed bad debt loss of SEK -0.1 m (0.3), with no impact on the Income Statement.

In 2009 and 2008 Doro had no confirmed losses. The largest customer accounts for 11 percent of the Group's sales. Doro operates without credit insurance in most countries.

### Complaint risks

Complaint risks concern costs for correcting faults that arise in the products supplied by Doro. Guarantees usually cover 12-24 months. Different allocation requirements are made for the outstanding guarantees. Comprehensive quality assurance has improved quality in recent years.

### Insurance risks

Doro has a coordinated insurance portfolio. A general policy has been established in consultation with external experts regarding the components of the portfolio, the amounts involved and the distribution of risk between the Parent Company and subsidiaries.

### Political risks

Political risk is seen as the risk when authorities in different countries create difficulties for business. All manufacturing is carried out in Asia (this also applies to virtually all competitors). All sales are carried out in stable countries.

### Environmental risks

This risk may be considered to correspond to the cost that may incur in reducing its environmental impact. Doro has no manufacturing units of its own. Doro actively complies with new environmental directives. So far Doro has not had any problems meeting different forms of fees for recycling electrical waste, packaging and used batteries.

### Legal disputes

This risk is seen as the cost that may be incurred by Doro for running various legal processes and any costs incurred in relation to third parties. In 2011, Doro was involved in four disputes. Extra legal advice has been sought as a preventative measure, resulting in no new disputes.

### Additional disclosure in accordance with Chapter 6, Section 2a of the Annual Accounts Act

The 2011 Annual General Meeting resolved to authorize the Board to make a decision to issue a total of at most 1,900,000 shares, entailing an increase in share capital of at most SEK 1,900,000, corresponding to a dilution of approximately 10 percent of the company's share capital and total voting rights. The authorization applies until the 2012 Annual General Meeting.

In accordance with the mandate given by the AGM in 2011, 241,543 shares were issued in connection with the acquisition of Birdy Technology.

### Annual General Meeting

The Annual General Meeting will be held at 3 p.m. on March 21, 2012 at the Scandic Anglais, Humlegårdsgatan 23, 102 44 Stockholm, Sweden.

### Proposed disposition of accumulated profit

The Board proposes that the accumulated profit in the Parent Company of SEK 81,871,048.25 disposes a dividend (SEK 1.0 per share) of SEK 19,349,174.00 to the shareholders and SEK 62,521,874.25 to be carried forward as retained earnings.

### Expected future developments

Doro's sales growth is expected to continue. Investments in new product development will increase in 2012. No profit forecast is given at this point of time.

### Events after the end of the financial year

After having been awarded a Mobile d'Or in December, Doro's easy-to-use mobile phone, the Doro PhoneEasy® 615 has in January received the Janus de la Santé Award.

On January 17, the Landgericht Hamburg court in Germany upheld the previous preliminary ruling of September 7, 2011. In that ruling, Doro's competitor, Emporia Deutschland, was forbidden, subject to a considerable fine, from holding, selling, using, importing or exporting a clamshell mobile phone model with a certain appearance and marketed under the Telme brand.

# Sustainable operations

*Our products and solutions help make everyday life simpler and more secure for our end-customers – seniors. We also work to secure and underpin the long-term sustainable development of our operations in a responsible and honest way. In this way, we earn the trust of all of our stakeholders, from shareholders and other parts of the capital market, via our employees and suppliers, to customers and society. This is an important aspect in our success and we therefore maintain a perspective of sustainability in all of our decisions and processes.*




Jérôme Arnaud, President and CEO.

## DORO'S RESPONSIBILITY FOR PEOPLE

Doro's core values are Trust, Care and Ease. They pervade Doro's corporate culture and act as guiding principles in Doro's product development and interaction with employees, customers and end-users. In a sector undergoing rapid change, Doro must understand the changing needs of different end-users and have the flexibility necessary to be able to deliver the best easy-to-use products.

**Trust** is about always delivering what we promise.

**Care** is about being empathetic and attentive to the needs of others.

**Ease** is about doing all we can to make everyday life a little easier.

## Recruiting, retaining and developing

Recruiting, retaining and developing the individuals who bring the right kind of expertise and attitude is therefore crucial. For this reason, Doro attaches considerable importance to the satisfaction and development of its personnel.

Among other measures, all of Doro's employees have been offered warrants granting them the right to acquire shares at the target price of SEK 35.30.

## Great potential for development

Doro aims to keep paths for decision making short and has the objective that each individual should feel involved in, and responsible for, the development of the company. In Doro's flat organization, responsibilities and authority are delegated, requiring that employees work with a large measure of freedom. One advantage with Doro's organization is that salespeople, product developers and marketers live close to customers and suppliers – an aspect that is increasing in importance as joint

development projects increase in number and are completed quicker. Another advantage is that Doro among its employees have persons from diverse origin, speaking a variety of languages and understanding different cultures.

It is Doro's explicit ambition to give its employees the room and resources to grow, both in their current positions and through opportunities for advancement.

With operations in more than 30 countries, Doro has a large number of interfaces with suppliers, retailers and customers. Today, the exchange of experience and competence between the various companies is relatively well developed and the ambition is to formalize training activities, primarily in sales methods and product development.

## DORO'S ENVIRONMENT RESPONSIBILITY

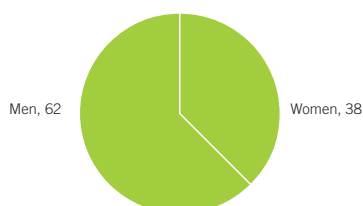
Doro shall conduct its operations in a responsible manner. Doro's product development focuses on creating products offering high performance combined with improvements in terms of energy consumption, ergonomics, user friendliness, recycling and straightforward service.

Doro markets and sells products whose use and recycling are covered by directives and legislation in the area of environment. Customers' environmental commitment is growing steadily, continuously changing the requirements made of Doro's suppliers.

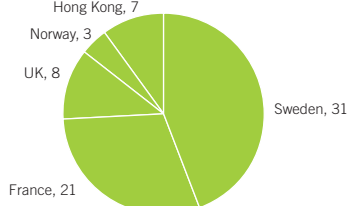
Doro's quality and environmental manager is responsible for ensuring that Doro follows applicable legislation and regulations. In addition, there is an individual responsible for environmental issues in each country where Doro operates to ensure that local environmental legislation is followed.

For Doro, quality and respect for the environment and people are the cornerstones of Doro's success. It is on this foundation that Doro builds the Group's long-term profitability.

Gender distribution, %, 2011

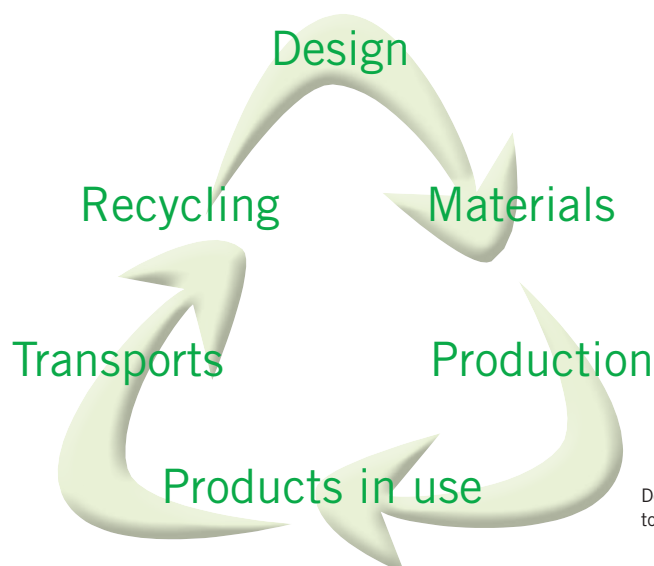


Employees per country, 2011



Sales per employee, SEK m/person





Doro has a holistic approach to the products' life cycle.

### Design

The development of mobile telephony in the consumer market has created smaller and more efficient models. Weight has decreased, the number of components and the amount of material have been reduced and batteries have been improved.

### Materials

Doro seeks to use materials with the least possible impact on the environment. As more environmentally sound materials are developed, we assess whether they can replace those currently used.

Registration of chemicals through REACH<sup>1)</sup> concerns importers or manufacturers of chemical substances. As an importer of products reaching their final technical specification and form at plants outside EU and since these products do not emit any chemical substances during normal use, Doro is not required to register or report its use of any chemicals. However, the products shall comply with the information requirements within REACH's SVHC section<sup>2)</sup>. These requirements do not impose any limits per se but do demand that distributors and users be informed.

A number of EU directives relate to Doro's operations. The more extensive of these include the directive on the restriction on the use of certain hazardous substances, RoHS<sup>3)</sup>, from 2006.

### Production

Doro has no business activities that require environmental licenses. Doro does not own any production units. Comprehensive cooperation takes place with a number of factories where production services are purchased. During factory inspections, environmental demands are set according to regulations and our supplier score card. An increasing number of factories are working with different environmental programs and intend to apply for ISO 14000 certificates.

### Products in use

Two other directives have a certain bearing on Doro's operations, the first being the energy-related products directive, ErP<sup>4)</sup>. For Doro, this involves safeguarding ecological design, an energy efficient production process and low energy consumption in battery chargers and external power supply units.

Mobile telephones are now also covered by the nickel directive, which limits the amount of nickel that may be released during normal contact with skin.

The first part of the ErP directive came into force in April 2010 and the second step was taken in April 2011. Doro's products meet the requirements.

### Transports

In its own operations, Doro seeks to minimize its external impact on the environment through the efficient use of resources at all levels. Product and packaging logistics are optimized through a continuous focus on planning and review of volume requirements regarding packaging and instructions. As far as can be justified by business considerations, Doro uses environmentally certified suppliers and transport companies.

### Recycling

Another directive affecting Doro's operations is that dealing with waste of electrical and electronic equipment WEEE<sup>5)</sup> and the directive from 2008 concerning batteries, which entails importers of batteries being required to bear the costs associated with battery waste.

As an importer, Doro must also ensure that all battery cells are labeled in accordance with the directive. This was fully implemented in our production well in advance of the introduction of the directive.

Doro is also part of the packaging industry's own recycling organization.

### Doro's Eco functionality reduces environmental impact

The green Eco functionality label found on Doro's new cordless telephones represents part of our commitment to enhance environmental awareness among customers. The objective of these efforts is to reduce the environmental impact of our products. The label helps consumers locate products that follow stringent environmental requirements.

For a cordless phone to be awarded the Eco Functionality label, it must offer lower than average consumption both in use and in standby mode. Energy consumption must also be automatically adjusted between the handset and the base station.



- 1) Registration, Evaluation, Authorization and restrictions of Chemicals.
- 2) Substances of Very High Concern.
- 3) Restriction on the Use of Certain Hazardous Substances.
- 4) Energy-related Products.
- 5) Waste of Electric and Electronic Equipment.

## DORO'S ETHICAL RESPONSIBILITY

Doro operate its business with honesty in all regards and with great integrity and respect for the integrity of others. This is an important cornerstone of our operations.

Clear guidelines apply to all of Doro's employees as well as the suppliers in the form of Doro's code of business ethics that is based, among other sources, on the generally accepted principles of the United Nations. Each manager must ensure that all employees for whom he/she is responsible are aware of these rules and adhere to them.

Doro requires also that suppliers sign, in conjunction with the supplier score card, a special declaration regarding good corporate social responsibility. This declaration includes a large number of requirements regarding child labor, forced labor, the working environment, remuneration levels, working hours and the right to union membership.

As of 2008, Doro is conducting third party audits to ascertain compliance with its policies. In the event of a breach of contract, Doro has the right to immediately discontinue all association with the supplier. Regular inspections in this regard are also conducted at all plants.

### Doro's business ethics

Doro's Ethical Code provides guidance to both employees and suppliers to ensure responsible behavior towards all of our stakeholders.

With regard to Doro's employees, we focus in particular on:

- Working environment
- Labor rights
- Compensation and development
- Conflicts of interest
- Employee consultation

With regard to Doro's customers, we focus on:

- Customer satisfaction
- Product quality
- Gifts and favors

With regard to Doro's suppliers, we focus on:

- Gifts and favors
- Human rights
- Environmental issues

With regard to society, we focus on:

- Legal compliance and local customs
- Community involvement and contributions
- Environmental impact

With regard to Doro's shareholders, we focus on:

- Communicating with shareholders

The complete text of Doro's Ethical Code is available at [www.doro.se](http://www.doro.se).

Doro cooperates with mobile operators and vendors through GSM World to develop energy-efficient infrastructure and to ensure that their customers use energy-efficient handsets. Examples of these activities include:

- Designing low-energy base station sites.
- Deploying base stations powered by renewable energy.
- Implementing infrastructure optimization and sharing.
- Reducing mobile device lifecycle emissions through design and recycling.





# A responsible governance

*The trust of the market, our shareholders and the general public is crucial to Doro's continued success. An important channel by which this is achieved entails clear and open reporting of the governance and control of operations with the best interests of all owners in mind, without for that matter revealing any business secrets. This and continuous information regarding ongoing measures and the results of operations forms the basis on which both existing and new shareholders can feel secure with their investment. Just as important is to continuously ensure that all decisions and process support coordinated and well-functioning operations with carefully balanced risks and opportunities always associated with commercial operations. I am pleased that we can achieve this with an effective Board that collaborates with the company's management and other employees in an excellent fashion. This forms the basis of the aggressive efforts of the Board to enhance the value generation that has characterized Doro over the past year, despite the environment of global economic turbulence.*



Bo Kastensson, Chairman of the board.

Doro AB is incorporated under the laws of Sweden with a public listing on the OMX Nasdaq Stockholm. The governance of Doro is based on Swedish legislation and regulations primarily the Swedish Companies Act, but also the rules of Nasdaq OMX Stockholm, the Swedish Code of Corporate Governance (the Code) and other relevant rules. In addition, governance follows the Articles of Association, internal instructions and policies and recommendations issued by relevant organizations. This corporate governance report has been prepared by the Board of Directors of Doro AB in accordance with the Swedish Annual Accounts Act and the Code. It does form part of the formal Annual Report and it has been reviewed by the company's auditors.

## Shareholders

Doro had 6,114 shareholders according to the 2011 year-end shareholders register published by Euroclear Sweden AB. Foreign investors held about 35.4 percent of the shares. The number of shares in Doro AB at year-end 2011 amounted to 19,349,174 shares. Doro's market capitalization as of December 31, 2011, was SEK 528.2 m.

The largest single owner with holdings above 10 percent of shares is Nordea Investment Funds with 10.4 percent.

## Swedish Code of Corporate Governance

The Code is applicable to all companies which are listed on the OMX Nasdaq Stockholm. The aim is to improve corporate governance in listed companies and foster trust in companies both among the general public and in the capital market. The Code is based on the "comply or explain" principle, which means that it is possible to deviate from the Code provided that an account is given of the chosen alternative solution and the reasons for the deviation. The Code is available on the website [www.bolagsstyrning.se](http://www.bolagsstyrning.se).

## Annual General Meeting

The Annual General Meeting is the company's highest decisionmaking institution. The Annual General Meeting appoints the Board and Chairman of the Board for Doro AB. It also appoints the auditors of the company.

The Annual General Meeting also decides how profits or losses are to be appropriated. Other issues that arise are issues that are mandatory items under the Swedish Companies Act. The Annual General Meeting shall be held within six months of the close of the financial year. Shareholders who are registered in the company's share register, and who notify the company of their participation, are entitled to participate in the Annual General Meeting.

## Nominating procedure

The Annual General Meeting decides on the members of the company's Nomination Committee. The Nomination Committee's task is to submit proposals for Board members and auditors and their fees as well as fees for work on the Board committees to the next Annual General Meeting, at which the Board and auditors are due to be elected. The Nomination Committee also proposes the chair of the AGM.

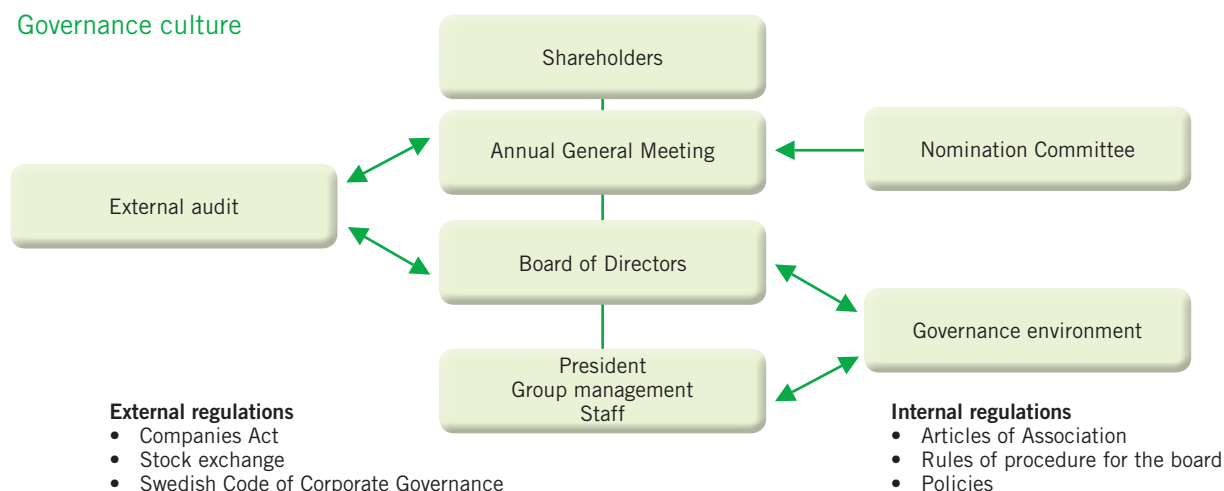
The Nomination Committee consists of Tedde Jeansson who is elected Chairman of the Nomination Committee, Arne Bernroth and Bo Kastensson (Chairman of Doro AB).

## Board of Directors

The Board of Directors of Doro AB consists of the CEO and four other members elected by the Annual General Meeting on March 23, 2011. A more detailed presentation of each member is given on page 32.

The Vice President & CFO Annette Borén is co-opted to the Board as its secretary. Other company executives take part in Board meetings in a reporting capacity.

## Governance culture



## Board meetings

The Board held 14 meetings in 2011, four times at Doro's premises in Lund, Sweden, one time at Doro's premises in Paris, France, three meetings were held in Stockholm, Sweden and two other meetings were held in other locations in Sweden. In addition, four meetings were held by telephone. Attendance was very good.

Annette Borén, Vice President & CFO and Board Secretary, has been present at almost every meeting.

The Board continually addresses subjects such as the business situation, the budget, periodical accounts and cost efficiency.

Each Board meeting was governed by an approved agenda. Supporting documentation for the agenda items as well as a list of outstanding issues from previous meetings was distributed to the Board Members prior to each meeting a week in advance.

Meetings of the Remuneration and Audit Committees have

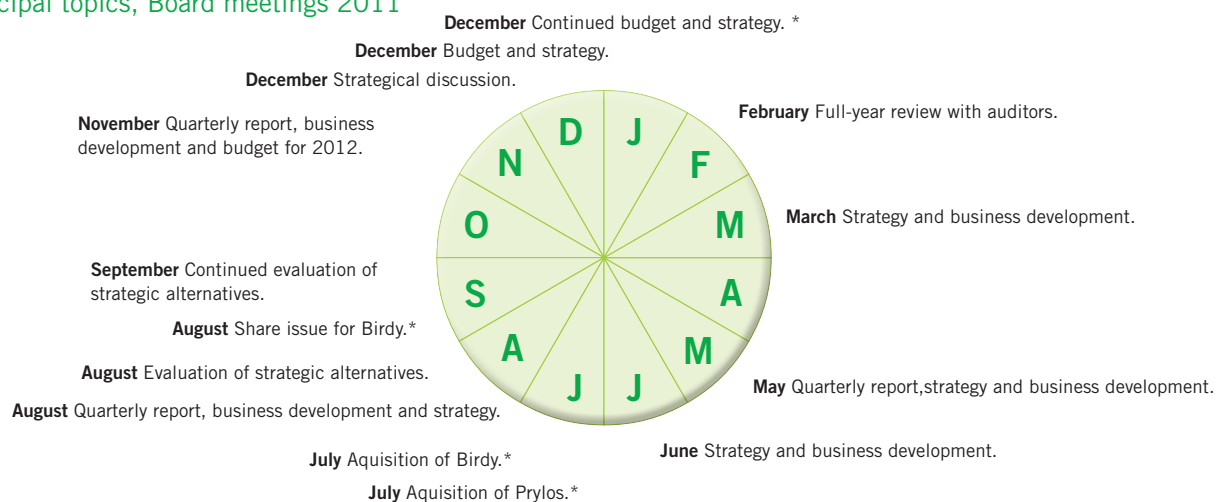
been reported to the Board and the corresponding minutes have been distributed. Each month, the previous month's results are sent out along with comments.

