DORO annual report 2005

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annual general meeting

The Annual General Meeting will be held at 5 p.m. on Wednesday 15 March 2006, at the Scandic Hotel Star in Lund, Sweden.

Right to participate. Shareholders wishing to participate and vote must:
- be registered in the shareholders' register.
- notify the company of their intention to attend.

Registration in the shareholders' register kept by VPC AB (the Swedish Central Securities Depository) must be completed not later than 9 March 2006 (5 days before the meeting). Shareholders whose shares are registered in the name of a nominee must temporarily re-register their shares in their own name, no later than 5 days before the AGM. This should be done in good time as it takes some time for nominees to make this re-registration.

Notification. Notification of an intention to participate at the AGM should be made to the company via email to info@doro.com, by post to Doro AB, Skiffervägen 80, 224 78 Lund, Sweden, by telephone +46 46 280 50 67, or by fax on +46 46 280 50 02 by 3 p.m. on Thursday 9 March 2005 at the latest.

The notification should contain the shareholder's name, civic registration number, shareholding, telephone number and, if necessary, proxy's name.

Dividend. It is proposed that no dividend (SEK 0.00 last year) be paid for the 2005 financial year. A redemption of shares is not proposed.

Financial information. Doro AB's financial information is available in Swedish and English. Reports can be obtained from Doro's website, www.doro.com or ordered by fax on +46 46 280 50 02 or via email at info@doro.com. Distribution will be via email.

Doro will send a copy of the Annual Report to all shareholders. Annual Reports can also be ordered through the mail from Doro AB, Skiffervägen 80, 224 78 Lund, Sweden.

Doro will publish financial reports for the 2006 financial year on the following dates:
- Q1 report 25 April.
- Q2 report 20 July.
- Q3 report 19 October.
- The unaudited financial statement, 30 January 2007.
- Annual Report for 2006, February 2007.
- Annual General Meeting, 15 March 2007.

year in brief

Higher volumes but lower sales. Doro reported sales of SEK 621 million in 2005, compared with SEK 649 million in 2004. Volumes were up by around 20 per cent on a year-on-year basis, but the drop in prices was considerable. During the first nine months of the year sales were virtually unchanged on the previous year, but they fell in the final quarter due to there being no major launches of new products.

Significant decline in profits. Doro reported a significant decline in profits, from a profit of SEK 27 million in 2004 to a loss of SEK 75 million in 2005. The main contributing factors were the strong US dollar (SEK 9 million) and stock sales and write downs (SEK 25 million). In addition one-off costs and restructuring costs totalled SEK 36 million.

Cash flow was hit by the profit decline but boosted by lower working capital. Cash flow for current activities was SEK –44 million (–30).

New organisation focuses on products and customers. A new organisation came into force on 1 September to enhance the focus on customers. Activities have been divided into five Business Units.
- Telephony (corded and cordless telephony).
- IP-Communications (IP telephones and systems).
- Accessories (accessories for telephony, including GSM).
- Consumer Devices (smaller, portable consumer electronics).
- Care Electronics (electronics products for customer groups with special requirements).

The new organisation will help to reduce development times for new products.

Fast pace of product launches. Doro continued its fast pace of new product launches during the year. Several new telephones with colour screens and SIM card readers were launched. The first IP telephones to use Skype software reached the market.

New accessories, headsets, walkie-talkies and Care Electronics products have been developed and marketed.

Further success within broadband. UpGrade's broadband activities continue to win new project commissions. Several projects have been ordered for the new WiMax global standard. At the end of the year one of the largest ever orders, worth SEK 10 million, was received, choosing a wireless solution ahead of fiber.

During the year UpGrade began distribution of RAD products, which link together fiber, xdsl and wireless systems.

Dect patent and new environmental legislation. In 2005 Doro signed licensing agreements with the owners of various patents for Dect technology. An agreement was signed in June with Ericsson and in December with Siemens. Doro is thereby one of few companies that has the right to use this patent-protected technology.

