

# Interim Report

January – June 2010

Press release, August 19, 2010

## Total second quarter order intake up 56 percent Care Electronics' second quarter sales up 76 percent

### Highlights of the second quarter of 2010:

- Net sales for the second quarter rose to SEK 130.8 m (99.2), an increase of 32 percent. The Care Electronics business unit's generated sales of SEK 98.1 m, accounting for 75 percent of consolidated sales for the second quarter.
- Operating profit (EBIT) amounted to SEK 3.0 m (negative 3.5), while pre-tax profit increased to SEK 8.3 m (negative 4.8).
- Earnings per share after tax were SEK 0.38 (negative 0.27).
- Cash flow from current activities was SEK 2.2 m (4.3).
- Order intake amounted to SEK 151.7 m (97.1), an increase of 56 percent.
- Doro® signed a two year financing agreement totaling SEK 170 m, with a new bank, replacing the existing six month credit facility as of July 1, 2010.
- In the second quarter, Doro signed an agreement with Claro Chile, owned by Latin America's leading mobile operator, and broadened its offering to the UK market through Orange. After the end of the period, Doro commenced sales through Vodafone in Germany, reaching up to 1,800 stores, and signed a significant retail agreement with France's second-largest mobile operator, SFR – Vodafone's partner in the French market. In addition Doro has extended its current partnership with 20:20 Mobile.

| DORO GROUP<br>(SEK m)  | 2010       | 2009        | 2010        | 2009        | Rolling     | 2009        |
|--|------------|-------------|-------------|-------------|-------------|-------------|
|  | Apr-Jun    | Apr-Jun     | Jan-Jun     | Jan-Jun     | 12 months   | Full-year   |
| Income/Net sales   | 130.8      | 99.2        | 234.9       | 193.9       | 533.6       | 492.6       |
| Operating profit/loss after depreciation and write-downs, EBIT | 3.0        | -3.5        | 7.4         | 0.5         | 33.6        | 26.6        |
| Operating margin, EBIT %                                       | 2.3        | -3.6        | 3.2         | 0.2         | 8.3         | 5.4         |
| Profit/loss after financial items                              | 8.3        | -4.8        | 13.4        | -4.7        | 42.9        | 24.9        |
| <b>Profit/loss for the period</b>                              | <b>7.3</b> | <b>-4.8</b> | <b>12.3</b> | <b>-4.7</b> | <b>39.8</b> | <b>22.8</b> |
| Average number of shares, thousands                            | 19,108     | 17,408      | 19,108      | 17,408      | 18,541      | 17,573      |
| Earnings per share before tax, SEK                             | 0.43       | -0.27       | 0.70        | -0.27       | 2.31        | 1.42        |
| Earnings per share after tax, SEK                              | 0.38       | -0.27       | 0.65        | -0.27       | 2.15        | 1.30        |



### **Comments by the CEO, Jérôme Arnaud:**

“With order intake growing by 56 percent and sales increasing by 32 percent in the second quarter and by 21 percent in the first six months of 2010, Doro® confirmed its growth strategy. For the sixth consecutive quarter, we were also able to report an improved operating margin compared with the year-earlier period.

Sales generated within the Care Electronics business unit rose 76 percent, from SEK 55.8 m in the second quarter 2009 to SEK 98.1 m. Care Electronics also accounted for 75 percent of the Group's total sales for the quarter. The business unit's order intake was up 121 percent the second quarter.

This trend reflects the strong sales increases generated through established partnerships in Europe and an increasing share of new customers in the markets we have entered more recently, such as the US, Latin America and the Asia Pacific region. These newer markets represented 8 percent of Group sales in the second quarter, compared with 3 percent in the first quarter of 2010.

We have continued to be successful in signing partnerships with leading operators. In April, Claro began to distribute our products in Latin America and in June, Orange UK commenced sales of Doro PhoneEasy® 410gsm in matt-black. During the summer we announced new and extended partnerships with top-class telecom operators, such as Vodafone in Germany and Ireland, as well as SFR in France. The fact that operators extend their cooperation with Doro into additional countries is a strong indication of their satisfaction. We also extended the agreement with 20:20 Mobile to include Italy, Turkey, the UK and expanding eastern European markets.

The Doro range was recently extended through the launch of the Doro PhoneEasy® 332gsm, a mobile phone offering excellent sound quality in a modern design appealing to a broader audience, while remaining very easy to use, with pre-programmable buttons and a direct access to sms functions.

As a growth company, we invest continuously in developing existing and new partnerships and markets, as well as new products. The company is also progressively enhancing the level of brand recognition to support the Group's expansion.