## Rules of Procedure for the Board

The Rules of Procedure for the Board apply for the work to be carried out by the Board of Doro AB. The rules of procedure are based on the Articles of Association, the Swedish Companies Act and the Code. The Board's field of work covers the entire Doro Group.

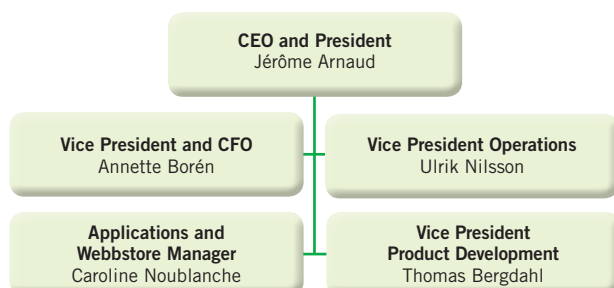
The field of work also includes Doro's relations to shareholders, the general public, authorities and other organizations and interested parties. The Board is responsible to the Annual General Meeting in accordance with the fiduciary duties and the duties of care, which are placed on the Board by the rules of procedure and by applicable laws and regulations. The Board is responsible for the implementation of the resolutions of the Annual General Meeting and the business objectives

## Principal topics, Board meetings 2011



\*) Telephone conferences.

## Doro's corporate organization



set out in the Articles of Association. The Board has the authorities granted by the Articles of Association and the Swedish Companies Act.

### Distribution of work between Board and CEO

The Board appoints the Chief Executive Officer (CEO) of the company. The distribution of work between the Board and CEO is indicated in the Board's rules of procedure and the CEO instructions. These state that the Board is responsible for the governance, supervision, organization, strategies, internal control and policies of the company. In addition, the Board decides on major investments and matters of principle relating to the governance of subsidiaries, as well as election of Board members in subsidiaries and the CEO.

The Board also establishes the quality of the financial reporting. The CEO in turn is responsible for ensuring that the company is administered in accordance with Board's guidelines and instructions.

In addition, the CEO is responsible for budgeting and planning the company's operations so that specified goals are attained. The CEO ensures that the control environment is good and that the Group's risktaking at any time is compatible with the Board's guidelines. Any deviations have to be reported to the Board. The Board also receives regular information from the CEO every month through a monthly report.

### Remuneration Committee

The Board as a whole bears responsibility for remuneration issues and other employment terms for senior executives and three of the heads of subsidiaries. The Chairman of the Board approves principles for remuneration to the management reporting to the CEO. Employment terms for eight people are dealt with.

The fees paid to the Board are decided each year at the Annual General Meeting. Proposals for fees are discussed beforehand by the Nomination Committee. On the other hand, the Board decides on the remuneration of the CEO.

A special Remuneration Committee, appointed by the Board consists of Bo Kastensson and Karin Moberg.

The Remuneration Committee held its first meeting on February 11, 2011 to decide on 2011 principles.

Both members were present at the meeting. A second meeting was held on November 8, 2011 to discuss 2012

principles, both members were also present at this meeting. The meetings were minuted and reported at the next Board meeting.

### Remuneration

Fees paid to the Board during the financial year totaled SEK 600,000, in accordance with a decision of the Annual General Meeting. Of the Board's total fee, SEK 300,000 was paid to the Chairman of the Board.

The company's CEO received salary totaling SEK 3,337,000 during the equivalent period. Bonus 2011 amount to SEK 1,943,000. Salary received by the other four members of senior management totaled SEK 3,808,000. Bonuses for these four members 2011 amount to SEK 1,558,000. All members of senior management, as well as the CEO, receive the additional benefit of a car. Annual General Meeting held on March 23, 2011 decided on guidelines for senior management pertaining to the year 2011.

Under the contract of employment with the CEO, the mutual termination notice period is 12 months.

In the event of termination by the company, 12 months' salary is payable. Applicable salary, bonus and benefits are payable during the period of notice. One other members of senior management also has equivalent agreements relating to periods of notice. The members of the Board decide on the remuneration of the CEO.

### Governance of subsidiaries

The six wholly-owned active subsidiaries Doro A/S, Doro SAS, Doro UK Ltd, Doro Hong Kong Ltd, Doro Inc and Doro Incentive AB are governed by their own boards in the country concerned, principally consisting of representatives of Doro AB in Sweden. The CEO of Doro is the Chairman in each subsidiary, except in Doro SAS France where Bo Kastensson is the Chairman. These subsidiaries report to the Board of Doro AB in Sweden at every meeting. This report also includes the results of operations and financial position of the company concerned.

### Financial Committee

The Financial Committee consists of Chairman of the Board Bo Kastensson and the Board member Jonas Mårtensson together with the company's CEO Jérôme Arnaud and Vice President

& CFO Annette Borén. The committees' tasks are primarily to provide the Board with proposals regarding interim reports as well as acquisitions and Group financing.

### Inspection and Auditing

The Board of Directors has ultimate responsibility for ensuring that the company has a satisfactory system for internal control and for preparing reliable financial statements.

It is the responsibility of the Board of Directors and the management to monitor and identify the business risks and to guide the company to tackle the most significant risks.

In summary, the Board of Directors is responsible for the management of the company.

The auditors inspect how the company is managed by the Board of Directors and the CEO, as well as the quality of the company's financial statements.

The registered auditing firm of Ernst & Young AB was elected as auditor at the 2011 Annual General Meeting with a mandate period of one year. Göran Neckmar is the chief auditor.

Fees for audit engagements in the Group in the last three years totaled SEK 600,000, SEK 1,000,000 and SEK 1,200,000 respectively.

### Audit Committee

The scope and focus of the audit are presented by the company's auditor. A review is carried out based on the quarterly report from September 30 and the result of this is reported at the audit meeting with the Audit Committee.

In 2011, the Audit Committee consisted of Board members Bo Kastensson, Karin Moberg, Jonas Mårtensson and Charlotta Falvin. One meeting was held on February 11 and one meeting was held on November 8. The meetings were minuted in the same minutes as for the Board meeting held at the same time.

All members were present at the meetings, which were also attended by the auditor Göran Neckmar.

The Audit Committee fulfils the guidelines regarding independence in the Swedish Companies Act.

The Committee's primary task is to support the Board in fulfilling its responsibilities in the areas of audit and internal control, accounting and financial reporting. Work in 2011 focused on follow-up of the 2010 audit and the hard close audit carried out as of September 30, 2011. In addition, the third quarter interim report (for the period up to and including September 2011) was reviewed by the committee and certain risk areas were monitored.

### Internal control

An important part of the control environment is that the organizational structure, the decision hierarchy and the authority to act are clearly defined and communicated in guiding documents. Please refer to page 31 for the Board's report on internal control.

The group-controller is responsible for escalating formal issues to Vice President & CFO. Considering the limited size of the finance department, the company has decided to not retain an internal auditor.



# Internal control

## The Board's report on internal control for the financial year 2011

According to Swedish Law for corporate governance, the Board must ensure that the Company has good internal control and remains informed about and evaluate the functioning of the Company's system for internal control. In addition, the Board shall produce a report showing how internal control regarding the financial statements is organized and, if there is no internal audit, evaluate the need for such a function and justify their position.

## Control environment

Control environment with the aim of creating and maintaining a working control environment, the Board has established a number of fundamental documents that are important for financial statements. These specifically include the Board's approved agenda, instructions for the President and the committees. The primary responsibility for enforcing the Board's instructions regarding the control environment in the daily routines resides with the President. He reports regularly to the Board as part of established routines. Furthermore, there will be reports from the Company's auditors.

The internal control system also builds on a management system that is based on the Company's organization and methods of running the business, with clearly defined roles, areas of responsibility and delegated authorities. The controlling documents also play an important role in the control structure e.g. policies and guidelines.

## Risk Assessment

The Group carries out an ongoing risk assessment for identifying material risks regarding the financial statements.

With regards to the financial statements, the main risk is considered to comprise material misstatements in the accounts e.g. regarding book keeping and the valuation of assets, liabilities, income and expenses or other discrepancies.

Fraud and losses through embezzlement are a further risk. Risk management is built into each process and different methods are used for evaluating and limiting risks and for ensuring that the risks that Doro is exposed to are managed in accordance with determined policies, instructions and established follow-up routines. The purpose of this is to minimize possible risks and promote correct accounting, reporting and the release of information.

## Control Activities

These are intended for managing the risks that the Board and the management consider to be significant for the business, the internal control and the financial statements.

The control structure partially consists of clear roles within the organization which facilitate effective distribution of responsibilities for specific control activities with the aim of discovering and, preventing the risk of errors in the reports in time. Such control activities can be clear decision making and decision processes for major decisions such as larger investments, divestments, agreements, analytical follow-ups etc.

An important task for Doro's staff is also to implement, further develop and enforce the Group's control routines and to implement the internal control for dealing with critical

business matters. Those responsible for the process at different levels are responsible for implementing the necessary controls regarding the financial statements. In the annual accounts and reporting processes there are controls pertaining to valuation, accounting principles and estimates.

The continual analysis made of the financial statements, together with the analysis made at Group level is very important for ensuring that the financial statements do not contain any material misstatements.

The Group's controller plays an important role in the internal control process, having the responsibility for the financial statements from each unit being correct, complete and on time.

## Information and communication

Doro works together with the IR Company RHR/CC that aims to promote completeness and correctness in financial reports released to the stock market. Through regular updates and messages, the employees concerned are made aware of, and have access to, information about changes to accounting principles and reporting requirements or other released information. The organization has access to policies and guidelines.

The Board receives financial reports monthly. The external information and communication is notably governed by the Communication Policy, which describes Doro's general principles for the release of information.

## Follow up

Doro's adherence to the adopted policies and guidelines is followed-up by the Board and the Executive management. The Company's financial situation is discussed at each Board meeting. The Board's Remuneration and Audit Committees play important roles with regards to for example, remuneration, financial statements and internal control.

Before publication of Interim Reports and Annual Reports, the Board reviews the financial statements.

Doro's management conducts a monthly follow-up of results with analyses of deviation from budget, forecast and previous years. All monthly accounts are discussed within the Management Team. The external auditors' tasks include an annual review of the internal control in Group subsidiaries.

The Board meets with the auditors two times each year, partly to go through the internal controls and partly, in specific cases, to give the auditors additional tasks to undertake specifically targeted internal controls.

Against this overall background, the Board does not consider it necessary to establish a special internal audit.

Lund, February 27, 2012

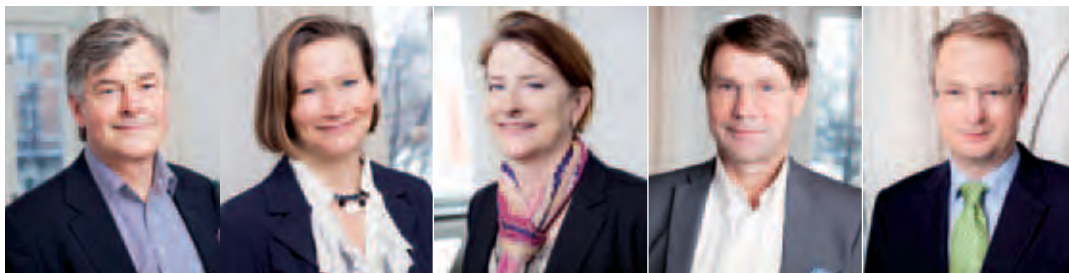
The Board of Doro AB

Please find additional information on [www.doro.com](http://www.doro.com):

- Articles of Association
- Information from previous Annual General Meetings (notification, minutes etc.)
- Annual Report
- Presentations



# The Board



| Name   | Bo Kastensson   | Charlotta Falvin  | Karin Moberg   | Jonas Mårtensson  | Jérôme Arnaud                              |
|--|---|---|--|---|--|
| <b>Position</b>                                  | CEO Kastensson Holding AB   |   | Founder and Managing Director of FriendsOfAdam   | Partner in Altied AB  | President and CEO, Doro AB                 |
| <b>Qualifications</b>                            | Bachelor of Arts, Lund University   | Master of Science in Business administration  | Bachelor of Science in Economics   | Bachelor of Science in Economics, Stockholm School of Economics   | Master of Science, École Centrale de Paris |
| <b>Year elected</b>                              | 2006  | 2011  | 2009   | 2007  | 2007                                       |
| <b>Born</b>                                      | 1951  | 1966  | 1963   | 1963  | 1963                                       |
| <b>Nationality</b>                               | Swedish   | Swedish   | Swedish  | Swedish   | French                                     |
| <b>Other assignments</b>                         | Chairman:<br>• Coromatic Group AB<br>• Ikivo AB<br>• Axema Access Control AB<br>Boardmember:<br>• Pricer AB<br>Industrial Advisor EQT | Chairman:<br>• Teknopol AB<br>Boardmember:<br>• Axis AB<br>• MultiQ International AB<br>• Sydsvenska Handelskammaren<br>• Fasiro AB | Chairman:<br>• Caretech AB<br>Boardmember:<br>• Sjunde AP-fonden<br>• IAR Systems Group AB<br>• SBAB | Chairman:<br>• Ownpower Projects Europe AB<br>• Transticket AB<br>Boardmember:<br>• PAN Vision AB<br>• Deltaco AB<br>• IAR Systems Group AB |  |
| <b>Dependence<br/>- Company<br/>- Owners</b>     | No<br>No  | No<br>No  | No<br>No   | No<br>No  | Yes<br>No                                  |
| <b>Previous experience</b>                       | Former CEO of Bewator Group, Incentive Development and various positions Axel Johnson Group   | VD TAT, VD Decuma, COO Axis   | Managing Director Telia e-bolaget, Marketing Director and Communications Director TeliaSonera        | 17 years of experience in corporate finance at SEB Enskilda, Maizels, Westerberg & Co and Nordea  | Matra Nortel Communications                |
| <b>Own and related party holdings 2011</b>       | 506,000 shares (through companies)  | –   | 20,000 shares  | 165,000 shares (through company)  | 147,004 shares<br>200,000 warrants         |
| <b>Own and related party holdings 2010</b>       | 956,000 shares (through companies)  | –   | 20,000 shares  | 165,000 shares (through company)  | 472,004 shares                             |
| <b>Attendance Board</b>                          | 14/14   | 11/11   | 14/14  | 14/14   | 14/14                                      |
| <b>Attendance Audit committee Rem. committee</b> | 2/2<br>2/2  | 1/2   | 2/2<br>2/2   | 2/2   |  |
| <b>Remuneration Board</b>                        | 300,000   | 100,000   | 100,000  | 100,000   | –  |

## Auditor: Göran Neckmar.

Authorized accountant, Ernst & Young AB, Malmö. Doro's auditor since 2011. Extensive experience of auditing listed companies as MultiQ International AB. Born 1956. Holdings: 0 shares, 0 options.

The shareholding data reported above includes shares owned through companies and related parties and reflects holdings as per December 31, 2011.

# Group management



| Name                                       | Jérôme Arnaud   | Annette Borén  | Thomas Bergdahl   | Ulrik Nilsson                 | Caroline Noublanche                              |
|--|---|--|---|-------------------------------|--|
| <b>Position</b>                            | President and CEO Doro AB and Managing Director of Doro SAS, France | Vice President and CFO                               | Vice President Product Development  | Vice President Operations     | Business Unit Director Applications and Webstore |
| <b>Qualifications</b>                      | Master of Science, École Centrale de Paris                          | Bachelor of Business Administration, Lund University | Master of Science in Industrial Engineering and Management, Institute of Technology Linköping | Telecom technician            | HEC business school                              |
| <b>Born</b>                                | 1963  | 1969   | 1964  | 1971                          | 1976   |
| <b>Nationality</b>                         | French  | Swedish  | Swedish   | Swedish                       | French   |
| <b>Previous experience</b>                 | Working with business development, Matra Nortel Communications      | Group Controller at Länsförsäkringar Skåne           | Director of manufacturing, Anoto  | Supply manager                | CEO and founder of Prylos                        |
| <b>Own and related party holdings 2011</b> | 147,004 shares<br>200,000 warrants                                  | 24,000 shares<br>65,000 warrants                     | 50,000 shares<br>50,000 warrants  | 632 shares<br>40,000 warrants | 30,000 warrants                                  |
| <b>Own and related party holdings 2010</b> | 472,004 shares  | 30,000 shares  | 75,000 shares   | 25,632 shares                 | –  |

The shareholding data reported above includes shares owned through companies and related parties and reflects holdings as per December 31, 2011.

# The Doro share

Doro has been listed on the OMX Nasdaq Stockholm, Nordic list, Small companies since 1993.

## Price trend and market capitalization

Between January 3, 2011 and December 31, 2011, Doro's share price decreased from SEK 31.40 to SEK 27.30, a decrease of 13 percent.

Over the same period, the OMX Stockholm decreased by 18.4<sup>1)</sup> percent. During the year, the highest price paid for Doro shares was SEK 35.00 and the lowest price paid was SEK 22.00. Last price paid at year-end was SEK 27.30 giving a market capitalization of SEK 528.2 m (596.2).

## Share capital

At January 1, 2011, the share capital in Doro AB amounted to SEK 19,107,631 divided among 19,107,631 shares, corresponding to a nominal value per share of SEK 1.00. Each share entitles the holder to one voting right and all shares convey equal rights to participation in the assets and earnings of the company.

In October, as a part of the acquisition of Birdy Technology SAS, Doro conducted a directed issue of 241,543 new shares in the company increasing the share capital by SEK 241,543. The new share issue has resulted in a change in the number of shares and votes in Doro.

At December 31, 2011 the share capital in Doro AB amounted to SEK 19,349,174 divided among 19,349,174 shares, corresponding to a nominal value per share of SEK 1.00. Each share entitles the holder to one voting right and all shares convey equal rights to participation in the assets and earnings of the company.

## Shareholders

At the close of 2011, Doro had 6,114 shareholders, compared with 5,900 shareholders at the end of the preceding year. The proportion of foreign shareholders at year-end amounted to 35.4 percent (22.4). Of the Swedish investors 40.5 percent was held by legal entities and 25.1 percent natural persons.

At the end of the year, senior executives had a combined holding of 221,636 shares in Doro. At the same time, the

members of the Board of Doro held 838,004 shares. At the close of the year, Doro AB held no treasury shares.

The largest single owner with holdings above 10 percent of shares is Nordea Investent Funds.

The transferability of shares is not limited by legislative regulations or Doro's Articles of Association. The Company is unaware of any agreements between shareholders that could entail any limitations to the right to transfer shares.

Neither Doro AB nor its subsidiaries are party to any material agreement taking effect, being amended or ceasing to apply in the event that control of the Company or Group companies changes due to a public takeover bid.

## Warrant program for employees

In accordance with the mandate given by the Annual General Meeting on March 23, 2011, all of Doro's employees have been offered warrants granting them the right to acquire shares at the target price of SEK 35.30.

39 employees have subscribed for 752,770 warrants, including the CEO who has subscribed for the full 200,000 warrants allocated to him. Doro AB has subscribed for 192,830 warrants, enabling the Company to potentially sell these at market prices to new employees following the close of the subscription period.

Further detailed terms for the issue of new warrants is available at [www.doro.com](http://www.doro.com).

## Dividend policy and dividend

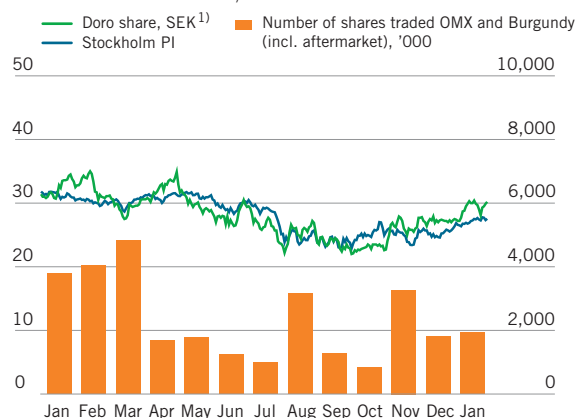
The Company's long-term target is to pay a dividend of approximately one third of the net profit after tax. Additionally, the Board has set a maximum debt/equity ratio of 1.0 (interest-bearing debt/equity).