Doro has also made considerable efforts to adjust its product portfolio to new environmental legislation being introduced throughout the EU, including RoHS (hazardous substances) and WEEE (electronics waste). Doro will be very well prepared when these new regulations come into force in mid 2006.

focus on profitability and customers

2005 was a year of fundamental change for Doro. The Group carried out a comprehensive restructuring scheme and introduced a new customer-oriented organisation.

Meanwhile Doro has launched several new products and bolstered its market position. The foundation has now been laid to create a profitable company. Rune Torbjörnsen, Doro's President and CEO comments on the developments.

What is the reason for Doro's loss in 2005? The loss is mainly due to a significant fall in sales prices for cordless telephones in combination with the continued rise in the US dollar. This has caused considerably lower gross margins.

A dramatic renewal of the product portfolio has been carried out during the year. On several markets we have been forced to sell off older product ranges with lower margins and depreciate stock.

Our assessment that competition was getting sharper led us to implement cost-cutting measures throughout the business at the beginning of 2005. These measures resulted in considerable restructuring costs.

What are you doing to correct the situation? We have implemented many efficiency measures to create a profitable Doro. Business costs are being cut by a comprehensive restructuring scheme. Achieving SEK 70 million in cost reductions for 2006 means that we cut our operating costs by over 20 per cent on an ongoing basis over a year. We have also invested in new products and product lines. This investment not only includes telephony products, but also a broadening of the product range for other consumer electronics.

We are also working to reduce the number of stock sites and rationalising material flows in order to improve cash flow and cut the risk of write-downs.

What other important events of 2005 would you like to highlight? We have invested heavily in new products and production areas, both in cordless telephones (Dect) and other consumer electronics. The products have received a positive response, which I am very pleased about because it gives us a solid base on which to grow in 2006.

Despite the tough competition on the market we have also won market shares in 2005 through major volume growth. For telephony products overall Doro achieved volume growth of around 20 per cent, which is somewhat better than the market volume growth.

Demands on us as a supplier have increased with the introduction of new environmental regulations (RoHS and WEEE). Furthermore, the companies behind Dect technology, Ericsson and Siemens, have decided they want payments for their technology. Doro decided early on to follow the new environmental regulations and also to licence the Dect technology. Many of Doro's competitors have chosen not to. These global changes will stimulate the necessary restructuring of the industry. Adjusting to the new conditions means that Doro's customers will feel safe buying our products.

You also performed a major restructuring during the year. What are the advantages for Doro and its customers? We have now created a modern market-oriented organisation with five business units. We have moved away from a national structure and now have a regional sales organisation with Key Account Management and collective service centres. This means that we can shorten development times for new products and focus more intensely on customers and their needs. There will also be clearer division of responsibility internally with follow-ups made for every key customer. Customers will perceive that we work more closely with them and that they get better product and sales support.

How has UpGrade performed? Our broadband business has developed very well. We were first to launch the new wireless WiMax global standard in Sweden. We have received many major orders and we see great potential for 2006, now that broadband investments are receiving greater support from the state in Sweden. The year ended with us supplying a major part of the biggest order ever. UpGrade won an order worth SEK 10 million. Instead of building a fibre network, a network of very high capacity wireless technology was installed for a third of the cost – and in half the time.

What are you most pleased with about Doro's achievements over the year? Apart from initiating the rationalisation scheme without losing pace in product development I am also pleased with our ability to change the organisation and make it significantly more customer-oriented. The sales teams now "own" their customers in a different way than they used to and we also have an improved system of follow-ups.

How will you handle price pressure and the performance of the US dollar in order to reverse the sales and results trend in 2006? We will work further to strengthen Doro's position on the market. We increase our relevance by giving our customers products that suit their needs and can thereby better tackle the price pressure. We won market shares in 2005. We will continue this into 2006 by new launches of attractive products and by our new, more customer-oriented organisation.