EBIT for the second quarter of 2010 amounted to SEK 3.0 m (negative 3.5). The improvement was in fact SEK 10.7 m, adjusted for a non-recurring income item of SEK 4.2 m, attributable to the settlement of a Japanese dispute in the second quarter of 2009. The operating margin for the second quarter 2010 was 2.3 percent, and is still burdened by substantial investments in products and geographical expansion in Care Electronics. As we are seeing continued favorable momentum in most of our markets, I expect investments to generate a return already during the current year.

I am also happy that Home Electronics reported a profit for the second consecutive quarter and continues to focus on a smaller range of products. These are marketed through carefully selected distributors to optimize the business unit's profitability.

Doro's stable financial position remains and was further confirmed by the two year financing agreement totaling SEK 170 m with a new bank, replacing the existing six month credit facility of July 1, 2010.”

#### **Net sales**

Doro's sales amounted to SEK 130.8 m (99.2) for the second quarter, an increase of 31.9 percent. Using the same exchange rates as for the previous year, organic growth amounted to 43.0 percent (29.1).

### **Operating result (EBIT)**

The Group's second quarter 2010 profit before tax and financial items amounted to SEK 3.0 m (negative 3.5). EBIT was improved by SEK 10.7 m when adjusted for a non-recurring income item of SEK 4.2 m, attributable to the settlement of a Japanese dispute reported in the second quarter 2009.

### **Cash flow, investments and financial position**

The cash flow from current activities in the second quarter was SEK 2.2 m (4.3) following a build-up of working capital in line with expanded volumes as well as a result of a delayed VAT recovery of SEK 14.4 m, following the new legal set-up effective as of 1 January, 2010.

In order to comply with IFRS, the current hedge contracts have been valued among net financial items, affecting the net result for the period positively by SEK 5.8 m.

At end of June, 2010, Doro was net debt free, with a net cash of SEK 19.3 m, to be compared with a net debt of SEK 26.9 m for the same quarter the previous year, 2009. In addition, the company has unused check facilities of SEK 42 m.

The equity/asset ratio further improved to 33.0 percent (16.3) by the end of the period.

### **Business units**

#### *Care Electronics*

Care Electronics supplies telecom and electronic products adapted to the needs of senior citizens.

Sales in the second quarter increased to SEK 98.1 m (55.8), an increase of 75.8 percent. Care Electronics represented 75.0 percent of Doro's total sales for the period.

#### *Home Electronics*

Home Electronics offers domestic telephones and other products for the modern family.

Sales during the quarter amounted to SEK 32.7 m (43.4), a decrease of 24.7 percent, as a result of Doro's strategy to set a more focused range, which have lead to discontinued sales with certain customers.

### **Regions**

Effective from January 1, 2010, Doro has reorganized its markets into Nordic, EMEA (Europe, Middle East and Africa), UK, US & Canada, CALA (Central and Latin America) and AP (Asia Pacific).

Of the Group's total sales, Nordic represented 35 percent, EMEA 51 percent, UK 9 percent, and the other markets 5 percent.

### **Personnel**

At the end of the quarter, the headcount was 59 (61). Of these, 27 (27) are based in Sweden, 17 (18) in France, 5 (6) in the United Kingdom, 4 (4) in Norway and 6 (6) in Hong Kong.

### **Parent Company**

The Parent Company's net sales for the year's second quarter amounted to SEK 130.8 m (50.7). The profit before tax amounted to SEK 13.9 m (8.0).

### **Events after the close of the period**

In August, Doro extended its cooperation with 20:20 Mobile, Europe's leading distributor of mobile phones and accessories, by signing a significant international

distribution deal. 20:20 Mobile will be distributing Doro's award-winning range of easy-to-use mobile phones into UK, Italy, Turkey and Eastern Europe in addition to the current markets of Ireland, France, Nordics, Spain and the UAE.

As of August, two of Doro's most popular models are being sold through the Vodafone network in Germany. Vodafone is one of the largest mobile operators in the world and provide service to approximately 35 million German customers.

Doro also signed a significant retail agreement with France's second-largest mobile operator, SFR – Vodafone's French market partner. SFR will offer the top-selling mobile, the Doro PhoneEasy® 410gsm through 820 "espace SFR" stores across France and via the operator's online store.

#### **Doro share**

Doro is listed on the Nasdaq OMX Stockholm, Nordic list, Small Cap – Telecom/IT.

#### **Outlook**

Doro's second quarter revenues and order intake are in line with the company's plans, confirming the previous full-year forecast of continued growth in sales and operating profit (EBIT).