At present, Doro holds a net cash position and therefore has a strong financial base and readiness to finance growth through investments, either organically or via acquisitions.

The Board has proposed a dividend of SEK 1.00 per share to be paid in 2012.

Read more about the share and view the updated share price at [www.doro.com](http://www.doro.com).

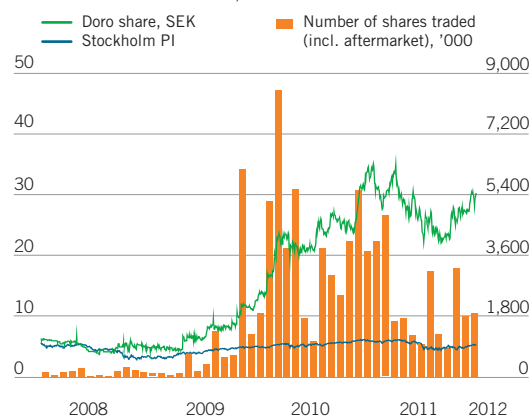
Price trend and volume, Jan 2011 – Jan 2012



1) Nasdaq OMX.

\*Source: SIX.

Price trend and volume, Jan 2008 – Jan 2012



## Share capital trend

In recent years, the share capital of the Parent Company has changed as shown below:

| Year | Transaction        | Change of share capital | Issue price, SEK <sup>1)</sup> | Increase of share capital, SEK m | Amount paid, SEK m |
|------|--------------------|-------------------------|--------------------------------|----------------------------------|--------------------|
| 1998 | Directed issue     | 2,740,260               | 18.48                          | 2.7                              | 50.6               |
| 1998 | New issue, 1:7     | 1,212,894               | 27.00                          | 1.2                              | 32.7               |
| 2001 | Directed issue     | 11,764,705              | 8.50                           | 11.8                             | 100.0              |
| 2005 | New issue          | 7,141                   | 1.00                           | 0.0                              | 0.0                |
| 2005 | Reverse split, 5:1 | -17,180,000             | 0.00                           | 0.0                              | 0.0                |
| 2006 | New issue, 3:1     | 12,885,000              | 6.00                           | 64.4                             | 71.2               |
| 2006 | Offset share issue | 227,631                 | 7.66                           | 1.1                              | 1.5                |
| 2009 | Directed issue     | 1,700,000               | 9.50                           | 1.7                              | 16.2               |
| 2011 | Directed issue     | 241,543                 | 25.56                          | 0.2                              | 6.3                |

1) Issue prices not recalculated for new issues and reverse split.

## Share data

|  | 2011   | 2010   | 2009   | 2008   | 2007   |
|--|--------|--------|--------|--------|--------|
| Number of share at year-end, thousands <sup>1)</sup> | 19,349 | 19,108 | 19,108 | 17,408 | 17,408 |
| Market price at year-end, SEK                        | 27.30  | 31.20  | 11.00  | 5.00   | 5.80   |
| Par value, SEK                                       | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   |
| Profit for the year, SEK                             | 3.02   | 2.99   | 1.30   | -0.66  | 0.43   |
| Cashflow per share, SEK                              | 5.47   | 4.21   | 3.66   | -1.24  | -1.22  |
| Reported shareholders' equity per share, SEK         | 9.16   | 6.35   | 3.54   | 1.73   | 2.27   |
| Dividend, SEK  | 1.00*  | 0.50   | 0.00   | 0.00   | 0.00   |
| P/E ratio <sup>2)</sup>                              | 9.04   | 10.4   | 8.5    | N/A    | 13.5   |
| Dividend yield, % <sup>3)</sup>                      | 3.7    | 1.6    | N/A    | N/A    | N/A    |

1) The average number of shares ('000) in 2011 was 19,188. The average number of shares ('000) in 2009 was 17,573.

2) The P/E ratio is calculated as the market price on the closing date divided by the EPS after tax.

3) The dividend yield is calculated by dividing the dividend by the market price in the closing date.

\* The Board of Directors' proposal to the AGM.

## Major shareholdings as at December 31, 2011

| Ten largest shareholders          | No. of shares    | Shares and votes, % |
|-----------------------------------|------------------|---------------------|
| Nordea Investment Funds           | 2,013,708        | 10.4                |
| Försäkringsbolaget Avanza Pension | 1,494,357        | 7.7                 |
| Originat AB                       | 1,100,000        | 5.7                 |
| Handelsbanken Fonder              | 738,750          | 3.8                 |
| Clearstream Banking S.A., W8IMY   | 517,794          | 2.7                 |
| Kastensson Holding AB             | 506,000          | 2.6                 |
| ABN AMRO Bank NV, W8IMY           | 464,433          | 2.4                 |
| Catella Fondförvaltning           | 427,000          | 2.2                 |
| Lärerstandens Brandförsäkring GE  | 417,706          | 2.2                 |
| Euroclear Bank S.A/N.V. W8IMY     | 396,149          | 2.0                 |
| <b>Subtotal</b>                   | <b>8,075,897</b> | <b>41.7</b>         |

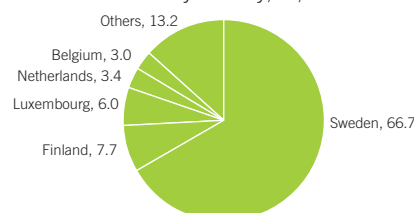
Source: Euroclear Sweden AB and Doro AB.

## Ownership structure as at December 31, 2011

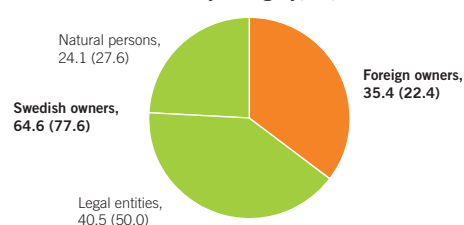
| Holding, number of shares | No. of shareholders | As % of all shareholders | No. of shares held | As % of all shares |
|---------------------------|---------------------|--------------------------|--------------------|--------------------|
| 1 – 500                   | 4,013               | 65.6                     | 649,630            | 3.3                |
| 501 – 1,000               | 1,021               | 16.7                     | 881,756            | 4.6                |
| 1,001 – 5,000             | 833                 | 13.7                     | 1,988,541          | 10.3               |
| 5,001 – 10,000            | 114                 | 1.9                      | 857,079            | 4.4                |
| 10,001 – 15,000           | 33                  | 0.5                      | 432,521            | 2.2                |
| 15,001 – 20,000           | 19                  | 0.3                      | 346,373            | 1.8                |
| Over 20,001 –             | 81                  | 1.3                      | 14,193,274         | 73.4               |
| <b>Total</b>              | <b>6,114</b>        | <b>100.0</b>             | <b>19,349,174</b>  | <b>100.0</b>       |

The number of shareholders has increased from 5,900 to 6,114. Of the total shares held, about 33.3 percent (22.4) are held by foreign shareholders. Euroclear Sweden AB.

Investors by country, %, 2011



Investors by category, %, 2011



Source: Euroclear Sweden AB.

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# Financial information

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## Consolidated income statement

| SEK m  | Note     | 2011         | 2010         |
|--|----------|--------------|--------------|
| <b>Revenue</b>   |          |              |              |
| Sale of goods  | 2.3      | 737.8        | 626.5        |
| Other revenue  | 2        | 7.6          | 6.3          |
|  |          | <b>745.4</b> | <b>632.8</b> |
| <b>Operating costs</b>                                       |          |              |              |
| Merchandise  |          | -433.2       | -380.3       |
| Other external costs   | 4,16     | -167.3       | -129.7       |
| Personnel costs  | 5        | -69.3        | -59.7        |
| Depreciation and impairment of property, plant and equipment | 8        | -2.2         | -5.8         |
| Depreciation and impairment of intangible assets             | 7        | -11.4        | -10.3        |
| <b>Operating profit/loss</b>                                 | <b>2</b> | <b>62.0</b>  | <b>47.0</b>  |
| Profit/loss from financial items                             |          |              |              |
| Interest income and similar profit/loss items                | 6        | 11.0         | 0.1          |
| Interest costs and similar profit/loss items                 | 6        | -0.1         | -0.7         |
| <b>Profit/loss after financial items</b>                     |          | <b>72.9</b>  | <b>46.4</b>  |
| Tax on profit/loss for the year                              | 17       | -15.0        | 10.7         |
| <b>PROFIT/LOSS FOR THE YEAR</b>                              |          | <b>57.9</b>  | <b>57.1</b>  |
| Attributable to:   |          |              |              |
| Parent company's shareholders                                |          | 57.9         | 57.1         |
| <i>Key figures</i>   |          |              |              |
| Average number of shares (thousands)                         | 11       | 19,188       | 19,108       |
| Earnings per share before tax *                              |          | 3.80         | 2.43         |
| Earnings per share after tax *                               |          | 3.02         | 2.99         |
| * No dilution effect   |          |              |              |

## Consolidated statement of comprehensive income

| SEK m                                       | 2011        | 2010        |
|---|-------------|-------------|
| <b>PROFIT/LOSS FOR THE YEAR</b>             | <b>57.9</b> | <b>57.1</b> |
| Translation differences                     | -0.4        | -3.4        |
| <b>Total result</b>                         | <b>57.5</b> | <b>53.7</b> |
| (Related to Parent Company's shareholders.) |             |             |

## Consolidated balance sheet

| Assets, SEK m                                | Note | 2011         | 2010         |
|--|------|--------------|--------------|
| <b>ASSETS</b>                                |      |              |              |
| <b>NON-CURRENT ASSETS</b>                    |      |              |              |
| Equipment and tools                          | 8    | 8.9          | 4.5          |
| Capitalized expenditure for development work | 7    | 26.7         | 16.7         |
| Trademarks                                   | 7    | 1.0          | 0.0          |
| Goodwill                                     | 7    | 26.4         | 8.8          |
| Customer register                            | 7    | 5.2          | 0.0          |
| Long term deposits                           |      | 0.5          | 0.3          |
| Deferred tax asset                           | 17   | 17.4         | 30.5         |
|  |      | <b>86.1</b>  | <b>60.8</b>  |
| <b>CURRENT ASSETS</b>                        |      |              |              |
| Inventories                                  | 19   | 60.2         | 55.0         |
| Prepayments to supplier                      |      | 2.2          | 1.0          |
| Accounts receivable – trade                  | 23   | 114.6        | 111.6        |
| Other current receivables                    |      | 35.6         | 17.4         |
| Prepaid expenses and accrued income          | 10   | 1.7          | 1.8          |
| Cash and bank balances                       | 12   | 148.4        | 89.5         |
|  |      | <b>362.7</b> | <b>276.3</b> |
| <b>TOTAL ASSETS</b>                          |      | <b>448.8</b> | <b>337.1</b> |

## Consolidated balance sheet

| Shareholders' equity and liabilities, SEK m        | Note | 2011         | 2010         |
|--|------|--------------|--------------|
| <b>SHAREHOLDERS' EQUITY</b>                        |      |              |              |
| Share capital 19,349,174 shares, quota value SEK 1 | 11   | 19.3         | 19.1         |
| Other allocated capital                            |      | 108.3        | 100.4        |
| Reserves   |      | -0.3         | 0.1          |
| Profit/loss brought forward                        |      | -7.9         | -55.4        |
| Profit/loss for the year                           |      | 57.9         | 57.1         |
| <b>Total shareholders' equity</b>                  |      | <b>177.3</b> | <b>121.3</b> |
| <b>LONG TERM LIABILITIES</b>                       |      |              |              |
| Provisions for guarantees                          | 20   | 23.9         | 24.4         |
| Provisions for pension                             | 21   | 1.1          | 0.7          |
| Other provisions                                   | 22   | 57.9         | 20.9         |
| Other long term liabilities                        | 18   | 5.8          | 0.0          |
| <b>Total long term liabilities</b>                 |      | <b>88.7</b>  | <b>46.0</b>  |
| <b>CURRENT LIABILITIES</b>                         |      |              |              |
| <b>Interest-bearing liabilities</b>                |      |              |              |
| Liabilities to credit institutions                 |      | 2.4          | 0.0          |
| <b>Total interest-bearing liabilities</b>          |      | <b>2.4</b>   | <b>0.0</b>   |
| <b>Non interest-bearing liabilities</b>            |      |              |              |
| Accounts payable – trade                           |      | 82.2         | 86.0         |
| Prepayments  |      | 0.0          | 0.1          |
| Other liabilities                                  |      | 2.3          | 5.4          |
| Current tax liability                              |      | 1.8          | 0.6          |
| Accrued expenses and prepaid income                | 13   | 94.1         | 77.7         |
| <b>Total non interest-bearing liabilities</b>      |      | <b>180.4</b> | <b>169.8</b> |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>  |      | <b>448.8</b> | <b>337.1</b> |
| Pledged assets                                     | 14   | 213.6        | 205.6        |
| Contingent liabilities                             | 15   | –            | –            |

## Consolidated shareholders' equity

| Changes in shareholders' equity 2011, SEK m   | Share capital | Other allocated capital | Reserves <sup>1)</sup> | Losses brought forward | Total shareholders' Equity |
|---|---------------|-------------------------|------------------------|------------------------|----------------------------|
| <b>Shareholders' equity December 31, 2009</b> | <b>19.1</b>   | <b>100.4</b>            | <b>3.5</b>             | <b>-55.4</b>           | <b>67.6</b>                |
| Total result for the year                     |               |                         |                        | 57.1                   | 57.1                       |
| Other profits                                 |               |                         | -3.4                   |                        | -3.4                       |
| Total result                                  |               |                         | -3.4                   | 57.1                   | 53.7                       |
| <b>Shareholders' equity December 31, 2010</b> | <b>19.1</b>   | <b>100.4</b>            | <b>0.1</b>             | <b>1.7</b>             | <b>121.3</b>               |
| Total result for the year                     |               |                         |                        | 57.9                   | 57.9                       |
| Other profits                                 |               |                         | -0.4                   |                        | -0.4                       |
| Total result                                  |               |                         | -0.4                   | 57.9                   | 57.5                       |
| New issue of shares                           | 0.2           | 6.1                     |                        |                        | 6.3                        |
| Dividend                                      |               |                         |                        | -9.6                   | -9.6                       |
| Premium for warrant program                   |               | 1.8                     |                        |                        | 1.8                        |
| Total transactions with shareholders          | 0.2           | 7.9                     | 0                      | -9.6                   | -1.5                       |
| <b>Shareholders' equity December 31, 2011</b> | <b>19.3</b>   | <b>108.3</b>            | <b>-0.3</b>            | <b>50.0</b>            | <b>177.3</b>               |

1) Specification of reserves.

|  | 2011 | 2010 |
|--|------|------|
| Accumulated translation differences, January 1   | 0.1  | 3.5  |
| Translation differences for the year             | -0.4 | -3.4 |
| Accumulated translation differences, December 31 | -0.3 | 0.1  |

## Consolidated cash flow statement

| SEK m  | Note      | 2011         | 2010         |
|--|-----------|--------------|--------------|
| Profit/loss after financial items <sup>1)</sup>                            |           | 72.9         | 46.4         |
| <b>Adjusted for items not in cash flow</b>                                 |           |              |              |
| Change in allocations  | 20,21,22  | 36.9         | 18.5         |
| Depreciation and write downs   | 7,8       | 13.6         | 16.1         |
| Adjustment for other non-cash items  |           | -10.1        | 0.2          |
| <b>Total adjustment for other non-cash items</b>                           |           | <b>40.4</b>  | <b>34.8</b>  |
| Taxes paid   | 17        | -3.5         | -7.4         |
| <b>Cash flow from current activities before changes in working capital</b> |           | <b>109.8</b> | <b>73.8</b>  |
| <b>Change in working capital</b>   |           |              |              |
| Change in stocks   | 19        | -4.7         | -19.4        |
| Change in receivables  |           | -4.9         | -26.7        |
| Change in non-interest-bearing liabilities                                 |           | 4.7          | 52.7         |
| <b>Cash flow from current activities</b>                                   |           | <b>104.9</b> | <b>80.4</b>  |
| <b>INVESTMENT ACTIVITIES</b>   |           |              |              |
| Acquisitions   | 18        | -19.6        | 0.0          |
| Acquisition of intangible fixed assets                                     | 7         | -15.2        | -17.6        |
| Acquisition of tangible fixed assets                                       | 8         | -6.0         | -3.0         |
| <b>Cash flow from investment activities</b>                                |           | <b>-40.8</b> | <b>-20.6</b> |
| <b>FINANCING ACTIVITIES</b>  |           |              |              |
| Dividend   |           | -9.6         | 0.0          |
| Premium for warrant program  |           | 1.8          | 0.0          |
| Change in interest-bearing liabilities                                     |           | 2.6          | -8.8         |
| <b>Cash flow from financing activities</b>                                 |           | <b>-5.2</b>  | <b>-8.8</b>  |
| <b>Cash flow for the year</b>  |           | <b>58.9</b>  | <b>51.0</b>  |
| Liquid assets at start of year   |           | 89.5         | 40.4         |
| Exchange rate difference in liquid assets                                  |           | 0.0          | -1.9         |
| <b>Liquid assets at end of year</b>  | <b>23</b> | <b>148.4</b> | <b>89.5</b>  |

1) Paid and received interests appear in note 6.

## Income statement – Parent Company

| SEK m  | Note     | 2011         | 2010         |
|--|----------|--------------|--------------|
| <b>Operating income</b>                                      |          |              |              |
| Net sales  | 2,3      | 731.9        | 622.4        |
| Other revenue  | 2        | 1.8          | 5.0          |
|  |          | <b>733.7</b> | <b>627.4</b> |
| <b>Operating costs</b>                                       |          |              |              |
| Merchandise  |          | -432.7       | -379.3       |
| Other external costs   | 4,16     | -196.8       | -160.0       |
| Personnel costs  | 5        | -38.4        | -28.9        |
| Depreciation and impairment of property, plant and equipment | 8        | -1.8         | -5.5         |
| Depreciation and impairment of intangible assets             | 7        | -18.5        | -17.6        |
| <b>Operating profit/loss</b>                                 | <b>2</b> | <b>45.5</b>  | <b>36.1</b>  |
| <b>Profit/loss from financial items</b>                      |          |              |              |
| Interest income and similar profit/loss items                | 6        | 11.0         | 0.1          |
| Interest costs and similar profit/loss items                 | 6        | -0.4         | -1.0         |
| <b>Profit/loss after financial items</b>                     |          | <b>56.1</b>  | <b>35.2</b>  |
| Tax on profit/loss for the year                              | 17       | -12.6        | 12.9         |
| <b>PROFIT/LOSS FOR THE YEAR</b>                              |          | <b>43.5</b>  | <b>48.1</b>  |

## Statement of comprehensive income – Parent Company

| SEK m                                      | 2011        | 2010        |
|--|-------------|-------------|
| <b>PROFIT/LOSS FOR THE YEAR</b>            | <b>43.5</b> | <b>48.1</b> |
| <b>Total result</b>                        | <b>43.5</b> | <b>48.1</b> |
| (Related to Parent Company's shareholders) |             |             |

## Balance sheet – Parent Company

| Assets, SEK m                                | Note | 2011         | 2010         |
|--|------|--------------|--------------|
| <b>FIXED ASSETS</b>                          |      |              |              |
| <b>Intangible assets</b>                     |      |              |              |
| Capitalized expenditure for development work | 7    | 27.1         | 16.7         |
| Goodwill                                     | 7    | 1.9          | 3.8          |
| Customer register                            | 7    | 10.8         | 7.1          |
| Brands                                       | 7    | 4.6          | 7.2          |
| <b>Tangible assets</b>                       |      |              |              |
| Equipment and tools                          | 8    | 7.3          | 3.3          |
| <b>Financial assets</b>                      |      |              |              |
| Participations in Group companies            | 9    | 21.6         | 21.5         |
| Deferred income tax recoverable              | 17   | 16.1         | 28.7         |
| <b>Total fixed assets</b>                    |      | <b>89.4</b>  | <b>88.3</b>  |
| <b>CURRENT ASSETS</b>                        |      |              |              |
| <b>Inventories</b>                           |      |              |              |
| Finished goods and goods for resale          | 19   | 60.2         | 55.6         |
| Advanced payment to suppliers                |      | 2.2          | 1.0          |
| <b>Current receivables</b>                   |      |              |              |
| Accounts receivable – trade                  | 23   | 113.2        | 111.8        |
| Receivables from Group companies             |      | 2.8          | 0.6          |
| Other current receivables                    |      | 32.4         | 13.2         |
| Prepaid expenses and accrued income          | 10   | 1.3          | 1.3          |
| Cash and bank balances                       | 12   | 144.7        | 88.1         |
| <b>Total current assets</b>                  |      | <b>356.8</b> | <b>271.6</b> |
| <b>TOTAL ASSETS</b>                          |      | <b>446.2</b> | <b>359.9</b> |