What is the most important development on the international telephony market? Dect technology continues to be a driving force in fixed telephony. Sales of cordless Dect telephones have increased dramatically during the year, while there has been major price pressure. Estimated sales volumes in Europe for cordless telephones have increased by around 10 per cent.

The market's focus on IP telephony is also positive for fixed telephony development. IP telephony either requires special telephones connected to a computer's USB port, or a telephone that calls via an ATA box. As more modern families choose to use IP telephony, sales of telephones will increase because few people want to sit and talk next to a computer.

Another trend is the increased mobility of today's consumers. The freedom of mobility is second nature to the modern youth culture and of the professional population. This increases the demand for mobile phone accessories, such as Bluetooth products.

What are the most important product launches you've made during the year? The 500-series for Dect telephony has sold very well during the year. We are now following up with the launch of two new ranges, the Doro 600 and 700 series, which are a further development of the successful design that started with the 500 series, and which has been very popular with consumers throughout Europe.

The launch of the Doro Flexus – our new range of universal mobile phone accessories and MP3 players – has received a positive response on the market. At the start of 2006 we will add more accessories to this range, including a premium-series developed together with the Swedish designer Thomas Meyerhöffer, a former designer at Apple.

Even the modular-based home telephone E-range, with its stylish design has received a great deal of attention. It is a profile product for us, as it is aimed at modern homes owned by design-conscious consumers.

What potential do you see in the new areas of IP Communication, Accessories, Consumer Devices and Care Electronics? In the long-term I see great potential for Doro in all these areas. By refining and promoting these ranges we hope to lay the foundation for strong growth. We have the opportunity to differentiate ourselves through our investment in design and function and we can market products that provide consumers with added value.

Our investment in these areas aims at broadening the base of Doro's business and in doing so reducing the dominance of Dect telephones in the sales mix. We need to improve and increase the tempo of product development further. Investments are also important for another reason. By providing a broader range we become more relevant and attractive. We need to find the right product mix, i.e. the products in demand by retailers and consumers that are also profitable for Doro.

What are your expectations for 2006? In 2005 we laid the foundation for both a more effective and attractive company, with a market-oriented organisation run at a lower cost. As explained previously we also put a lot of effort into developing and renewing the product portfolio last year. In other words we have created the conditions for a profitable Doro.

Doro won't submit a result forecast for 2006 as the fluctuations in the US dollar can alter our margins completely over both the short and long term.

2005 has been a year of change and we enter into 2006 with a strong, broad product portfolio and considerably lower costs. We have excellent conditions to create added value for consumers, customers and shareholders. I am convinced that we will succeed with Doro's continued change from a telephony company into a modern company focussed on consumer electronics.

I would finally like to take this opportunity to thank all the Group's employees who have done a fantastic job in turning the company around.

RUNE TORBJÖRNSEN, CEO

doro in a minute

Business concept. Doro's business concept is to market a broad range of telecom and consumer electronics products primarily on the European market. Doro will provide user-friendly products of high quality and modern design to consumers and companies.

Aims. Doro's aims are to:

- Achieve profitability and positive cash flow.
- Increase sales in new product areas.
- Improve the relationship between margins and costs.

Strategies. The strategies to achieve these aims for the year are to:

- Increase focus on consumer-related retailers.
- Increase focus on achieving first-class sourcing, quality, design and customer relationships.
- Extend understanding of consumers.
- Expand categories outside telephony.
- Strengthen the brand and identity.

Vision. We see a world where consumers want more from conventional products. Products that through style and design extend personalities, by expressing priorities, views and values. People want products that provide an experience, a small "wow" feeling that brightens up everyday life.

Mission. To inspire people by improving everyday life through expressive and well-designed telephony and electronic products.

Market. Doro mainly operates on the European and Australian corded and cordless telephone markets. As Doro develops more products in other areas, the proportion of telephony products will fall from the current level of 75 per cent of sales. The European telephony product market is estimated to be worth around SEK 19 billion.