#### **Risks**

Risks and instability factors are mainly related to supplier disruption, product adaptation and certification, customer relations, exchange rate fluctuations and loan financing. Apart from these risks and the instability factors described on pages 25–26 and 43–45 of the 2009 Annual Report, no other risks of any significance have been identified during the most recent period.

#### **Accounting principles**

This interim report has been prepared on behalf of the Group according to IAS 34, Interim Financial Reporting, and for the Parent Company in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2.2 Accounting of legal entities. The accounting principles and calculation methods applied are consistent with those that were applied when drawing up the previous year's accounts.

#### **Financial calendar**

The Board has set the following dates for the publication of Doro's interim reports:  
January – September 2010: November 9, 2010  
Year-end report 2010: February, 2011

#### **Interim Reports**

The interim reports are available at [www.doro.com](http://www.doro.com) under "Investor's room".

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

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This Interim Report has not been subjected to a review by the company's auditors.

Lund, August 19, 2010

The Board

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

**Bo Kastensson**  
Chairman of the Board

**Peter Blom**  
Member of the Board

**Karin Moberg**  
Member of the Board

**Jonas Mårtensson**  
Member of the Board

**Jérôme Arnaud**  
President and CEO

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#### About Doro

Doro is a Swedish company focusing on 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 5 continents, Doro is the world's leading brand for easy-to-use mobile phones. Doro created the Care Electronics category and in recent years and the products have received several highly distinguished international design awards. The company had sales of SEK 493 m in 2009. Doro's shares are quoted on the Nasdaq OMX Stockholm, Nordic list, Small companies. Read more about Doro at [www.doro.com](http://www.doro.com).

## Financial reports

| INCOME STATEMENT (SEK m)<br><b>Doro Group</b>                     | 2010          | 2009        | 2010          | 2009        | 2009        |
|---|---------------|-------------|---------------|-------------|-------------|
|   | Apr-Jun       | Apr-Jun     | Jan-Jun       | Jan-Jun     | Full-year   |
| Income/Net sales  | <b>130.8</b>  | 99.2        | <b>234.9</b>  | 193.9       | 492.6       |
| Operating cost  | <b>-123.7</b> | -100.4      | <b>-218.6</b> | -189.7      | -454.6      |
| Operating profit/loss before depreciation and write-downs, EBITDA | <b>7.1</b>    | -1.1        | <b>16.3</b>   | 4.3         | 38.0        |
| Depreciation according to plan                                    | <b>-4.1</b>   | -2.4        | <b>-8.9</b>   | -3.8        | -11.4       |
| Operating profit/loss after depreciation and write-downs, EBIT    | <b>3.0</b>    | -3.5        | <b>7.4</b>    | 0.5         | 26.6        |
| Net financial items   | <b>5.3</b>    | -1.2        | <b>5.9</b>    | -5.1        | -1.7        |
| Profit/loss after financial items                                 | <b>8.3</b>    | -4.8        | <b>13.4</b>   | -4.7        | 24.9        |
| Taxes   | <b>-0.9</b>   | 0.0         | <b>-1.0</b>   | 0.0         | -2.1        |
| <b>Profit/loss for the period</b>                                 | <b>7.3</b>    | <b>-4.8</b> | <b>12.3</b>   | <b>-4.7</b> | <b>22.8</b> |
| Average number of shares, thousands                               | <b>19,108</b> | 17,408      | <b>19,108</b> | 17,408      | 17,573      |
| Earnings per share before tax, SEK                                | <b>0.43</b>   | -0.27       | <b>0.70</b>   | -0.27       | 1.42        |
| Earnings per share after tax, SEK                                 | <b>0.38</b>   | -0.27       | <b>0.65</b>   | -0.27       | 1.30        |

| STATEMENT OF COMPREHENSIVE INCOME (SEK m)<br><b>Doro Group</b> | 2010        | 2009        | 2010        | 2009        | 2009        |
|--|-------------|-------------|-------------|-------------|-------------|
|  | Apr-Jun     | Apr-Jun     | Jan-Jun     | Jan-Jun     | Full-year   |
| Profit/loss for the period                                     | <b>7.3</b>  | -4.8        | <b>12.3</b> | -4.7        | 22.8        |
| Translation differences and others                             | <b>-0.9</b> | -0.3        | <b>-1.5</b> | 0.4         | -1.1        |
| <b>Total result</b>  | <b>6.4</b>  | <b>-5.1</b> | <b>10.8</b> | <b>-4.3</b> | <b>21.7</b> |