## Balance sheet – Parent Company

| Shareholders' equity and liabilities, SEK m        | Note | 2011         | 2010         |
|--|------|--------------|--------------|
| <b>SHAREHOLDERS' EQUITY</b>                        |      |              |              |
| <b>Restricted equity</b>                           |      |              |              |
| Share capital 19,349,174 shares, quota value SEK 1 | 11   | 19.3         | 19.1         |
| Revaluation reserve                                |      | 0.5          | 0.5          |
| Other allocated capital                            |      | 55.5         | 55.5         |
| <b>Non-restricted equity</b>                       |      |              |              |
| Share premium reserve                              |      | 22.1         | 14.2         |
| Profit/loss brought forward                        |      | 16.3         | -22.2        |
| Profit/loss for the year                           |      | 43.5         | 48.1         |
| <b>Total shareholders' equity</b>                  |      | <b>57.2</b>  | <b>115.2</b> |
| <b>Provisions</b>                                  |      |              |              |
| Provisions for guarantees                          | 20   | 23.9         | 24.4         |
| Other provisions                                   | 22   | 57.3         | 19.5         |
| <b>Total provisions</b>                            |      | <b>81.2</b>  | <b>43.9</b>  |
| <b>CURRENT LIABILITIES</b>                         |      |              |              |
| <b>Interest-bearing liabilities</b>                |      |              |              |
| Liabilities to Group companies                     |      | 10.9         | 15.0         |
| <b>Total interest-bearing liabilities</b>          |      | <b>10.9</b>  | <b>15.0</b>  |
| <b>Non interest-bearing liabilities</b>            |      |              |              |
| Accounts payable – trade                           |      | 79.0         | 83.4         |
| Prepayments  |      | 0.0          | 0.1          |
| Liabilities to Group companies                     |      | 31.7         | 35.3         |
| Other liabilities                                  |      | 0.6          | 5.1          |
| Current tax liability                              |      | 0.2          | 0.0          |
| Accrued expenses and prepaid income                | 13   | 85.4         | 61.9         |
| <b>Total non interest-bearing liabilities</b>      |      | <b>196.9</b> | <b>185.8</b> |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>  |      | <b>446.2</b> | <b>359.9</b> |
| Pledged assets                                     | 14   | 191.6        | 191.5        |
| Contingent liabilities                             | 15   | -            | -            |

## Changes in shareholders' equity – Parent Company

| Changes in shareholders' equity 2011, SEK m   | Share capital | Revaluation reserve | Statutory reserve | Share premium reserve | Losses brought forward | Total shareholders' equity |
|---|---------------|---------------------|-------------------|-----------------------|------------------------|----------------------------|
| <b>Shareholders' equity December 31, 2009</b> | <b>19.1</b>   | <b>0.5</b>          | <b>55.5</b>       | <b>14.2</b>           | <b>-22.2</b>           | <b>67.1</b>                |
| Total Result                                  |               |                     |                   |                       | 48.1                   | 48.1                       |
| <b>Shareholders' equity December 31, 2010</b> | <b>19.1</b>   | <b>0.5</b>          | <b>55.5</b>       | <b>14.2</b>           | <b>25.9</b>            | <b>115.2</b>               |
| Profit for the year                           |               |                     |                   |                       | 43.5                   | 43.5                       |
| New issue of shares                           | 0.2           |                     |                   | 6.1                   |                        | 6.3                        |
| Dividend                                      |               |                     |                   |                       | -9.6                   | -9.6                       |
| Premium for warrant program                   |               |                     |                   | 1.8                   |                        | 1.8                        |
| Total transactions with shareholders          | 0.2           | 0.0                 | 0.0               | 7.9                   | -9.6                   | -1.5                       |
| <b>Shareholders' Equity December 31, 2011</b> | <b>19.3</b>   | <b>0.5</b>          | <b>55.5</b>       | <b>22.1</b>           | <b>59.8</b>            | <b>157.2</b>               |

## Cash flow statement – Parent Company

| SEK m  | Note      | 2011         | 2010         |
|--|-----------|--------------|--------------|
| Profit/loss after financial items <sup>1)</sup>                            |           | 56.1         | 35.2         |
| <b>Adjusted for items not in cash flow</b>                                 |           |              |              |
| Change in allocations  | 20,21,22  | 37.3         | 30.0         |
| Depreciation and write downs   | 7,8       | 20.3         | 23.1         |
| Other items not in cash flow   |           | -10.1        | 0.1          |
| <b>Cash flow from current activities before changes in working capital</b> |           | <b>103.6</b> | <b>88.4</b>  |
| <b>Change in working capital</b>   |           |              |              |
| Change in stocks   | 19        | -4.7         | -20.7        |
| Change in receivables  |           | -13.7        | -39.8        |
| Change in non-interest-bearing liabilities                                 |           | 11.3         | 95.3         |
| <b>Cash flow from current activities</b>                                   |           | <b>96.5</b>  | <b>123.2</b> |
| <b>INVESTMENT ACTIVITIES</b>   |           |              |              |
| Acquisition of intangible fixed assets                                     | 7         | -28.5        | -26.5        |
| Acquisition of tangible fixed assets                                       | 8         | -5.8         | -2.8         |
| <b>Cash flow from investments</b>  |           | <b>-34.3</b> | <b>-29.3</b> |
| <b>FINANCING ACTIVITIES</b>  |           |              |              |
| Dividend   |           | -9.6         | 0.0          |
| Premium for warrant program  |           | 1.8          | 0.0          |
| New share issue <sup>2)</sup>  |           | 6.3          | 0.0          |
| Change in non interest-bearing liabilities                                 |           | -4.1         | -18.0        |
| <b>Cash flow from financing activities</b>                                 |           | <b>-5.6</b>  | <b>-18.0</b> |
| <b>Cash flow for the year</b>  |           | <b>56.6</b>  | <b>75.9</b>  |
| Liquid assets at start of year   |           | 88.1         | 12.2         |
| <b>Liquid assets at end of year</b>  | <b>23</b> | <b>144.7</b> | <b>88.1</b>  |

1) Paid and received interests appear in note 6.

2) Consists of a directed non-cash issue for acquisitions of subsidiaries.

# Notes and accounting principles

## Note 1 Accounting principles

The Annual Report and Consolidated Accounts were approved for publication by the Board and CEO on February 27, 2012 and will be presented to the AGM on March 21, 2012 for approval.

The Consolidated Financial Statements were prepared in accordance with International Financial Reporting Standards (IFRS/IAS) as issued by the International Accounting Standards Board (IASB) and interpretations from the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU.

Furthermore, the Consolidated Accounts have been drawn up in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1 (Supplementary Accounting Regulations for Groups).

The Annual Report of the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act and applying the Swedish Financial Reporting Board's recommendation RFR 2 (Accounting for Legal Entities). Statements applicable to listed companies issued by the Swedish Financial Accounting Standard's Emerging Issues Task Force and the Swedish Financial Reporting Board have also been applied.

### Changed accounting principles and disclosures

The accounting principles applied agree with those used in the previous year's report, with the exceptions detailed below.

### New accounting principles for the Group as of January 1, 2011:

The accounting principles applied are consistent with previous years, except for a number of new and amended IFRS standards and new IFRIC interpretations in force as of January 1, 2011. None of these have had any impact on the consolidated financial position or results.

### New standards, amendments and interpretations not expected to have any effect on the consolidated financial accounts at this time:

#### IAS 24 Related Party Disclosures – Amendment

The amendment clarifies the definition of related parties to facilitate the identification of such relations and to eliminate inconsistencies in application.

#### IAS 32 Financial instruments: Classification, Classification of Rights Issues – Amendment

The definition of a liability is amended so that, e.g., warrants that a company issues and for a fixed subscription amount in a currency other than the company's functional currency will be an equity instrument if they are issued pro rata to existing owners.

#### IFRIC 14 Prepayments of a minimum funding requirement – Amendment

The amendment provides guidance on assessing the recoverable amount of a "net pension asset". The amendment permits a company to report the prepayment of a minimum funding requirement as an asset.

#### IFRIC 19 Extinguishing financial liabilities with equity instruments

The interpretation explains how a company shall report renegotiated terms of a financial liability with the result that the company extinguishes the liability fully or partially by issuing equity instruments to the creditor.

*The Group adopted the above amendments on January 1, 2011. They have not had any impact on the consolidated financial position or results.*

### New accounting principles for the Group to be applied effective January 1, 2012 or later:

The Group intends to apply the following new standards, amendments and interpretations when they enter into force. The Group did not elect early adoption.

### New standards, amendments and interpretations expected to have an impact on the consolidated financial position or results:

#### IFRS 9, Financial Instruments: Recognition and Measurement

This standard represents part of a complete re-working of the current standard IAS 39. The standard entails a reduction in the number of valuation categories for financial assets with the principal categories being assets reported at cost (accrued cost) and those reported at fair value in the income statement. There is an opportunity to report certain investments in equity instruments at fair value in the balance sheet with changes in value reported directly in other comprehensive income with no transfer to earnings for the period on divestment. In addition, new rules have been introduced regarding how changes in internal credit spreads are to be presented where liabilities are recognized at fair value.

The standard will later be complemented with rules regarding impairment, hedge accounting and derecognition from the balance sheet. IFRS 9 will probably be applied to financial years commencing January 1, 2015 or later.

Application of the new standard will affect the Group's classification and measurement of financial instruments. While awaiting completion of all parts of the standard, the Group has not assessed its possible effects.

#### IFRS 7 Financial Instruments: Disclosures – Amendment

IFRS 7 shall be applied to financial years commencing July 1, 2011 or later.

The addendum will entail further quantitative and qualitative disclosures being made in connection with the derecognition of financial instruments from the balance sheet. If a transfer of assets does not result in complete derecognition, this shall be disclosed. Likewise, if the company retains a commitment in the derecognized asset, it shall also disclose this.

Application of the new standard will affect the Group's disclosures relating to financial instruments.

#### IFRS 13 Fair value measurement

IFRS 13 shall be applied to financial years commencing January 1, 2013 or later.

IFRS 13 describes how to measure fair value where fair value is required or permitted by IFRS standards. The new standard clarifies certain concepts in the definition of fair value. Disclosures shall be made to clarify the valuation models used and the information (data) used in these models, as well as how the valuation has given rise to effects in the income statement in the form of income and expenses.

IFRS 13 is not expected to have any significant impact on how the Group calculates fair value at this time, but it may affect the Group's disclosures relating to financial instruments.

#### IAS 1 Presentation of items of other comprehensive income – Amendment

The amended standard shall be applied to financial years commencing July 1, 2012 or later.

The amendment changes the grouping of items presented in other comprehensive income. Items that will be reclassified to profit or loss shall be reported separately. The amendment does not change the actual content in other comprehensive income, only the presentation.

The Group's presentation of the other comprehensive income will be affected when the amendment enters into force.

#### IAS 19 Employee benefits – Amendment

IFRS 19 shall be applied to financial years commencing January 1, 2013 or later.

The proposal entails significant changes regarding the reporting of defined benefit pension plans. For example, the ability to defer recognition of actuarial gains and losses (the "corridor" method) has been removed. Instead, they will be recognized in other comprehensive income when they occur. Sensitivity analyses shall be carried out regarding reasonable changes in all assumptions made when calculating pension liabilities; in addition, sensitivity analyses shall be carried out regarding reasonable changes in all assumptions made when calculating pension liabilities.

The amendment will involve changes for the Group since the corridor method has been applied historically.

### New standards, amendments and interpretations not expected to have any effect on the consolidated financial accounts at this time:

#### IAS 12 Income taxes – Amendment

IFRS 12 shall be applied to financial years commencing January 1, 2012 or later.

The amendment to IAS 12 affects calculation of deferred tax on properties measured at fair value.

The Group has no properties measured at fair value, so the change will not affect the consolidated financial statements at this time.

#### IFRS 10 Consolidated financial statements and IAS 27 Separate financial statements

IFRS 10 shall be applied to financial years commencing January 1, 2013 or later.

IFRS 10 replaces the section in IAS 27 that addresses preparation of consolidated financial statements. The rules regarding consolidation procedures have not changed. Rather, the change relates to how a company determines whether control exists and thus whether a company should be consolidated.

The standard is not expected to have any effect on the Group's current assessment of which companies to consolidate and therefore will not have any impact on the consolidated financial statements at this time.

**IFRS 11 Joint arrangements, IAS 28 Investments in associates and joint ventures**  
IFRS 11 shall be applied to financial years commencing January 1, 2013 or later.

IFRS 11 addresses accounting for joint arrangements, defined as a contractual arrangement where two or more parties have joint control.

The Group owns no shares in operations that fall within the definition of joint arrangements, so the standard has no impact on the consolidated financial statements.

#### **IFRS 12 Disclosure of interests in other entities**

IFRS 12 shall be applied to financial years commencing January 1, 2013 or later. The standard addresses disclosure requirements for companies that own interests in subsidiaries with a significant proportion of non-controlling interests, associates, joint arrangements and structured entities. The purpose is that readers should be able make their own assessment regarding consolidation of these entities, and the possible risk associated with ownership.

The group does not own any shares of entities such as those described above, so the standard is not expected to have any impact on the consolidated financial statements at this time.

#### **Basis for the preparation of the accounts**

Assets, allocations and liabilities are based on historical cost unless otherwise stated below.

All amounts, unless otherwise stated, are in millions of Swedish kronor (SEK m).

### **GROUP**

#### **Consolidated Accounts**

##### **Principles**

The Group's Consolidated Accounts include the Parent Company Doro AB, and those companies in which the Parent Company, directly or indirectly, owns more than half the voting rights. This means that Doro AB has a decisive influence over Group companies and that Doro AB has the right to set strategies for the Group companies with the aim of making gains.

At the end of the financial year there were 5 (5) operating companies in the Group.

Acquired companies are included in the Consolidated Accounts from the date of acquisition. Sold companies are included up to and including their sale date.

The Consolidated Accounts are drawn up in line with the acquisition method, which means that the acquisition value of the shares in Group companies is divided among identifiable assets and liabilities at their fair value on the date of acquisition. Provisions for deferred tax on acquired untaxed reserves are made in conjunction with the acquisition.

Unutilized loss carryforwards obtained in conjunction with the acquisition are converted into deferred tax assets in the Consolidated Accounts if the assessed earning capability means that it can be expected that the assets can be utilized. Furthermore, deferred tax is calculated on the difference between the actual values of assets and liabilities and the fiscal residual value. For cases where the acquisition value of shares in Group companies exceeds the acquired shareholders' assets and liabilities, calculated as above, the difference is accounted for as goodwill, which is tested at least once a year for impairment.

For corporate acquisitions, the purchase price can be earnings-dependent. The calculation is based on future profits and therefore the total purchase price can vary. Each year, an assessment is made and, if necessary, the expected purchase price is adjusted. Goodwill is tested for impairment.

Intra-Group balances and internal profits have been eliminated in the Consolidated Accounts. When eliminating internal transactions, the fiscal effect is also calculated on the basis of rates of taxation applicable in each country.

#### **Exchange rates**

##### **Translation of foreign activities**

The relationship of an overseas activity to the Parent Company is crucial for its classification and thereby the translation method. Doro applies the current method in the translation of foreign Group companies' balance sheets and income statements; consequently, all assets and liabilities of Group companies are translated at the closing day rate, while all items in the income statements are translated at the average rate for the financial year.

The exchange rate differences arising in this context are partly an effect of the differences between the income statements' average rates and the closing day rates, and partly of the fact that net assets are translated at a different rate at the end of the year than at the beginning of the year. Translation differences are booked directly to the statement of comprehensive income.

#### **Exchange rates**

The following exchange rates have been used in consolidating the accounts:

| Currency | Average rate |       | Closing day rate |       |
|----------|--------------|-------|------------------|-------|
|          | 2011         | 2010  | 2011             | 2010  |
| EUR      | 9.01         | 9.56  | 8.92             | 8.99  |
| HKD      | 0.83         | 0.93  | 0.89             | 0.87  |
| NOK      | 1.15         | 1.19  | 1.15             | 1.15  |
| GBP      | 10.35        | 11.12 | 10.65            | 10.48 |
| USD      | 6.47         | 7.20  | 6.89             | 6.77  |

#### **Effects of changing exchange rates**

Receivables and liabilities in foreign currencies are valued at the closing day rates and unrealized exchange rate profits and losses are included in the results.

#### **Hedging of future flows**

Flows for January to April 2012 were hedged in two arrangements in August and November 2011 in accordance with the treasury policy (approved by the Board in December 2008).

In Doro's accounts for 2011, these forward contracts were recognized at their market value. For additional details, see Note 23.

#### **Revenue recognition**

Doro only has one type of revenue: Product sales. Revenue from product sales is included in the accounts principally when all risks and rights connected with ownership have been transferred to the buyer, which usually occurs in connection with delivery.

#### **Remuneration to staff**

Remuneration to staff is reported as paid salaries plus accrued bonus payments. Complete allocation is made for various commitments such as unclaimed holiday entitlement and payroll overheads.

#### **Pensions**

The predominant share of Doro's personnel pension commitments consists of various defined-contribution pension plans.

A defined-contribution pension plan is a pension plan according to which the Group pays fixed fees to a separate legal entity. The Group has no legal or informal obligation to pay further fees if this legal entity lacks sufficient funds to pay all employee remunerations associated with the employees' service during current or previous periods.

For defined-contribution pension plans, the Group pays fees to publicly or privately managed pension insurance plans on an obligatory, contractual or voluntary basis. The Group has no further payment commitments once these fees have been paid. The fees are reported as personnel costs when they become due for payment. Prepaid fees are reported as an asset to the extent that the Group may benefit from cash repayment or deductions in future payments.

In addition, a limited number of employees in the Group's French subsidiary have defined-benefit pension plans. A defined-benefit pension plan is one that is not a defined-contribution plan. Characteristic of defined-benefit pension plans is that they specify the amount of the pension benefit to be received by an employee following retirement. This is normally based on one or more factors such as age, period of service and salary.

All commitments for which provisions are made are assessed by an actuary to determine the amount of the provision. The liability recognized in the balance sheet with regard to defined-benefit pension plans represents the current value of the defined-benefit commitment at the close of the reporting period. Since the recognized liability with regard to defined-benefit pension plans represents an insignificant amount, the assumptions on which the actuarial calculations are based are not presented in the annual report.

#### **Research and development**

Product development is carried out in cooperation with different manufacturing partners and most of the costs are borne by them. Doro works in an environment with rapid technological development. Product development costs include those for product adaptations, design, model approval, etc.

Expenses relating to the development phase are capitalized as an intangible fixed asset if it is likely, with a high degree of reliability, that they will result in future financial benefits for the Group.

This means that strict criteria must be met before a development project will result in intangible fixed assets being capitalized. This criteria includes the option of ending a project, proof that a project is technically feasible and that the market exists, as well as the intention and opportunity to use or sell the intangible fixed asset exists. There must also be the opportunity to reliably measure costs during the development phase.

When capitalization has occurred, the intangible fixed asset is depreciated over its expected lifespan. Depreciation plans of one to two years start from the time each respective product is introduced on the market.

External partners' manufacturing tools are, however, owned by Doro and their cost is capitalized and depreciated according to plan if the lifespan of the product is expected to exceed one year.

Doro has no research costs.

#### **Tangible and intangible fixed assets**

Tangible and intangible fixed assets, mainly consisting of goodwill, machinery and equipment, are reported at their acquisition value with deductions for the accumulated depreciation according to plan, except goodwill, which is not depreciated in the Group.

#### **Financial instruments**

Financial instruments recognized as assets in the balance sheet include accounts receivable, other receivables, forward currency contracts and bank balances. Included among shareholders' equity and liabilities are overdraft facilities, liabilities to credit institutes, accounts payable and other current liabilities. Effective from the fourth quarter of 2008, the Group uses financial derivatives to hedge itself against

exchange rate fluctuations. These instruments are solely forward contracts. Hedge accounting is not applied.

With the exception of forward currency contracts, financial instruments are initially reported at cost – equivalent to the fair value of the instrument plus transaction expenses. Instruments are then reported subject to how they have been classified in accordance with the following. Forward currency contracts are reported in the balance sheet as per the contract date and are recognized at fair value, both initially and in connection with subsequent reassessments. Changes in value are reported in the income statement.

A financial asset or financial liability is recognized in the balance sheet when the company becomes party to the instrument's contractual terms. Trade receivables are recognized in the balance sheet when invoiced. Liabilities are recognized once the counterparty has completed its task and there is a contractual obligation to pay, even though an invoice may not yet have been received. Trade payables are recognized when invoices are received.

A financial asset or part thereof is derecognized when the contractual rights are realized, mature or are no longer under the company's control. This also applies for parts of a financial asset. A financial liability or part thereof is derecognized when contractual obligations are met or otherwise extinguished. The same applies for part of a financial liability.

The acquisition or sale of financial assets is reported on the transaction date, which is the date on which the Company pledges to acquire or sell the asset. Financial assets and liability are offset against one another and the net amount recognized in the balance sheet only when the company has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies its financial assets as follows:

- financial assets recognized at fair value in the income statement,
- changes in loans and accounts receivable, and
- financial assets available for sale.

The classification depends on the purpose for which the financial asset has been acquired. Management determines the classification of financial assets on the first occasion on which they are reported.

Financial assets recognized at fair value in the income statement are financial assets held for trade. A financial asset is classified in this category if it is principally acquired with the intention of being sold in the near future. Derivatives are classified as being held for trade unless identified as hedges. Assets in this category are classified as current assets.

Loans and receivables are non-derivative financial assets with determined or determinable payments that are not quoted in an active market. They are included among current assets, with the exception of items maturing more than 12 months after the close of the reporting period, which are classified as non-current assets. The Group's loan receivables and accounts receivable consist of accounts receivable and other receivables in the balance sheet. Accounts receivable are reported net with deductions for doubtful receivables. Deductions for doubtful accounts receivable are based on a model whereby deductions increase with the extent to which maturity has been exceeded. In addition, individual accounts receivable are assessed with regard to expected customer losses. Other receivables are reported net with deductions for doubtful receivables based on individual assessments of the losses expected on those receivables.

Financial assets available for sale are those that are not derivatives and that can be identified as being available for sale or that are not included in any of the other categories.

Other financial liabilities are measured at amortized cost.

#### Impairment

At least at every year-end closing, an assessment is made as to whether there is any indication of impairment of the reported values of the Group's assets. When there is an indication that an asset has declined in value, its recyclable value is established. The recyclable value is the higher value of an asset's net sale value and its utilization value. When establishing the utilization value, a current value is assessed for the estimated future payments that the asset is expected to generate during its utilization.

When establishing the current value an interest calculation is used before tax that reflects the actual market interest and the risk that is linked with the asset. If the recyclable value falls below the booked value then a write-down of assets to the recyclable value is made. Reversals are recognized out if there is no longer good cause to recognize impairment. Impairment and reversals of impairment are recognized in the income statement.

At least once a year, an assessment of forecast future earnings and cash flow trends is made with regard to goodwill. Where necessary, impairment of goodwill is recognized.

#### Depreciation of tangible assets

Linear depreciation according to plan is based on the acquisition values of the assets and their estimated economic lifespan:

|   |           |
|---|-----------|
| Tools (for manufacturing products)      |           |
| (if the product's lifespan is > 1 year) | 2–3 years |
| Computers, cars, furniture etc.         | 2–5 years |

#### Leasing

Leases are classified in the Consolidated Accounts as either financial or operating leases. Financial leasing exists where the financial risk and benefits associated with

the ownership in all essential matters are transferred to the lessee. In other cases, leasing is considered operational. Being insubstantial, financial leasing agreements for company cars, copying machines, computer equipment and the like are reported as operational leasing.

Doro has no financial leasing agreements. Property rents are included in operational leasing. No significant lease agreements were entered during 2011.

#### Inventory

Inventories are valued at lower of cost (in accordance with the first-in, first out principle – FIFO) and the net sale value (in accordance with the lowest value principle). Cost is calculated for each delivery.

Technological development is rapid and prices fall regularly. Impairment of inventories is recognized according to a model whereby older inventory is subject to greater impairment. Different product families have different periods of depreciation. Net sales values are defined as the sales price minus sales costs. Depreciation of net sale value includes impairment due to technological and commercial obsolescence is recognized in each respective Group company.

Impairment increases according to a scale, with products being depreciated to 50 percent after 6–12 months and then fully depreciated after 18 months depending on the product family. In addition, individual impairment tests may be carried out.

#### Guarantees and repairs

Provisions are made for the cost of repairing goods that can be returned within the guarantee period (between one and two years from the sale to the end-user).

A statistics program has been developed that provides forecasts based on the time that products are sold and returned, the proportion requiring repairs, scrapping, compensation through the exchange of the product or a credit as well as costs for checks, repairs (including parts) and transport. When deviations occur (mainly in numbers of products being returned) requirements for guarantee provisions are carried out.

#### Provisions

Provisions are defined as liabilities that are uncertain with reference to amount or time of settlement. A provision is reported when there is an undertaking as a result of an event that has occurred, it is probable that a flow of resources will be required in order to regulate the undertaking and that a reliable estimation of the amount can be made. Pensions, guarantee commitments, disputes and additional costs are recorded as provisions in the balance sheet.

#### Tax

All tax expected to be paid on the recorded results is recognized in the income statement. This tax has been estimated according to each country's tax regulations and is accounted for under the item taxes.

The Group's total tax in the income statement consists partly of current tax on taxable profits for the period and partly of deferred tax. The deferred tax mainly consists of a change to deferred tax assets regarding taxable loss carryforwards and other temporary differences.

Tax legislation in certain countries allows for allocation to special reserves and funds. Companies can thus, within certain limits, dispose and retain reported operating profits without being taxed immediately. The untaxed reserves are subject to tax only when they are dissolved for reasons other than covering losses.

The Group uses the balance sheet method when calculating deferred income taxes recoverable and liabilities. The balance sheet method means that calculation is made from the tax rate on the closing day applied to the temporary differences between an asset or liability's accountable or taxable value and taxable loss carry-forward. Deferred tax assets are included in the balance sheet only to the extent of value that can probably be utilized within the near future. An individual assessment is made of the situation for companies in each country.

#### Cash flow statement

Cash flow statements are drawn up using the indirect method, which means the operating profit/loss after financial items is adjusted for transactions that did not entail payments in and out during the period and for income and expenses relating to the cash flow of investment activities.

#### Cash and equivalents

Cash and equivalents comprise cash and bank balances and current interest-bearing investments.

#### Segment reporting (IFRS 8)

As of 2011 Doro monitors its operations by market: Nordic region, EMEA (Europe, Middle East and Africa), the UK, the US & Canada and other regions.

#### Classification

The balance sheet items that appear as current assets and current liabilities are expected to be recovered or paid within a twelve-month period. All other balance sheet items are recovered or repaid later.

#### Critical accounting issues and of estimation uncertainties

In order to prepare Doro's financial reports, the Board and Management and the Board make various judgments and estimates that can significantly affect the amounts recognized. These areas are:



*Assessment of goodwill*

When goodwill is tested for impairment, assumptions are made regarding the future development of revenue and cash flow for the lowest possible cash generating unit. This is further described in Note 7.

*Deferred tax related to loss carryforwards*

When evaluating deferred tax assets an assessment is made of the future taxable surplus of each company and thereby of the opportunities to exercise the carry-forwards. The size of the loss carryforwards is detailed in Note 17.

*Credit risks in accounts receivable*

Individual assessments are carried out when evaluating the credit risks in accounts receivable. The assessment is based on historical payment behavior and other information. Doro has historically had very low credit losses, but is active in follow-ups. Refer to Note 23 for further information.

*Evaluation of inventory*

Evaluation of inventory is based on a model of the turnover of the inventory. In addition, comparisons are made by individual assessments based on historic sale statistics and sales forecast with the product volumes in inventory and production by suppliers.

**PARENT COMPANY****Impairment and reversal of impairment of participation in Group companies**

Participations in Group companies are valued at cost. If the recyclable value (see paragraph above entitled "Impairment") should prove to be lower, impairment is recognized. Impairment of the value of participations in subsidiaries can be reversed when there is no longer a reason for impairment.

**Group and shareholder contributions**

Group contributions that a parent receives from a subsidiary are recognized as financial income, and group contributions from the parent to the subsidiary are recognized either as an equity interest in the subsidiary, i.e. similar to shareholder contribution, or as an expense because of the relationship between accounting and taxation.

## Note 2

### Results per segment and income type

| Income divided into type of income | Group        |              | Parent Company |              |
|------------------------------------|--------------|--------------|----------------|--------------|
|                                    | 2011         | 2010         | 2011           | 2010         |
| Product sales                      | 737.8        | 626.5        | 731.9          | 622.4        |
| Other revenue                      | 7.6          | 6.3          | 1.8            | 5.0          |
| <b>Total</b>                       | <b>745.4</b> | <b>632.8</b> | <b>733.7</b>   | <b>627.4</b> |

Other revenue 2011 consist of EU funding concerning a partnership with University of Bremen to develop an avatar facilitating design of easy-to-use consumer products amounting to SEK 1.8 m (1.3). During the year development costs amounting to SEK 1.1 m have been activated. In Doro's french business receivables amounting to SEK 1.7 m have been recovered and provisions amounting to SEK 2.6 m have been released. In other revenues 2010 there was a currency gain amounting to SEK 1.1 m. During 2011 the group have a currency lost and this amounting to SEK 6.8 m and is included in other external costs. 2010 other revenues also consisted of insurance compensation regarding water damaged products in the US amounting to SEK 3.7.

### Results per segment (according to IFRS 8)

In 2010 Doro internally followed up the operation within the two business units: Care Electronics and Home Electronics. Because of the decrease in the business unit Home Electronics Doro has since 2011 chosen to follow up the operation based on the regions that Doro have.

**2011**

| Operating profit per geographical region | Nordic      | Europe, Middle East and Africa | United Kingdom | USA and Canada | Other Regions | Total       |
|--|-------------|--------------------------------|----------------|----------------|---------------|-------------|
| Income/Net Sales                         | 232.6       | 297.2                          | 104.3          | 104.0          | 7.3           | 745.4       |
| Operating cost                           | -193.5      | -269.7                         | -103.3         | -94.2          | -9.1          | -669.8      |
| <b>Operating profit</b>                  | <b>39.1</b> | <b>27.5</b>                    | <b>1.0</b>     | <b>9.8</b>     | <b>-1.8</b>   | <b>75.6</b> |
| Depreciation                             | -4.2        | -5.5                           | -1.8           | -1.9           | -0.2          | -13.6       |
| <b>Operating result</b>                  | <b>34.9</b> | <b>22.0</b>                    | <b>-0.8</b>    | <b>7.9</b>     | <b>-2.0</b>   | <b>62.0</b> |

**2010**

| Operating profit per geographical region | Nordic      | Europe, Middle East and Africa | United Kingdom | USA and Canada | Other Regions | Total       |
|--|-------------|--------------------------------|----------------|----------------|---------------|-------------|
| Income/Net Sales                         | 204.4       | 301.2                          | 76.1           | 40.0           | 11.1          | 632.8       |
| Operating cost                           | -160.7      | -280.8                         | -75.3          | -40.8          | -12.1         | -569.7      |
| <b>Operating profit</b>                  | <b>43.7</b> | <b>20.4</b>                    | <b>0.8</b>     | <b>-0.8</b>    | <b>-1.0</b>   | <b>63.1</b> |
| Depreciation                             | -2.2        | -3.4                           | -0.8           | -9.5           | -0.2          | -16.1       |
| <b>Operating result</b>                  | <b>41.5</b> | <b>17.0</b>                    | <b>0.0</b>     | <b>-10.3</b>   | <b>-1.2</b>   | <b>47.0</b> |

There has been no transactions between the regions within Doro during 2011 and 2010. Doro can not report assets and liabilities per segment because follow up is only made by the income statement. Doro has a single customer which generates 11 percent (15) of the revenue. 79 percent of the revenue are related to the region Europe, Middle East and Africa and 21 percent to the United Kingdom.

### Revenue per country

|                 | 2011         | 2010         |
|-----------------|--------------|--------------|
| France          | 166.1        | 188.1        |
| Sweden          | 136.1        | 114.2        |
| United Kingdom  | 90.2         | 67.5         |
| Germany         | 66.4         | 72.7         |
| USA             | 58.6         | 29.6         |
| Canada          | 45.1         | 9.3          |
| Norway          | 43.4         | 40.3         |
| Denmark         | 24.3         | 22.2         |
| Other countries | 107.6        | 82.6         |
| <b>Total</b>    | <b>737.8</b> | <b>626.5</b> |

## Note 2 contd.

### Tangible Fixed Assets

The Group's main part of the material assets are located in Sweden.

|                 | 2011              |                       |               | 2010              |                       |               |
|-----------------|-------------------|-----------------------|---------------|-------------------|-----------------------|---------------|
|                 | Acquisition value | Closing depreciations | Closing value | Acquisition value | Closing depreciations | Closing value |
| Sweden          | 22.0              | -14.6                 | 7.4           | 16.1              | -12.8                 | 3.3           |
| France          | 3.5               | -2.1                  | 1.4           | 2.4               | -1.3                  | 1.1           |
| Hong Kong       | 0.4               | -0.4                  | 0.0           | 0.7               | -0.6                  | 0.1           |
| Other countries | 0.4               | -0.3                  | 0.1           | 0.4               | -0.4                  | 0.0           |
| <b>Total</b>    | <b>26.3</b>       | <b>-17.4</b>          | <b>8.9</b>    | <b>19.6</b>       | <b>-15.1</b>          | <b>4.5</b>    |

## Note 3

### Intra-Group transactions

Of the Parent Company's invoicing, SEK 0 m (0) relates to subsidiaries. Invoicing from subsidiaries to the Parent Company amounted to SEK 45.9 m (52.2). Invoicing between subsidiaries amounted to SEK 0 m (0).

## Note 4

### Rental and leasing agreements

Costs for operational rental and leasing charges during the year amounts to SEK 3.3 m (3.7) for the group and SEK 1.6 m (1.8) for the parent company. Agreed future rental and leasing costs fall due for payment as shown below.

| Rental and leasing agreements | The Group   |             | Parent Company |            |
|-------------------------------|-------------|-------------|----------------|------------|
|                               | 2011        | 2010        | 2011           | 2010       |
| Within 1 year                 | 5.5         | 3.3         | 2.8            | 1.8        |
| Within 2 to 5 years           | 4.7         | 7.2         | 2.7            | 3.4        |
| Later than 5 years            | 0.0         | 0.0         | 0.0            | 0.0        |
| <b>Total</b>                  | <b>10.2</b> | <b>10.5</b> | <b>5.5</b>     | <b>5.2</b> |

## Note 5

### Employees

#### Average number of employees

| Number         | 2011      | Of whom men | 2010      | Of whom men |
|----------------|-----------|-------------|-----------|-------------|
| Parent Company | 31        | 18          | 28        | 18          |
| Norway         | 3         | 3           | 4         | 4           |
| United Kingdom | 8         | 5           | 6         | 4           |
| France         | 21        | 10          | 17        | 7           |
| Hong Kong      | 7         | 6           | 6         | 5           |
| <b>Total</b>   | <b>70</b> | <b>42</b>   | <b>61</b> | <b>38</b>   |

### Salaries and remuneration including board remuneration and break down between board, CEO and other employees

Salaries, remuneration, social charges and pension cost have appeared with the following amounts:

|   | The Group   |             | Parent Company |             |
|---|-------------|-------------|----------------|-------------|
|   | 2011        | 2010        | 2011           | 2010        |
| Salaries and other remuneration           | 45.1        | 41.7        | 25.0           | 18.6        |
|   | <b>45.1</b> | <b>41.7</b> | <b>25.0</b>    | <b>18.6</b> |
| Payroll overheads excluding pension costs | 14.0        | 11.2        | 8.5            | 5.9         |
|   | <b>14.0</b> | <b>11.2</b> | <b>8.5</b>     | <b>5.9</b>  |
| Pension costs                             | 5.3         | 4.3         | 4.0            | 3.1         |
| <i>of which premium-based</i>             | 5.9         | 4.3         | 4.0            | 3.1         |
|   | <b>5.9</b>  | <b>4.3</b>  | <b>4.0</b>     | <b>3.1</b>  |

Pension costs for the managing directors of the subsidiaries amounted to SEK 0.1 m (0.2).

## Gender of senior managers

|                      | 2011<br>total | Women<br>% | 2010<br>total | Women<br>% |
|----------------------|---------------|------------|---------------|------------|
| Board                | 5             | 40         | 5             | 33         |
| Group Management     | 5             | 40         | 5             | 33         |
| whereof situated in: |               |            |               |            |
| Parent Company       | 3             | 33         | 4             | 27         |
| France               | 2             | 50         | 1             | 7          |

## Salaries and remuneration including board fee breakdown between board members, CEO and other employees

|                | 2011<br>Board and CEO | Other employees | 2010<br>Board and CEO | Other employees |
|----------------|-----------------------|-----------------|-----------------------|-----------------|
| Sweden         | 4.2                   | 20.8            | 2.6                   | 16.0            |
| Norway         | 0.0                   | 2.6             | 0.0                   | 4.0             |
| United Kingdom | 0.0                   | 3.9             | 0.0                   | 4.1             |
| France         | 1.8                   | 9.4             | 1.5                   | 10.4            |
| Hong Kong      | 0.0                   | 2.6             | 0.0                   | 3.1             |
| <b>Total</b>   | <b>6.0</b>            | <b>39.3</b>     | <b>4.1</b>            | <b>37.6</b>     |

## Management remuneration (SEK k)

| The Board 2011        | Fees       | Pension  | Other remuneration | Total    |
|-----------------------|------------|----------|--------------------|----------|
| Chairman of the Board | 300        | 0        | 0                  | 0        |
| Other Board members*  | 300        | 0        | 0                  | 0        |
| <b>Total</b>          | <b>600</b> | <b>0</b> | <b>0</b>           | <b>0</b> |

\* Fees to other Board members amounted to SEK 100 k (100) each.

| Senior Executives 2011  | Salary       | Bonus        | Pension      | Other remuneration | Total         |
|-------------------------|--------------|--------------|--------------|--------------------|---------------|
| Jérôme Arnaud (CEO)     | 3,337        | 1,943        | 124*         | 74                 | 5,478         |
| Other senior executives | 3,808        | 1,558        | 1,366        | 523                | 7,255         |
| <b>Total</b>            | <b>7,145</b> | <b>3,501</b> | <b>1,490</b> | <b>597</b>         | <b>12,733</b> |

\*) Concerns Doro SAS.

| The Board 2010        | Fees       | Pension  | Other remuneration | Total      |
|-----------------------|------------|----------|--------------------|------------|
| Chairman of the Board | 300        | 0        | 0                  | 300        |
| Other Board members*  | 300        | 0        | 0                  | 300        |
| <b>Total</b>          | <b>600</b> | <b>0</b> | <b>0</b>           | <b>600</b> |

\* Fees to other Board members amounted to SEK 100 k (100) each.

| Senior Executives 2010  | Salary       | Bonus        | Pension      | Other remuneration | Total         |
|-------------------------|--------------|--------------|--------------|--------------------|---------------|
| Jérôme Arnaud (CEO)     | 2,308        | 1,186        | 228*         | 69                 | 3,791         |
| Other senior executives | 4,179        | 1,168        | 1,006        | 162                | 6,515         |
| <b>Total</b>            | <b>6,487</b> | <b>2,354</b> | <b>1,234</b> | <b>231</b>         | <b>10,306</b> |

\*) Concerns Doro SAS.

Pension schemes for senior executives are all premium-based with premiums of SEK 1.5 m (1.2) paid.

**Principles**

Fees are paid to the Chairman and other Board members in accordance with decisions made by the AGM. Payment for work on the boards of subsidiaries is made separately. Remuneration to the CEO and other senior executives comprises a basic salary, variable remuneration, other benefits (primarily a company car) and pension premiums. The balance between basic salary and variable remuneration should be in proportion to the executive's responsibilities and authorities. There are 4 (4) other members of the management team. Average number of senior executives in the management team in 2011: 5 (5). The period of notice for senior executives is in line with LAS (the Employment Protection Act), or a maximum of 12 months.

**Bonus**

Bonus refers to earned bonus. The bonus is linked to operating profit, EBIT. The maximum cost of the bonus to senior executives must not exceed SEK 5.0 m (5.0). The bonus is normally paid out during the year after it is earned. In 2012 bonuses totaling SEK 2.8 m (2.4) for the 2011 fiscal year.