(Related to Parent Company's shareholders)

| STATEMENT OF FINANCIAL POSITION (SEK m)<br><b>Doro Group</b> | 2010         | 2009         | 2009         |
|--|--------------|--------------|--------------|
|  | June 30      | June 30      | Dec 31       |
| Intangible assets  | <b>20.9</b>  | 16.0         | 18.3         |
| Tangible assets  | <b>5.3</b>   | 8.8          | 7.6          |
| Financial assets   | <b>15.8</b>  | 14.2         | 15.8         |
| Inventories  | <b>60.3</b>  | 61.8         | 35.6         |
| Current receivables  | <b>109.4</b> | 67.7         | 114.5        |
| Cash and bank balances                                       | <b>26.8</b>  | 6.4          | 40.4         |
| <b>Total assets</b>  | <b>238.4</b> | <b>175.0</b> | <b>232.2</b> |
| Shareholders' equity   | <b>78.5</b>  | 25.7         | 67.6         |
| Interest-bearing liabilities                                 | <b>7.4</b>   | 33.3         | 8.8          |
| Non interest-bearing liabilities                             | <b>152.4</b> | 116.0        | 155.8        |
| <b>Total shareholders' equity and liabilities</b>            | <b>238.4</b> | <b>175.0</b> | <b>232.2</b> |

| STATEMENT OF CASH FLOWS (SEK m)<br>Doro Group                  | 2010         | 2009        | 2010         | 2009        | 2009         |
|--|--------------|-------------|--------------|-------------|--------------|
|  | Apr-Jun      | Apr-Jun     | Jan-Jun      | Jan-Jun     | Full-year    |
| Operating profit/loss after depreciation and write-downs, EBIT | 3.0          | -3.5        | 7.4          | 0.5         | 26.6         |
| Depreciation according to plan                                 | 4.1          | 2.4         | 8.9          | 3.8         | 11.4         |
| Net financial items  | 5.3          | -1.2        | 5.9          | -5.1        | -1.7         |
| Taxes  | -1.0         | 0.0         | -1.0         | 0.0         | 0.0          |
| Changes in working capital                                     | -9.2         | 6.6         | -22.9        | 13.1        | 28.7         |
| Cash flow from current activities                              | 2.2          | 4.3         | -1.7         | 12.3        | 65.0         |
| Disposal of Group companies                                    | 0.0          | 0.0         | 0.0          | 0.0         | 0.0          |
| Investments  | -6.5         | -7.4        | -9.2         | -8.8        | -17.5        |
| Cash flow from investment activities                           | -6.5         | -7.4        | -9.2         | -8.8        | -17.5        |
| Share issue  | -            | -           | -            | -           | 15.9         |
| Loans raised   | 1.6          | 0.0         | -1.4         | -10.1       | -34.6        |
| Cash flow from financial activities                            | 1.6          | 0.0         | -1.4         | -10.1       | -18.7        |
| Translations difference and other                              | -0.6         | -0.3        | -1.5         | 0.4         | -1.1         |
| <b>Change in liquid funds</b>                                  | <b>-3.3</b>  | <b>-3.4</b> | <b>-13.7</b> | <b>-6.2</b> | <b>27.7</b>  |
| <b>Net debt</b>  | <b>-19.3</b> | <b>26.9</b> | <b>-19.3</b> | <b>26.9</b> | <b>-31.6</b> |

| STATEMENT OF CHANGES IN EQUITY (SEK m)<br>Doro Group | 2010        | 2009        | 2009        |
|--|-------------|-------------|-------------|
|  | Jan-Jun     | Jan-Jun     | Full-year   |
| <b>Opening balance</b>                               | <b>67.6</b> | <b>30.0</b> | <b>30.0</b> |
| Total result for the period                          | 10.8        | -4.3        | 21.7        |
| Share issue  | -           | -           | 15.9        |
| Dividend   | -           | -           | 0.0         |
| <b>Closing balance</b>                               | <b>78.5</b> | <b>25.7</b> | <b>67.6</b> |

| OTHER KEY FIGURES<br>Doro Group           | 2010    | 2009    | 2009   |
|---|---------|---------|--------|
|   | June 30 | June 30 | Dec 31 |
| Equity/assets ratio, %                    | 33.0    | 16.3    | 29.1   |
| Average number of shares, thousands       | 19,108  | 17,408  | 17,573 |
| Reported equity per share, SEK            | 4.11    | 1.48    | 3.85   |
| Return on average shareholders' equity, % | 16.9    | neg     | 46.7   |
| Return on average capital employed, %     | 13.9    | neg     | 52.0   |
| Share price at period's end, SEK          | 20.60   | 6.70    | 11.00  |
| Market value, SEK m                       | 393.6   | 116.6   | 193.3  |