**Pensions**

The retirement age for other senior executives of the Group is 65 and pensions are usually paid in accordance with the general pension plan plus full remuneration for the entire amount of salaries according to the ITP/ITPK plans. All pension benefits are irrevocable, i.e. not dependent on continued employment. The retirement age for the CEO is 65 years. No agreements have been signed concerning pension commitments or the equivalent, more than is mentioned in the periods of notice mentioned below, whether for board members or senior executives.

## Note 5 contd.

### Notice

If notice is served by the company or by the CEO himself, the period of notice is one year. The CEO has the right to salary over 12 months during the period of notice. No severance pay will be paid if notice is given by CEO. Other senior executives have agreement of salary during notice between 3 and 12 months.

### Nominations and decision-making processes

These procedures are explained in the Directors' Report.

### Share-related compensation & warrants

No member of the board receives any compensation relating to shares (options, convertible debentures or similar) issued by Doro or the main owner. In accordance with the mandate given by the Annual General Meeting on March 23, 2011, all of Doro's employees have been offered warrants granting them the right to acquire shares at the target price of SEK 35.30 and a warrant price of 3.40. The warrant price was calculated in accordance with the Black & Scholes model, taking dividends resolved upon at the 2011 annual general meeting into consideration. CEO subscribed for 200,000 warrants and the rest of the executive management subscribed for 155,000 warrants. Doro Incentive subscribed for 192,830 warrants to be used for future employees to be employed.

## Note 6

### Interest and similar items

| Income                      | The Group   |             | Parent Company |             |
|-----------------------------|-------------|-------------|----------------|-------------|
|                             | 2011        | 2010        | 2011           | 2010        |
| Interest income, external   | 0.9         | 0.1         | 0.9            | 0.0         |
| Interest income, internal   | -           | -           | 0.0            | 0.1         |
| Exchange rate gain          | 10.1        | 0.0         | 10.1           | 0.0         |
| <b>Total</b>                | <b>11.0</b> | <b>0.1</b>  | <b>11.0</b>    | <b>0.1</b>  |
| <b>Expenses</b>             |             |             |                |             |
| Interest expenses, external | -0.1        | -0.5        | 0.0            | -0.5        |
| Interest expenses, internal | -           | -           | -0.4           | -0.3        |
| Exchange rate losses        | 0.0         | -0.2        | 0.0            | -0.2        |
| <b>Total</b>                | <b>-0.1</b> | <b>-0.7</b> | <b>-0.4</b>    | <b>-1.0</b> |
| <b>Financial net</b>        | <b>10.9</b> | <b>-0.6</b> | <b>10.6</b>    | <b>-0.9</b> |

Interest income concerns paid interest on bank accounts. Interest expense concerns interest paid for bank loans and overdraft facilities. At the time for the annual closing there is two outstanding loans amounting to SEK 2.4 m. The overdraft facilities is unused. Exchange rate gains and losses concerns revaluation of hedging contract amounting to SEK 10.1 m.

## Note 7

### Intangible fixed assets

| Group/ Goodwill                                 | 2011         | 2010         |
|---|--------------|--------------|
| <b>Opening cost</b>                             | <b>8.8</b>   | <b>8.8</b>   |
| Acquisitions during the year                    | 17.7         | 0.0          |
| Exchange rate difference                        | -0.1         | 0.0          |
| <b>Closing accumulated cost</b>                 | <b>26.4</b>  | <b>8.8</b>   |
| <b>Group / Customer register</b>                |              |              |
| <b>Acquisition value brought forward</b>        | <b>0.0</b>   | <b>0.0</b>   |
| Acquisitions during the year                    | 5.9          | 0.0          |
| Exchange rate difference                        | -0.3         | 0.0          |
| <b>Closing accumulated acquisition value</b>    | <b>5.6</b>   | <b>0.0</b>   |
| <b>Write-downs brought forward</b>              | <b>0.0</b>   | <b>0.0</b>   |
| Write-downs for the year                        | -0.4         | 0.0          |
| <b>Closing depreciation/write-downs</b>         | <b>-0.4</b>  | <b>0.0</b>   |
| <b>Closing residual value according to plan</b> | <b>5.2</b>   | <b>0.0</b>   |
| <b>Parent company / Goodwill</b>                |              |              |
| <b>Acquisition value brought forward</b>        | <b>19.1</b>  | <b>19.1</b>  |
| Acquisitions during the year                    | 0.0          | 0.0          |
| <b>Closing accumulated acquisition value</b>    | <b>19.1</b>  | <b>19.1</b>  |
| <b>Write-downs brought forward</b>              | <b>-15.3</b> | <b>-13.4</b> |
| Write-downs for the year                        | -1.9         | -1.9         |
| <b>Closing depreciation/write-downs</b>         | <b>-17.2</b> | <b>-15.3</b> |
| <b>Closing residual value according to plan</b> | <b>1.9</b>   | <b>3.8</b>   |
| <b>Parent company / Customer register</b>       |              |              |
| <b>Acquisition value brought forward</b>        | <b>8.9</b>   | <b>0.0</b>   |
| Acquisitions during the year                    | 5.9          | 8.9          |
| <b>Closing accumulated acquisition value</b>    | <b>14.8</b>  | <b>8.9</b>   |
| <b>Write-downs brought forward</b>              | <b>-1.8</b>  | <b>0.0</b>   |
| Write-downs for the year                        | -2.2         | -1.8         |
| <b>Closing depreciation/write-downs</b>         | <b>-4.0</b>  | <b>-1.8</b>  |
| <b>Closing residual value according to plan</b> | <b>10.8</b>  | <b>7.1</b>   |

The Group assesses the need for goodwill to be written down on an annual basis or when indications of impairment arise. Impairment testing is applied at the lowest level where separable cash flows can be identified.

The recoverable value of the unit is established based on the current value in use of future cash flows. Future cash flows are estimated on the basis of the expected growth rate in accordance with established forecasts for the next five years. These forecasts are based on historical experience but also take expected future development into account. The average growth rate for the unit is estimated at 4 percent (4) annually over the next five years. Sustainable growth is estimated at 2 percent. Assumptions regarding future growth and profitability are based on external and internal estimates of market growth, past performance and management's assessment of market shares.

The forecasted cash-flows have been calculated using a pre-tax discount rate of 13.9 percent (13.9), corresponding to 12 percent (12) after tax. The WACC discount factor has been set using the Capital Asset Pricing Model (CAPM). As part of the WACC, risk-free interest, equivalent to the yield on ten-year government bonds, has been applied with the addition of the stock market's risk premium and the risk premium for small companies. The return requirement has been ascertained based on the optimum capital structure as derived from the capital market. Since the recoverable amount exceeds the carrying amount, no need for impairment is deemed to exist. A sensitivity analysis shows that even if growth were halved and the WACC raised by 1 percentage point, there would still be no need for impairment. According to the acquisition analyses for companies Prylos SAS and Birdy SAS (Note 18), the Group acquired goodwill during the year. Nothing has occurred to imply that a new evaluation would be necessary.

For the Parent Company, goodwill was originally acquired internally from Doro Nordic AB and originates from internal divestments of operations in 2002. Goodwill and the customer registers in the Parent Company are eliminated at the Group level.

### Brands

The Parent Company acquired from Doro Finans AB the internal brands Doro and Audioline in 2007. These brands are depreciated yearly with SEK 3.6 m and will be fully depreciated according to plan in 2012. As the brands are acquired internally they are eliminated at group level. During 2011 Doro have made the acquisitions of the companies Birdy och Prylos. The trademark related to the acquisitions have been identified.

| The Group / Brands                                    | 2011        | 2010       |
|---|-------------|------------|
| <b>Acquisition value brought forward</b>              | <b>0.0</b>  | <b>0.0</b> |
| Acquisitions during the year                          | 1.1         | 0.0        |
| <b>Closing accumulated acquisition value</b>          | <b>1.1</b>  | <b>0.0</b> |
| <b>Depreciation according to plan brought forward</b> | <b>0.0</b>  | <b>0.0</b> |
| Depreciation according to plan for the year           | -0.1        | 0.0        |
| <b>Closing depreciation according to plan</b>         | <b>-0.1</b> | <b>0.0</b> |
| <b>Closing residual value according to plan</b>       | <b>1.0</b>  | <b>0.0</b> |

| Parent company/ Brands                                | 2011         | 2010         |
|---|--------------|--------------|
| <b>Acquisition value brought forward</b>              | <b>35.8</b>  | <b>35.8</b>  |
| Acquisitions during the year                          | 1.0          | 0.0          |
| <b>Closing accumulated acquisition value</b>          | <b>36.8</b>  | <b>35.8</b>  |
| <b>Depreciation according to plan brought forward</b> | <b>-28.6</b> | <b>-25.1</b> |
| Depreciation according to plan for the year           | -3.6         | -3.5         |
| <b>Closing depreciation according to plan</b>         | <b>-32.2</b> | <b>-28.6</b> |
| <b>Closing residual value according to plan</b>       | <b>4.6</b>   | <b>7.2</b>   |

| The Group's capitalized expenditure for development work / IT | 2011         | 2010         |
|---|--------------|--------------|
| <b>Acquisition value brought forward</b>                      | <b>24.4</b>  | <b>9.6</b>   |
| Acquisitions during the year                                  | 8.1          | 15.0         |
| Acquisitions  | 6.3          | 0.0          |
| Exchange rate difference                                      | -0.2         | 0.0          |
| Sales/Disposals   | 0.0          | -0.1         |
| Reclassifications   | 3.7          | -0.1         |
| <b>Closing accumulated acquisition value</b>                  | <b>42.3</b>  | <b>24.4</b>  |
| <b>Depreciation according to plan brought forward</b>         | <b>-13.5</b> | <b>-3.2</b>  |
| Depreciation according to plan for the year                   | -10.9        | -10.4        |
| Sales/Disposals   | 0.0          | 0.1          |
| Reclassifications   | 0.0          | 0.0          |
| <b>Closing depreciation according to plan</b>                 | <b>-24.4</b> | <b>-13.5</b> |
| <b>Closing residual value according to plan</b>               | <b>17.9</b>  | <b>10.9</b>  |

| Ongoing capitalized expenditure for development work / IT | 2011        | 2010        |
|---|-------------|-------------|
| <b>Opening balance</b>                                    | <b>5.8</b>  | <b>3.2</b>  |
| Balanced during the year                                  | -3.7        | -3.1        |
| New expenditure   | 7.1         | 5.7         |
| Cost accounted  | -0.4        | 0.0         |
| <b>Closing balance</b>                                    | <b>8.8</b>  | <b>5.8</b>  |
| <b>Total closing residual value</b>                       | <b>26.7</b> | <b>16.7</b> |

| Parent company / Capitalized expenditure for development work / IT | 2011         | 2010         |
|--|--------------|--------------|
| <b>Acquisition value brought forward</b>                           | <b>24.4</b>  | <b>9.6</b>   |
| Acquisitions during the year                                       | 14.5         | 15.0         |
| Sales/Disposals  | 0.0          | -0.1         |
| Reclassifications  | 3.7          | -0.1         |
| <b>Closing accumulated acquisition value</b>                       | <b>42.6</b>  | <b>24.4</b>  |
| <b>Depreciation according to plan brought forward</b>              | <b>-13.5</b> | <b>-3.2</b>  |
| Depreciation according to plan for the year                        | -10.8        | -10.4        |
| Sales/Disposals  | 0.0          | 0.1          |
| <b>Closing depreciation according to plan</b>                      | <b>-24.3</b> | <b>-13.5</b> |
| <b>Closing balance</b>   | <b>18.3</b>  | <b>10.9</b>  |

| Ongoing capitalized expenditure for development work / IT | 2011        | 2010        |
|---|-------------|-------------|
| <b>Opening balance</b>                                    | <b>5.8</b>  | <b>3.2</b>  |
| Balanced during the year                                  | -3.7        | -3.1        |
| New expenditure   | 7.1         | 5.7         |
| Cost accounted  | -0.4        | 0.0         |
| <b>Closing balance</b>                                    | <b>8.8</b>  | <b>5.8</b>  |
| <b>Total closing residual value</b>                       | <b>27.1</b> | <b>16.7</b> |

A depreciation plan of two-three years starts from the date of market introduction of each product.

## Note 8

### Tangible fixed assets

|   | The Group    |              | Parent Company |              |
|---|--------------|--------------|----------------|--------------|
| Equipment and tools                                   | 2011         | 2010         | 2011           | 2010         |
| <b>Acquisition value brought forward</b>              | <b>18.9</b>  | <b>16.7</b>  | <b>15.4</b>    | <b>12.8</b>  |
| Acquisitions during the year                          | 2.6          | 2.8          | 2.4            | 2.6          |
| Acquisitions  | 0.5          | 0.0          | 0.0            | 0.0          |
| Sales/Disposals                                       | -0.3         | 0.0          | 0.0            | 0.0          |
| Reclassifications                                     | 0.9          | -0.1         | 0.4            | 0.0          |
| Exchange rate difference                              | 0.0          | -0.5         | -              | -            |
| <b>Closing acquisition value</b>                      | <b>22.6</b>  | <b>18.9</b>  | <b>18.2</b>    | <b>15.4</b>  |
| <b>Depreciation according to plan brought forward</b> | <b>-15.1</b> | <b>-9.6</b>  | <b>-12.8</b>   | <b>-7.3</b>  |
| Depreciation according to plan for the year           | -2.2         | -5.8         | -1.8           | -5.5         |
| Sales/Disposals                                       | 0.3          | 0.0          | 0.0            | 0.0          |
| Reclassifications                                     | -0.4         | 0.0          | 0.0            | 0.0          |
| Exchange rate difference                              | 0.0          | 0.3          | -              | -            |
| <b>Closing depreciation according to plan</b>         | <b>-17.4</b> | <b>-15.1</b> | <b>-14.6</b>   | <b>-12.8</b> |
| <b>Closing residual value according to plan</b>       | <b>5.2</b>   | <b>3.8</b>   | <b>3.6</b>     | <b>2.6</b>   |

| Ongoing expenditure for Equipment and tools | 2011       | 2010       | 2011       | 2010       |
|---|------------|------------|------------|------------|
| <b>Opening balance</b>                      | <b>0.7</b> | <b>0.5</b> | <b>0.7</b> | <b>0.5</b> |
| Balanced during the year                    | 3.4        | -0.5       | 3.4        | -0.5       |
| Reclassifications                           | -0.4       | 0.0        | -0.4       | 0.0        |
| Prepayments                                 | -          | 0.7        | 0.0        | 0.7        |
| <b>Closing balance</b>                      | <b>3.7</b> | <b>0.7</b> | <b>3.7</b> | <b>0.7</b> |
| <b>Total Tangible Fixed assets</b>          | <b>8.9</b> | <b>4.5</b> | <b>7.3</b> | <b>3.3</b> |



## Note 9

### Participation in Group companies

| Subsidiary         | No of. shares | %   |     | Nominal value | Book value 2011 | Shareholders' equity <sup>1)</sup> 2011 | Book value 2010 |
|--------------------|---------------|-----|-----|---------------|-----------------|---|-----------------|
| Doro A/S, Norway   | 200           | 100 | NOK | 0.1 M SEK     | 0.60            | 1.9                                     | 0.6             |
| Doro UK Ltd        | 3,013,400     | 100 | GBP | 32.1 M SEK    | 4.20            | 8.6                                     | 4.2             |
| Doro SAS           | 66,667        | 100 | EUR | 8.9 M SEK     | 11.60           | 27.6                                    | 11.6            |
| Doro Hong Kong Ltd | 4,500         | 100 | HKD | 4.0 M SEK     | 5.10            | 4.8                                     | 5.1             |
| Doro Inc           | 3,000         | 100 | USD | 0.0 M SEK     | 0.04            | 0.7                                     | 0.0             |
| Doro Incentive AB  | 50,000        | 100 | SEK | 0.1 M SEK     | 0.06            | 0.1                                     | 0.0             |
|                    |               |     |     |               | <b>21.6</b>     | <b>43.6</b>                             | <b>21.5</b>     |

1) Shareholders' equity (net assets) refers to Group book value per subsidiary, shareholders' equity according to the subsidiary's balance sheet.

|                              | 2011 | 2010 |
|------------------------------|------|------|
| Opening balance              | 21.5 | 21.5 |
| Acquisitions during the year | 0.1  | 0.0  |
| Closing balance              | 21.6 | 21.5 |

| Subsidiary – Company reg. no              | Registered office                 |
|---|-----------------------------------|
| Doro A/S – 934210719                      | Fredrikstad, Norway               |
| Doro UK Ltd – 1180330                     | Chalfont St Peter, United Kingdom |
| Doro SAS – 309 662 195                    | Versailles, France                |
| Doro Hong Kong Ltd – 08194263-000-12-98-6 | Kowloon, Hong Kong                |
| Doro Inc. – 4706937 810 0 090679976       | New York, USA                     |
| Doro Incentive AB – 556843-4962           | Lund, Sweden                      |

Gima Ltd was a sub-group within the Group, where Doro UK was the parent company. Gima Electronics Ltd have been closed down during 2011. Doro Incentive AB was created at the same time as the warrants program for Doros employees was launched. The company will store the warrants not subscribed for to be used for future key employees to be employed within the Doro Group.

## Note 10

### Prepaid expenses and accrued income

|                        | The Group  |            | Parent Company |            |
|------------------------|------------|------------|----------------|------------|
|                        | 2011       | 2010       | 2011           | 2010       |
| Prepaid rent           | 0.4        | 0.4        | 0.3            | 0.3        |
| Other prepaid expenses | 1.3        | 1.4        | 1.0            | 1.0        |
| <b>Total</b>           | <b>1.7</b> | <b>1.8</b> | <b>1.3</b>     | <b>1.3</b> |

## Note 11

### Share capital and dividends

|          | No. of shares | Voting rights    | Class  |
|----------|---------------|------------------|--------|
| A shares | 19,349,174    | 1 vote per share | Normal |

#### Share capital

19,349,174 shares at a quota value of SEK 1.00 per share = SEK 19,349,174.

#### New share issue

Doro has as a part of the purchase price for Birdy Technology newly-issued 241,543 shares in Doro to Xavier Corbin in exchange for his shares in Birdy Technology. As a result of the share issue, the number of shares risen from 19,107,631 to 19,349,174 shares.

#### Dividends

The Board of Directors proposes that dividend of SEK 1 will be distributed to the shareholders for the 2011 fiscal year.

#### Convertibles or options

There are no outstanding convertibles or options.

## Note 12

### Overdraft facilities

|                 | The Group |      | Parent Company |      |
|-----------------|-----------|------|----------------|------|
|                 | 2011      | 2010 | 2011           | 2010 |
| Approved credit | 31.5      | 32.0 | 30.0           | 30.0 |
| Utilized credit | 0.0       | 0.0  | 0.0            | 0.0  |

## Note 14

### Pledged assets to credit institutions

|   | The Group    |              | Parent Company |              |
|---|--------------|--------------|----------------|--------------|
|   | 2011         | 2010         | 2011           | 2010         |
| Chattel mortgages                       | 170.0        | 170.0        | 170.0          | 170.0        |
| Shares in Group companies <sup>1)</sup> | 43.6         | 35.6         | 21.6           | 21.5         |
| <b>Total</b>                            | <b>213.6</b> | <b>205.6</b> | <b>191.6</b>   | <b>191.5</b> |

1) Instead of book value of shares the Group reports the value of the Group's net assets in the consolidated accounts. By net assets (shareholders' equity), the Group refers to the consolidated book value by subsidiary, i.e. shareholders' equity according to the subsidiaries' balance sheet total including consolidated residual value of the subsidiary

## Note 15

### Pledged assets/Contingent liabilities

Doro has no pledged assets/contingent liabilities.

## Note 17

### Taxes

|  | The Group    |             | Parent Company |             |
|--|--------------|-------------|----------------|-------------|
|  | 2011         | 2010        | 2011           | 2010        |
| <b>Taxes on profit/loss for the year</b>     |              |             |                |             |
| Current tax                                  | -3.5         | -4.3        | 0.0            | 0.0         |
| Deferred tax                                 | -11.5        | 15.0        | -12.6          | 12.9        |
| <b>Total tax on profit/loss for the year</b> | <b>-15.0</b> | <b>10.7</b> | <b>-12.6</b>   | <b>12.9</b> |

Connection between the tax expense for the year and the reported earnings before tax:

|  | The Group    |             | Parent Company |             |
|--|--------------|-------------|----------------|-------------|
|  | 2011         | 2010        | 2011           | 2010        |
| <b>Taxes</b>   |              |             |                |             |
| Reported profit/loss before tax                          | 72.9         | 46.4        | 56.1           | 35.2        |
| Tax at current rate 26.3 %                               | -19.2        | -12.2       | -14.7          | -9.3        |
| <b>Tax effect on non-deductible expenses:</b>            |              |             |                |             |
| Other non-deductible expenses                            | -0.4         | -0.4        | 0.0            | 0.0         |
| Tax effect from temporary differences                    | -9.0         | -4.3        | -9.0           | -4.3        |
| Non-taxable income:                                      |              |             |                |             |
| Group adjustment for deferred tax not taken into account | 1.6          | 1.3         | 0.0            | 0.0         |
| Use of losses carry forward                              | 24.1         | 13.8        | 23.7           | 13.6        |
| Change in value of deferred tax on losses carry forward  | -12.6        | 12.9        | -12.6          | 12.9        |
| Change in value of temporary differences                 | 0.0          | 0.5         | 0.0            | 0.0         |
| Adjustment for tax rates in foreign Group company        | 0.5          | -0.9        | 0.0            | 0.0         |
| <b>Reported tax</b>                                      | <b>-15.0</b> | <b>10.7</b> | <b>-12.6</b>   | <b>12.9</b> |

Temporary differences arise in those cases where accounted values of assets or liabilities and their tax value are different. Temporary differences, unutilized losses carry forward and other future tax deductions have led to deferred tax liabilities and tax assets for the following:

## Note 13

### Accrued expenses and prepaid income

|                         | The Group   |             | Parent Company |             |
|-------------------------|-------------|-------------|----------------|-------------|
|                         | 2011        | 2010        | 2011           | 2010        |
| Holiday pay liability   | 4.4         | 3.5         | 2.6            | 2.2         |
| Payroll overheads       | 3.7         | 2.5         | 1.3            | 1.1         |
| Stock accounts interim  | 30.5        | 12.7        | 30.5           | 12.7        |
| Other staff liabilities | 11.9        | 8.0         | 11.1           | 7.3         |
| Accrued royalty         | 11.9        | 10.8        | 11.9           | 10.8        |
| Accrued customer bonus  | 16.9        | 19.8        | 16.6           | 16.9        |
| Other accrued expenses  | 14.8        | 20.4        | 11.4           | 10.9        |
| <b>Total</b>            | <b>94.1</b> | <b>77.7</b> | <b>85.4</b>    | <b>61.9</b> |

## Note 16

### Auditors

The 2011AGM elected Göran Neckmar (Ernst & Young AB) to be the auditor of the Parent Company, Doro AB. Ernst & Young will carry out auditing at all large units for the period of one year.

|                                     | The Group  |            | Parent Company |            |
|-------------------------------------|------------|------------|----------------|------------|
|                                     | 2011       | 2010       | 2011           | 2010       |
| <b>Fees and costs</b>               |            |            |                |            |
| Auditing assignments                | 0.6        | 1.0        | 0.5            | 0.7        |
| Auditing outside the assignment     | -          | -          | -              | -          |
| Tax assignments                     | 1.8        | 1.4        | 1.8            | 1.4        |
| Other advisory services by auditors | 0.7        | -          | 0.7            | -          |
| <b>Total</b>                        | <b>2.4</b> | <b>2.4</b> | <b>3.0</b>     | <b>2.1</b> |

Auditing assignments refer to the auditing of the Annual Report, the accounts and the administration by the Board of Directors and the CEO. Auditing assignments also include what the company's auditors are required to perform, advise on, or other contributions resulting from observations made during this auditing work or while carrying out these assignments.

## Note 17 contd.

|  | The Group   |             | Parent Company |             |
|--|-------------|-------------|----------------|-------------|
|  | 2011        | 2010        | 2011           | 2010        |
| <b>Deferred tax asset</b>                            |             |             |                |             |
| Unutilized losses carry forward                      | 16.1        | 28.7        | 16.1           | 28.7        |
| Temporary difference depending on Group eliminations | 1.3         | 1.8         | 0.0            | 0.0         |
| <b>Total reported deferred tax asset</b>             | <b>17.4</b> | <b>30.5</b> | <b>16.1</b>    | <b>28.7</b> |

Deferred tax assets are shown for unutilized losses carried forward and temporary differences in the balance sheet, when they are calculated to be used in the near future. A single calculation is made for each company with respect to past earnings trends, future plans and the option of using losses carried forward.

Of the consolidated losses carried forward, SEK 123 m (226) can be used without a time limit being imposed. None of the consolidated losses are restricted in time. The substantial remaining losses are in Sweden and the United Kingdom.

|  |             |             |
|--|-------------|-------------|
| <b>Losses carry forward fall due as follows:</b> | <b>2011</b> | <b>2010</b> |
| Without limit                                    | 123         | 226         |
| <b>Total</b>                                     | <b>123</b>  | <b>226</b>  |

Non-accounted deferred tax assets in the balance sheet concerning unutilized taxable losses carry forward amount to:

|  | The Group |      | Parent Company |      |
|--|-----------|------|----------------|------|
|  | 2011      | 2010 | 2011           | 2010 |
|  | 19        | 33   | 0              | 14   |

## Note 18

### Acquisitions

Goodwill is attributable to future customers and products, cross-selling opportunities for Doro, ability to improve future Doro products with advanced features for acquired technical know-how, and skilled development team. The acquisitions are expected to generate cost-savings as a result of economies of scale.

Costs directly related to the acquisitions SEK 2.3 m, has been accounted for in other external costs.

#### Acquisition of Prylos SAS

On 11 July 2011, Doro SAS acquired 100 percent of Prylos SAS. Prylos is a French company that offers an Android-based platform for Doro's new product launches, as well as a focused development team within senior telecom solutions. The acquisition will support Doro's growth strategy, which includes expanding into mobile health solutions. Prylos activities had sales of SEK 7.5 m 2011. AS of October 1, all sales etc. for Prylos software is sold through Doro AB. On the acquisition date, the number of employees was 12. Prylos SAS was merged with Doro SAS on December 30, 2011.

#### The acquired net assets and goodwill are presented below:

|                                   |             |
|-----------------------------------|-------------|
| <b>SEK m</b>                      |             |
| Purchase consideration            | 17.1        |
| Net debt                          | -1.9        |
| <b>Total acquisition value</b>    | <b>15.2</b> |
| Fair value of acquired net assets | -6.2        |
| <b>Goodwill</b>                   | <b>9.0</b>  |

#### The following assets and liabilities were included in the acquisition:

|   |             |
|---|-------------|
| <b>SEK m Fair value</b>   |             |
| Intangible fixed assets   | 5.9         |
| Tangible fixed assets   | 0.1         |
| Finacial fixed assets   | 0.2         |
| Deferred tax assets   | 0.2         |
| Accounts receivables  | 2.0         |
| Other current assets  | 2.0         |
| Cash  | 0.5         |
| Interest-bearing liabilities  | -2.4        |
| Accounts payable  | -0.9        |
| Other current liabilities   | -1.4        |
| <b>Acquired net assets</b>  | <b>6.2</b>  |
| Goodwill  | 9.0         |
| <b>Total purchase consideration</b>                                   | <b>15.2</b> |
| Deferred payment  | -0.9        |
| Contingent consideration (accounted as long-term liability)           | -1.8        |
| Net debt in acquired company  | 1.9         |
| <b>Change in the Group's cash flow resulting from the acquisition</b> | <b>14.4</b> |

**Acquisition of Birdy Technology SAS**

On 31 August 2011, Doro SAS acquired 100 percent of Birdy Technology SAS, which operates in the area of teleassistance. As its main product, Birdy Technology develops a fixed GSM gateway which, via the mobile network connects various sensors (fall sensors, wrist alarms, smoke detectors, etc.) to a call center when the sensors are triggered. In this way, seniors' everyday lives are made safer and more comfortable, while relatives are granted peace of mind. Birdy Technology's customers include both private and public home-tele-assistance companies in France. The acquisition of Birdy Technology represents an opportunity for Doro to strengthen its offer in tele-assistance, forming a solid platform from which to add mHealth services at a later stage. Birdy activities had sales of SEK 11.6 m 2011. As of October 1, all sales etc. for Birdy products is sold through Doro AB. On the acquisition date, the number of employees was 2. Birdy Technology SAS was merged with Doro SAS on December 30, 2011.

The acquired net assets and goodwill are presented below:

**SEK m**

|                                   |            |
|-----------------------------------|------------|
| Purchase consideration            | 15.5       |
| Net cash                          | 0.4        |
| Total acquisition value           | 15.9       |
| Fair value of acquired net assets | -7.2       |
| <b>Goodwill</b>                   | <b>8.7</b> |

The following assets and liabilities were included in the acquisition:

**SEK m Fair value**

|                              |            |
|------------------------------|------------|
| Intangible Fixed Assets      | 7.4        |
| Tangible Fixed assets        | 0.4        |
| Inventory                    | 0.6        |
| Accounts Receivables         | 1.6        |
| Other current Assets         | 0.2        |
| Cash                         | 0.9        |
| Interest-bearing liabilities | -0.5       |
| Accounts payable             | -0.9       |
| Other current liabilities    | -0.3       |
| Tax                          | -0.3       |
| Deferred tax liability       | -1.9       |
| <b>Acquired net assets</b>   | <b>7.2</b> |

|                                     |             |
|-------------------------------------|-------------|
| Goodwill                            | 8.7         |
| <b>Total purchase consideration</b> | <b>15.9</b> |

|   |            |
|---|------------|
| Share issue in kind   | -6.3       |
| Contingent consideration (accounted as long-term liability)           | -4.0       |
| Net cash in acquired company  | -0.4       |
| <b>Change in the Group's cash flow resulting from the acquisition</b> | <b>5.2</b> |

## Note 19

### Finished goods and goods for resale

| The Group                      | 2011 | 2010 |
|--------------------------------|------|------|
| Opening gross stock            | 60.5 | 42.7 |
| Change in gross stock          | 4.7  | 17.8 |
| Closing gross stock            | 65.2 | 60.5 |
| Opening write-downs of stock   | -5.5 | -7.1 |
| Change in write-downs of stock | 0.5  | 1.6  |
| Closing write-downs of stock*  | -5.0 | -5.5 |
| Net stock in balance sheet     | 60.2 | 55.0 |

| Parent company                 | 2011 | 2010 |
|--------------------------------|------|------|
| Opening gross stock            | 60.5 | 39.0 |
| Change in gross stock          | 4.7  | 21.5 |
| Closing gross stock            | 65.2 | 60.5 |
| Opening write-downs of stock   | -4.9 | -4.1 |
| Change in write-downs of stock | -0.1 | -0.8 |
| Closing write-downs of stock*  | -5.0 | -4.9 |
| Net stock in balance sheet     | 60.2 | 55.6 |

\* Acquisition value for the write down of SEK 5.0 m (4.9) is based on inventory book value of SEK 14.2 m (13.0).

In the Group is another write-down for the products Business Electronics amounting to SEK 0.0 m (0.6).

## Note 20

### Allocations for guarantees

Doro's products are subjected to extensive quality testing. Guarantees are given to end-users that extend for a maximum of one year after the date of purchase. Customers may be compensated in various forms through repairs, exchanging for similar products, credits or other measures. Doro has created a statistics model to estimate future compensation requirements based on predicted returned products over time, means of compensation and expenses for various compensation forms. Guarantee times have risen due to the regulations for guarantees now being two years on some markets.

|                                       | The Group   |             | Parent Company |             |
|---------------------------------------|-------------|-------------|----------------|-------------|
|                                       | 2011        | 2010        | 2011           | 2010        |
| <b>Opening balance</b>                | <b>24.4</b> | <b>17.7</b> | <b>24.4</b>    | <b>5.9</b>  |
| Amount released                       | -31.5       | -21.0       | -31.5          | -20.2       |
| New allocations                       | 31.0        | 27.7        | 31.0           | 27.7        |
| Transferred reserve from subsidiaries | 0.0         | 0.0         | 0.0            | 11.0        |
| <b>Closing balance</b>                | <b>23.9</b> | <b>24.4</b> | <b>23.9</b>    | <b>24.4</b> |

## Note 21

### Pension allocations

| The Group              | 2011       | 2010       |
|------------------------|------------|------------|
| <b>Opening balance</b> | <b>0.7</b> | <b>0.7</b> |
| Amount released        | 0.0        | 0.0        |
| New allocations        | 0.4        | 0.0        |
| <b>Closing balance</b> | <b>1.1</b> | <b>0.7</b> |

## Note 22

### Other allocations

|                             | The Group   |             | Parent Company |             |
|-----------------------------|-------------|-------------|----------------|-------------|
|                             | 2011        | 2010        | 2011           | 2010        |
| <b>Opening balance</b>      | <b>20.9</b> | <b>9.7</b>  | <b>19.5</b>    | <b>8.0</b>  |
| Amount released             | -1.0        | -4.8        | -0.8           | -4.5        |
| New allocations             | 38.6        | 16.6        | 38.6           | 16.6        |
| Unutilized amount cancelled | -0.6        | -0.6        | 0.0            | -0.6        |
| <b>Closing balance</b>      | <b>57.9</b> | <b>20.9</b> | <b>57.3</b>    | <b>19.5</b> |

#### Disputes

Doro has outsourced its production to external suppliers in Asia. Disputes could arise with suppliers because they do not deliver products that have the agreed quality, functionality or delivery time. Historically Doro has had few of these disputes.

Doro has a commercial dispute with a former distributor concerning stocks. The value of the stock is SEK 2.7 m, which has been completely written down. Doro await the final decision from the court of Madrid. No further costs are expected. Doro's principle is to report reserves for estimated risks and legal costs until the case has been settled in a higher court. A German court have two times issued a ruling preventing a German manufacturer from selling a model similar in design to Doro's phones.

In a preliminary ruling a Polish court has forbidden a Polish Company from selling mobile phones labeled DURO.

#### Additional costs

Additional costs amount to SEK 50.8 m (19.5) and include costs that are known but that have not been debited at the time of invoicing and those that are unknown but expected at the time of invoicing. The provision for additional costs is charged against costs for goods sold to obtain correct allocation by period of the gross margin. The amount was previously reported as accrued costs and consequently the comparison figure has also been adjusted.

## Note 23

### Risk management and financial instruments

#### FINANCIAL RISK MANAGEMENT

The Board of Directors of Doro has adopted a treasury policy that regulates how financial risks are identified and managed. Risk management aims to reduce or eliminate risks. The main focus is to achieve a low risk profile.

Doro AB (parent company) has the overall responsibility for the Group's financial risk management including currency risk management, liquidity management and cash management. Through centralization and coordination significant economies of scale can be obtained regarding terms for financial transactions and financing. The risks Doro is exposed to are described below.

#### CREDIT AND COUNTERPART RISK

The Group is primarily exposed to credit risk associated with financial investments and receivables management as well as counterparty risk associated with hedging. Credit and counterparty risks are managed centrally by the parent company of Doro AB and is regulated by the Treasury Policy. Financial instruments may only be made with counterparts/issuers within the categories government, municipalities and banks. As of December 31, 2011, the short-term investments in municipal and state amounted to SEK 40.0 m (29.9) and in banking SEK 15.0 m (0.0).

The value of account receivables amounts to SEK 118.4 m (116.0). In recent years Doro has experienced very low credit losses (less than 0.5 percent of sales) due to that the main customer group is large businesses with regular trading. The single largest customer accounts for less than 11 percent (15) of the Group's sales. In most countries Doro operates without credit insurance.

| Age analysis of accounts receivable  | The Group    |              |
|--------------------------------------|--------------|--------------|
|                                      | 2011         | 2010         |
| Not yet due                          | 110.4        | 93.6         |
| Due for payment < 60 days            | 3.7          | 18.2         |
| Due for payment > 60 days            | 4.3          | 4.2          |
| <b>Total accounts receivable</b>     | <b>118.4</b> | <b>116.0</b> |
| Expected customer losses             | -3.8         | -4.4         |
| <b>Accounts receivable in report</b> | <b>114.6</b> | <b>111.6</b> |

| Doubtful accounts receivable, change | The Group   |             |
|--------------------------------------|-------------|-------------|
|                                      | 2011        | 2010        |
| Opening balance                      | -4.4        | -4.7        |
| Expected customer losses             | -2.0        | -0.7        |
| Confirmed customer losses            | -0.1        | 0.3         |
| Amount cancelled                     | 2.7         | 0.7         |
| <b>Closing balance</b>               | <b>-3.8</b> | <b>-4.4</b> |

#### Other receivables

Other receivables are not yet due.

#### LIQUIDITY AND REFINANCING RISK

As per end of 2011 the Group had SEK 2.4 m (0.0) in interest bearing liabilities that fall due for payment within 12 months. In July 2010 a two year credit contract with Handelsbanken was signed.

The overdraft limit on the transaction account amounts to SEK 31.5 m (32.0) of which SEK 0.0 m (0.0) was utilized. The Group's liquidity amounted as per 2011-12-31 to SEK 148.4 m (89.5) which includes financial investments and bank funds.

#### CURRENCIES

Doro is exposed to currency risk due to fluctuations in exchange rate that may affect sales, earnings and equity negatively. The management is below divided into risk management in connection with transaction exposure and translation exposure.

#### Transaction exposure

Transaction exposure arises when sales and purchases are made in foreign currencies. Doro has income and expenses in different currencies. Products are primarily contracted and paid in USD and the sales are mainly in EUR, GBP and the Nordic currencies. In accordance with the Treasury Policy forecasted cash flows are hedged on a quarterly basis to between 80 and 100 percent. The foreign exchange management is centralized and concentrated to the finance department at Doro AB, which buys and sells currencies under the treasury policy. The market value of current forward contracts was SEK 10.4 m per end of 2011.



**Transaction exposure by currency and year**

(Gross and after forward contracts)

| Currency | Gross | After forward contracts | Gross | After forward contracts |
|----------|-------|-------------------------|-------|-------------------------|
|          | 2011  | 2011                    | 2010  | 2010                    |
| CAD      | 52    | 11                      | 0     | 0                       |
| DKK      | 13    | 4                       | 15    | 6                       |
| NOK      | 23    | 1                       | 28    | 16                      |
| EUR      | 224   | 20                      | 287   | 64                      |
| GBP      | 61    | -23                     | 67    | 40                      |
| USD      | -298  | -83                     | -226  | 35                      |

**Translation exposure**

Translation exposure arises when foreign assets and liabilities, as well as income statements, in foreign subsidiaries are translated into SEK upon consolidation. Doro does not hedge the translation exposure.

At year-end the value of foreign net assets was SEK 44.0 m (36.0). The below table show the breakdown by currency.

| Value of foreign assets | 2011      | 2010      |
|-------------------------|-----------|-----------|
| USD                     | 1         | 0         |
| NOK                     | 2         | 2         |
| EUR                     | 27        | 22        |
| GBP                     | 9         | 7         |
| HKD                     | 5         | 5         |
| <b>Total</b>            | <b>44</b> | <b>36</b> |

| Net debt/currency at December 31 | 2011        | 2010       |
|----------------------------------|-------------|------------|
| SEK                              | -71         | -34        |
| EUR                              | -47         | -6         |
| GBP                              | -9          | -24        |
| DKK                              | -3          | -2         |
| NOK                              | -8          | -8         |
| HKD                              | -1          | -7         |
| USD                              | -4          | -8         |
| CAD                              | -5          | -          |
| <b>Total</b>                     | <b>-148</b> | <b>-89</b> |

A sensitivity analysis can be found in the Directors' Report.