| SALES PER SEGMENT (SEK m) Doro Group | 2010         | 2009        | 2010         | 2009         | 2009         |
|--------------------------------------|--------------|-------------|--------------|--------------|--------------|
|                                      | Apr-Jun      | Apr-Jun     | Jan-Jun      | Jan-Jun      | Full-year    |
| Care Electronics                     | <b>98.1</b>  | 55.8        | <b>170.8</b> | 100.0        | 299.9        |
| Home Electronics                     | <b>32.7</b>  | 43.4        | <b>64.1</b>  | 93.9         | 192.7        |
| <b>Total</b>                         | <b>130.8</b> | <b>99.2</b> | <b>234.9</b> | <b>193.9</b> | <b>492.6</b> |

| OPERATING PROFIT/LOSS AFTER DEPRECIATION, EBIT PER SEGMENT (SEK m) Doro Group | 2010       | 2009        | 2010       | 2009       | 2009        |
|---|------------|-------------|------------|------------|-------------|
|   | Apr-Jun    | Apr-Jun     | Jan-Jun    | Jan-Jun    | Full-year   |
| Care Electronics  | <b>1.2</b> | 2.1         | <b>5.4</b> | 4.8        | 42.6        |
| Home Electronics  | <b>1.8</b> | -5.6        | <b>2.0</b> | -4.3       | -16.0       |
| <b>Operating profit after depreciation</b>                                    | <b>3.0</b> | <b>-3.5</b> | <b>7.4</b> | <b>0.5</b> | <b>26.6</b> |

| INCOME STATEMENT (SEK m)<br>Parent Company                     | 2010          | 2009       | 2010          | 2009       | 2009        |
|--|---------------|------------|---------------|------------|-------------|
|  | Apr-Jun       | Apr-Jun    | Jan-Jun       | Jan-Jun    | Full-year   |
| Income/Net sales   | <b>130.8</b>  | 50.7       | <b>234.9</b>  | 95.9       | 246.8       |
| Operating cost   | <b>-114.9</b> | -49.2      | <b>-195.3</b> | -90.1      | -224.3      |
| Operating profit before depreciation and write-downs, EBITDA   | <b>15.9</b>   | 1.5        | <b>39.6</b>   | 5.8        | 22.5        |
| Depreciation according to plan                                 | <b>-6.5</b>   | -2.6       | <b>-12.4</b>  | -4.3       | -13.5       |
| Operating profit/loss after depreciation and write-downs, EBIT | <b>9.5</b>    | -1.0       | <b>27.3</b>   | 1.6        | 9.0         |
| Net financial items  | <b>4.4</b>    | 9.0        | <b>5.0</b>    | 8.3        | 11.1        |
| Profit after financial items                                   | <b>13.9</b>   | 8.0        | <b>32.3</b>   | 9.9        | 20.1        |
| Taxes  | <b>0.0</b>    | 0.0        | <b>0.0</b>    | 0.0        | 1.6         |
| <b>Profit for the period</b>                                   | <b>13.9</b>   | <b>8.0</b> | <b>32.3</b>   | <b>9.9</b> | <b>21.7</b> |

| SUMMARY OF BALANCE SHEET (SEK m)<br>Parent Company | 2010         | 2009         | 2009         |
|--|--------------|--------------|--------------|
|  | June 30      | June 30      | Dec 31       |
| Intangible assets                                  | <b>33.7</b>  | 25.5         | 26.1         |
| Tangible assets                                    | <b>3.7</b>   | 7.5          | 6.0          |
| Financial assets                                   | <b>37.3</b>  | 36.6         | 37.3         |
| Inventories  | <b>61.8</b>  | 20.3         | 34.9         |
| Current receivables                                | <b>108.0</b> | 28.5         | 88.1         |
| Cash and bank receivables                          | <b>25.2</b>  | 3.8          | 12.2         |
| <b>Total assets</b>                                | <b>269.6</b> | <b>122.3</b> | <b>204.6</b> |
| Shareholders' equity                               | <b>99.4</b>  | 39.3         | 67.1         |
| Interest-bearing liabilities                       | <b>44.5</b>  | 33.2         | 33.0         |
| Non interest-bearing liabilities                   | <b>125.7</b> | 49.7         | 104.5        |
| <b>Total shareholders' equity and liabilities</b>  | <b>269.6</b> | <b>122.3</b> | <b>204.6</b> |