## Financial instruments

| The Group                          | 2011         |              | 2010         |              | Classification                           |
|------------------------------------|--------------|--------------|--------------|--------------|--|
|                                    | Reported     | Actual       | Reported     | Actual       |  |
| Accounts receivable                | 114.6        | 114.6        | 111.6        | 111.6        | Accounts receivable and loans receivable |
| Other receivables                  | 25.4         | 25.4         | 17.2         | 17.2         | Accounts receivable and loans receivable |
| Currency options/forwards          | 10.4         | 10.4         | 0.2          | 0.2          | Financial asset at fair value            |
| Short term investments             | 55.0         | 55.0         | 29.9         | 29.9         | Saleable assets                          |
| Cash at bank                       | 93.4         | 93.4         | 59.6         | 59.6         | Saleable assets                          |
| <b>Assets</b>                      | <b>298.8</b> | <b>298.8</b> | <b>218.5</b> | <b>218.5</b> |  |
| Bank overdraft facilities          | 0.0          | 0.0          | 0.0          | 0.0          | Other financial liabilities              |
| Liabilities to credit institutions | 2.4          | 2.4          | 0.0          | 0.0          | Other financial liabilities              |
| Accounts payable                   | 82.2         | 82.2         | 86.0         | 86.0         | Other financial liabilities              |
| Other liabilities                  | 10.3         | 10.3         | 6.0          | 6.0          | Other financial liabilities              |
| <b>Liabilities</b>                 | <b>94.9</b>  | <b>94.9</b>  | <b>92.0</b>  | <b>92.0</b>  |  |

Note 23 contd.

| Parent company                         | 2011         |              | 2010         |              | Classification                           |
|--|--------------|--------------|--------------|--------------|--|
|  | Reported     | Actual       | Reported     | Actual       |  |
| Accounts receivable                    | 113.2        | 113.2        | 111.8        | 111.8        | Accounts receivable and loans receivable |
| Accounts receivable at Group Companies | 2.8          | 2.8          | 0.6          | 0.6          | Accounts receivable and loans receivable |
| Other receivables                      | 22.1         | 22.1         | 13.0         | 13.0         | Accounts receivable and loans receivable |
| Currency options/forwards              | 10.4         | 10.4         | 0.2          | 0.2          | Financial asset at fair value            |
| Short term investments                 | 55.0         | 55.0         | 29.9         | 29.9         | Saleable assets                          |
| Cash at bank                           | 89.7         | 89.7         | 58.2         | 58.2         | Saleable assets                          |
| <b>Assets</b>                          | <b>293.2</b> | <b>293.2</b> | <b>213.7</b> | <b>213.7</b> |  |
| Bank overdraft facilities              | 0.0          | 0.0          | 0.0          | 0.0          | Other financial liabilities              |
| Liabilities to credit institutions     | 0.0          | 0.0          | 0.0          | 0.0          | Other financial liabilities              |
| Accounts payable                       | 79.0         | 79.0         | 83.4         | 83.4         | Other financial liabilities              |
| Liabilities to Group companies         | 31.7         | 31.7         | 35.3         | 35.3         | Other financial liabilities              |
| Other liabilities                      | 0.8          | 0.8          | 5.1          | 5.1          | Other financial liabilities              |
| <b>Liabilities</b>                     | <b>111.5</b> | <b>111.5</b> | <b>123.8</b> | <b>123.8</b> |  |

The undersigned hereby pledge that the consolidated accounts and the annual report have been drawn up in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and according to good accounting practices and give a true picture of the Group's and company's position and earnings, and the consolidated directors' report and directors' report give a true overview of developments in the Group's and company's business, position and earnings and describes significant risks and uncertainty factors faced by Group companies.

Lund, February 27, 2012



Charlotta Falvin  
Board member



Bo Kastensson  
Chairman of the Board



Karin Moberg  
Board member



Jonas Mårtensson  
Board member



Jérôme Arnaud  
CEO

My auditor's report was submitted on February 27, 2012



Göran Neckmar  
Authorized Public Accountant

# Auditor's report

To the annual meeting of the shareholders of Doro AB (publ)  
Corporate identity number 556161-9429

## Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Doro AB (publ) for the year 2011, except the corporate governance statement on pages 27-35. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 18-58.

### *Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 27-35. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Doro AB (publ) for the year 2011.

### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. The Board of Directors and the Managing Director are responsible for administration under the Companies Act, and that the corporate governance statement on pages 27-35 has been prepared in accordance with the Annual Accounts Act.

### *Auditor's responsibility*

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence which we have obtained as described above is sufficient and appropriate in order to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have obtained a sufficient basis for our opinion. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden.

### *Opinions*

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance statement has been prepared and its statutory content is consistent with the other parts of the annual accounts and the consolidated accounts.

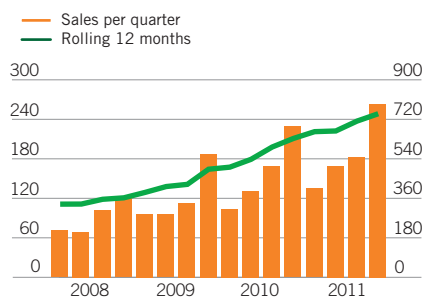
Malmö, February 27, 2012  
Ernst & Young AB

Göran Neckmar  
Authorized Public Accountant

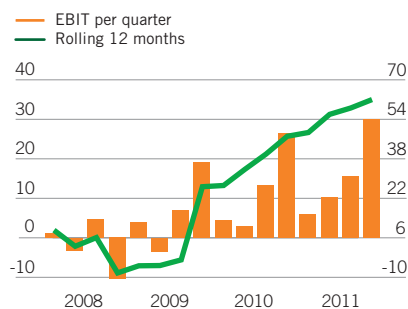
# Quarterly summary

| SEK m   | 2011       |            |            |            | 2010       |            |            |            |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
|   | Q1         | Q2         | Q3         | Q4         | Q1         | Q2         | Q3         | Q4         |
| <b>Quarterly profit trend</b>                     |            |            |            |            |            |            |            |            |
| <b>Income/Net sales</b>                           | <b>135</b> | <b>165</b> | <b>181</b> | <b>264</b> | <b>104</b> | <b>131</b> | <b>169</b> | <b>229</b> |
| Operating costs                                   | -126       | -152       | -162       | -229       | -94        | -124       | -151       | -201       |
| <b>Operating profit/loss before depreciation</b>  | <b>9</b>   | <b>13</b>  | <b>19</b>  | <b>35</b>  | <b>10</b>  | <b>7</b>   | <b>18</b>  | <b>28</b>  |
| Planned depreciation and write-downs              | -3         | -3         | -3         | -5         | -5         | -4         | -5         | -2         |
| <b>Operating profit/loss after depreciation</b>   | <b>6</b>   | <b>10</b>  | <b>16</b>  | <b>30</b>  | <b>5</b>   | <b>3</b>   | <b>13</b>  | <b>26</b>  |
| Net financial items                               | -1         | -2         | 11         | 3          | 0          | 5          | -13        | 7          |
| <b>Profit/loss after financial items</b>          | <b>5</b>   | <b>8</b>   | <b>27</b>  | <b>33</b>  | <b>5</b>   | <b>8</b>   | <b>0</b>   | <b>33</b>  |
| Taxes   | 0          | 0          | -1         | -14        | 0          | -1         | 11         | 1          |
| <b>Net profit/loss</b>                            | <b>5</b>   | <b>8</b>   | <b>26</b>  | <b>19</b>  | <b>5</b>   | <b>7</b>   | <b>11</b>  | <b>34</b>  |
| <b>Quarterly balance sheet for the Group</b>      |            |            |            |            |            |            |            |            |
| Intangible assets                                 | 26         | 27         | 58         | 59         | 18         | 21         | 22         | 26         |
| Tangible assets                                   | 5          | 5          | 6          | 9          | 6          | 5          | 4          | 5          |
| Financial assets                                  | 31         | 31         | 31         | 18         | 16         | 16         | 30         | 31         |
| Inventories                                       | 48         | 46         | 49         | 60         | 52         | 60         | 85         | 56         |
| Current receivables                               | 87         | 130        | 129        | 155        | 90         | 109        | 149        | 132        |
| Cash and bank balances                            | 65         | 66         | 93         | 148        | 30         | 27         | 5          | 90         |
| <b>Total assets</b>                               | <b>261</b> | <b>304</b> | <b>365</b> | <b>449</b> | <b>212</b> | <b>238</b> | <b>295</b> | <b>337</b> |
| Shareholders' equity                              | 117        | 126        | 159        | 177        | 72         | 79         | 89         | 121        |
| Interest-bearing liabilities                      | 0          | 0          | 3          | 2          | 6          | 7          | 11         | 0          |
| Non interest-bearing liabilities                  | 144        | 178        | 203        | 270        | 134        | 152        | 195        | 216        |
| <b>Total shareholders' equity and liabilities</b> | <b>261</b> | <b>304</b> | <b>365</b> | <b>449</b> | <b>212</b> | <b>238</b> | <b>295</b> | <b>337</b> |
| <b>Quarterly cash flow</b>                        |            |            |            |            |            |            |            |            |
| Operating profit/loss after financial items       | 6          | 8          | 26         | 33         | 5          | 8          | 0          | 33         |
| Depreciation according to plan                    | 3          | 3          | 3          | 5          | 5          | 4          | 5          | 2          |
| Other non cash flow items                         | 1          | 2          | -10        | -3         | -1         | -4         | 12         | -7         |
| Taxes   | -1         | -1         | -1         | -1         | 0          | -1         | -5         | -1         |
| Change in working capital                         | -21        | -9         | 33         | 31         | -13        | -4         | -33        | 76         |
| <b>Cash flow from current activities</b>          | <b>-12</b> | <b>3</b>   | <b>51</b>  | <b>65</b>  | <b>-4</b>  | <b>3</b>   | <b>-21</b> | <b>103</b> |
| Investments                                       | -4         | -3         | -24        | -10        | -3         | -6         | -5         | -7         |
| <b>Cash flow from investment activities</b>       | <b>-4</b>  | <b>-3</b>  | <b>-24</b> | <b>-10</b> | <b>-3</b>  | <b>-6</b>  | <b>-5</b>  | <b>-7</b>  |
| Dividend/ Premium for Warrant Program             | -9         | 1          | 0          | 0          | 0          | 0          | 0          | 0          |
| Change in interest-bearing liabilities            | 0          | 0          | 0          | 0          | -3         | 1          | 4          | -11        |
| <b>Cash flow from financial activities</b>        | <b>-9</b>  | <b>1</b>   | <b>0</b>   | <b>0</b>   | <b>-3</b>  | <b>1</b>   | <b>4</b>   | <b>-11</b> |
| Translation differences and other                 | 0          | 0          | 0          | 0          | -1         | -1         | 0          | 0          |
| <b>Liquid assets (change in liquid funds)</b>     | <b>-25</b> | <b>1</b>   | <b>27</b>  | <b>55</b>  | <b>-11</b> | <b>-3</b>  | <b>-22</b> | <b>85</b>  |

Sales per quarter  
and rolling 12 months, SEK m



EBIT per quarter  
and rolling 12 months, SEK m



# Five-year summary

| SEK m   | 2011  | 2010  | 2009  | 2008  | 2007  |
|---|-------|-------|-------|-------|-------|
| <b>Income statement</b>   |       |       |       |       |       |
| Income  | 745.4 | 632.8 | 492.6 | 362.5 | 346.3 |
| Operating profit/loss before depreciation and write-downs, EBITDA | 75.6  | 63.1  | 38.1  | -3.6  | 9.9   |
| Operating profit/loss after depreciation and write-downs, EBIT    | 62.0  | 47.0  | 26.7  | -8.2  | 9.2   |
| Net financial items   | 10.9  | -0.6  | -1.7  | -1.9  | -1.1  |
| Profit/loss after financial items                                 | 72.9  | 46.4  | 25.0  | -10.1 | 8.1   |
| <b>Balance sheet</b>  |       |       |       |       |       |
| Fixed assets  | 86.1  | 60.8  | 41.9  | 34.1  | 30.0  |
| Current assets  | 214.3 | 186.8 | 150.0 | 123.4 | 123.1 |
| Cash and bank balances  | 148.4 | 89.5  | 40.4  | 12.6  | 8.3   |
| Shareholders' equity  | 177.3 | 121.3 | 67.6  | 30.0  | 39.5  |
| Interest-bearing liabilities                                      | 2.4   | 0.0   | 8.8   | 43.3  | 8.1   |
| Non interest-bearing liabilities and provisions                   | 269.1 | 215.8 | 155.9 | 96.7  | 113.8 |
| Balance sheet total   | 448.8 | 337.1 | 232.3 | 170.1 | 161.4 |
| <b>KEY FIGURES (Definitions: see below)</b>                       |       |       |       |       |       |
| <b>Return ratios</b>  |       |       |       |       |       |
| Average return on capital employed, % *                           | 116.1 | 80.1  | 52.0  | neg   | 27.1  |
| Average return on shareholders' equity, % *                       | 38.8  | 60.4  | 46.7  | neg   | 21.1  |
| Earnings per share after taxes paid, SEK *                        | 3.62  | 2.04  | -     | -     | -     |
| Cash conversion rate  | 169   | 171   | -     | -     | -     |
| <b>Margins</b>  |       |       |       |       |       |
| Operating margin, EBITDA, %                                       | 10.1  | 10.0  | 7.7   | -1.0  | 2.9   |
| Operating margin, EBIT, %   | 8.3   | 7.4   | 5.4   | -2.3  | 2.7   |
| Net margin, %   | 9.8   | 7.3   | 5.1   | -2.8  | 2.2   |
| <b>Capital turnover</b>   |       |       |       |       |       |
| Capital turnover rate (multiple)                                  | 1.9   | 2.2   | 2.4   | 2.2   | 2.0   |
| <b>Financial data</b>   |       |       |       |       |       |
| Debt/equity ratio, %  | neg   | N/A   | N/A   | 1.0   | N/A   |
| Interest cover ratio, multiple                                    | N/A   | N/A   | 8.9   | N/A   | 8.9   |
| Equity/assets ratio, %  | 39.5  | 36.0  | 29.1  | 17.6  | 24.5  |
| Cash flow from current activities                                 | 104.9 | 80.4  | 64.4  | -21.4 | -30.2 |
| Number of employees   | 70.0  | 61.0  | 60.0  | 59.0  | 61.0  |
| Liquid assets (incl. unused credit)                               | 177.5 | 121.5 | 51.6  | 28.3  | 60.2  |
| Investments (incl. acquisitions)                                  | 40.8  | 20.6  | 17.5  | 10.2  | 5.1   |

\* No dilution effect.

## Financial definitions

### Number of employees

Average number of employees.

### Average return on capital employed

Operating profit/loss divided by the quarterly average capital employed excluding cash and bank balances.

### Average return on shareholders' equity

Profit/loss after financial items and tax dividend by average share-holders' equity.

### Investments

Net investments including acquisitions.

### CCS – Cash conversion rate

Cash flow from current operations divided by EBIT.

### Capital turnover rate

Net sales for the year divided by the average balance sheet total.

### Cash flow

Cash flow from current activities.

### Cash flow per share

Cash flow from current activities divided by the average number of shares.

### Liquid funds

Cash balances plus approved unutilized bank credit and short-term investments.

### Net margin

Profit/loss after financial items as a percentage of the year's sales.

### Net debt/equity ratio

Net interest-bearing liabilities minus cash balances as a percentage of shareholders' equity.

### Earnings per share after taxes paid

Profit/loss after taxes paid divided by average number of shares for the period.

### Earnings per share after taxes paid, after dilution

Profit/loss after taxes paid divided by the average number of shares for the period after dilution.

### Earnings per share after tax

Profit/loss after financial items minus tax divided by average number of shares for the period.

### Earnings per share after tax, after dilution

Profit/loss after financial items minus tax divided by the average number of shares for the period after dilution.

### Earnings per share before tax

Profit/loss after financial items divided by the average number of shares for the period.

### Earnings per share before tax, after dilution

Profit/loss after financial items divided by the average number of shares for the period after dilution.

### Interest cover ratio

Profit/loss after net financial items plus interest expenses divided by financial expenses.

### Operating margin, EBIT

Operating profit/loss (after depreciation) as a percentage of the year's sales.

### Operating margin, EBITDA

Profit/loss before depreciation as a percentage of the year's income.

### Equity/assets ratio

Shareholders' equity as a percentage of the balance sheet total.

### Reported equity per share

Shareholders' equity divided with the total number of shares at year-end.

### Capital employed

Total assets minus non interest-bearing liabilities.



# Keep in touch with Doro

## Service on the website

Please visit our new website further developed during 2011. The consumer websites are adapted to twenty countries, and the corporate website with investor's and media information is available in Swedish and English. Our website is just like our products, easy-to-use, and we publish information which makes life easier for our customers and customers to be.

Some examples of what you find on our website:

**Support** – with manuals and FAQ.

**News and articles** – be inspired by other Doro users or have a look in our knowledge bank.

**Corporate and press** – watch the latest interim report on web cast or read the latest press release.



## Press releases 2011

- November 25 Doro continues to develop its partnership with 3 with the signing of a sales agreement in Austria.
- November 21 Doro continues to develop its cooperation with O<sub>2</sub> with the signing of an agreement for the UK.
- November 15 Doro continues its international expansion through a sales agreement with O<sub>2</sub> of Ireland.
- November 7 Doro increases its US presence with 800 stores in Florida.
- October 31 Public notification of change in the total number of shares and votes in Doro AB (publ).
- October 26 Doro to present its third quarter report via the Internet and telephone conference.
- October 19 Doro enters the African market through an agreement with South African agent BBB-SA.
- October 4 Doro extends its range of mobile phones in the German market.
- September 19 Doro wins further ruling in phone design dispute against additional competitor in Germany.
- August 31 Doro acquires Birdy Technology SAS, partially by way of an issue in kind, to further strengthen position in tele-assistance and mHealth.
- July 12 Doro continues to extend its international footprint through a retail agreement with Orange Spain.
- July 11 Doro acquires strategic technology and Android development resources for its growth strategy.
- July 5 Swedish 3 chooses the Doro PhoneEasy® 615.
- June 29 Doro PhoneEasy® 615 to be launched by Sonera in Finland.
- June 13 Doro now in 800 Sears stores throughout the USA.
- May 31 Virgin Media offers an easy-to-use Doro mobile to families in the UK.
- April 26 Doro presents its first quarter results for 2011.
- April 20 Doro increases its presence in Italy.
- April 15 Doro's easy-to-use mobile to customers in Australia.
- April 14 Doro's warrant program implemented.
- March 23 Bulletin from Doro AB (publ) Annual General Meeting 2011.
- March 7 Europe's largest retailer to offer Doro's easy-to-use mobile to customers in the UK.
- March 1 Doro's popular mobile phones now available through Mobistar.
- February 22 Doro's CEO decreases his shareholding.
- February 22 Charlotta Falvin nominated to the Board of Doro AB.
- February 22 Notice of annual general meeting 2011.
- February 15 Doro reveals two global strategic partnerships, MyGlucoseHealth and Medixine.
- February 14 Doro to release fifth generation of easy-to-use mobiles at Mobile World Congress in Barcelona.
- January 26 Live from GSMA Mobile World Congress in Barcelona, 14 February: Doro presents its year-end results for 2010.
- January 10 Doro wins dispute against German competitor over telephone design.

# Information to shareholders

## ANNUAL GENERAL MEETING 2012

### Time and place

The Annual General Meeting of Doro AB will be held on Wednesday, March 21, 2012, at 3 pm, at the Scandic Anglais Hotel, Humlegårdsgatan 23, 102 44 Stockholm, Sweden. A summary of the notice to attend has been published in the Swedish daily press. The notice and other information released prior to the Annual General Meeting is available on [www.doro.com](http://www.doro.com).

### Right to participate in the AGM

To participate in the AGM shareholders must be registered in the share register kept at the Swedish Securities Register Centre, Euroclear Sweden AB, by March 17, 2012 at the latest and notified Doro their intention to participate.

In order to be entitled to participate in the annual general meeting, shareholders whose shares are nominee-registered through a bank or a security investment institute must ensure that the nominee temporarily registers the shares in the shareholder's own name in the share register maintained by Euroclear Sweden AB. Shareholders wishing such re-registration must give their nominee notice thereof in ample time.

### Notification

Notification for participation in the AGM should be filed by Doro no later than March 17, 2012, by [www.doro.com](http://www.doro.com), by email [sales@doro.com](mailto:sales@doro.com), by phone +46 46 280 50 00 or by mail to Doro AB, Magistratsvägen 10, SE-226 43 Lund, Sweden.

Please state your full name, personal identification/company registration number, shareholding, address and phone number (daytime).

### Dividend

The Board of Directors proposes the Annual General Meeting to distribute a dividend for the year 2011 (1.00 SEK).

### Financial information 2012

|                                  |                   |
|----------------------------------|-------------------|
| Annual General Meeting           | March 21          |
| Interim Report January–March     | May 11            |
| Interim Report January–June      | August 21         |
| Interim Report January–September | November 8        |
| Year-end report                  | February 13, 2013 |

Financial reports and other news from Doro is published on the corporate website, [www.doro.com](http://www.doro.com), in Swedish and English.

### Shareholder contact

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