In 2005 Doro launched Dect telephony products, corded telephony products, IP telephony products, accessories such as baby monitors, cordless headsets and universal accessories that can be used for mobile telephony, music and computer applications.

Doro expects the IP telephony market to quickly reach a growth rate of between 50–100 per cent per year. The IP telephony sector is expected to take around 2–10 per cent of the overall value of the fixed telephony market in 2006. Doro has a strong position among retailers and through the clearer division in five Business Units Doro will complement the product portfolio by adding various attractive consumer products.

The Doro Group has subsidiaries in Sweden, Norway, Denmark, Finland, France, the UK, Australia and Poland. Sales of Doro's products also take place in Turkey, Hungary, Greece and the Czech Republic. Market shares in the markets where Doro has sales companies is 9 per cent for cordless telephones and 10 per cent for corded telephones.

Competition. Competition varies on the different European markets and within corded and cordless telephony. The market for corded telephones remains weak, while cordless Dect telephones are selling increasingly well amid continued exceedingly tough competition and strong price pressure. Competitors within cordless telephony are primarily Siemens, Philips and Panasonic together with certain national operators.

Within corded telephony competitors include AT-links and the national operators. Competition is as yet fragmented for IP telephony and other new products. Within IP telephony Doro competes with companies such as Siemens and a number of smaller players. Within cordless headsets competitors include the major mobile telephone manufacturers and companies such as Plantronics and GN Netcom.

Customers. Doro's largest customers for products aimed at private consumers are the electronics chains, department stores, supermarkets and telecom operators. Customers in the Nordic region include Elkjöp/El-Giganten, Expert, TeliaSonera, TDC, Telenor and Stockman. In the rest of Europe Doro sells via Carrefour and Darty (France), Rocom (UK), TPSA and MediaMarkt (Poland) and Target, Retravision and Harvey Norman (Australia). Products designed for small workplaces are primarily sold via chains that offer telephony products and also chains selling office materials. Other sales channels will emerge as Doro launches new products.

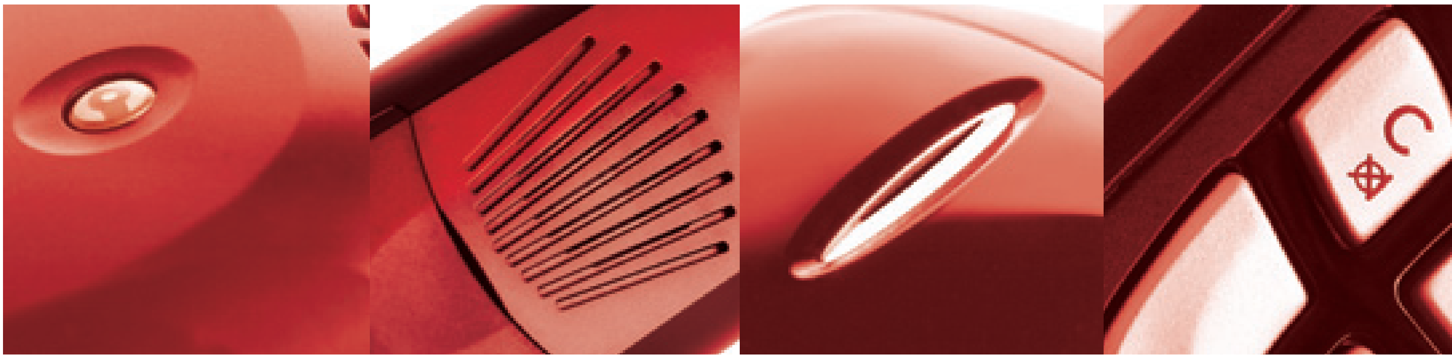
Products. In addition to corded and cordless telephones for private users and businesses, Doro also provides products such as corded and cordless headsets, baby monitors, PMR (walkie-talkies), cordless earphones and IP telephones. In 2006 Doro will continue to launch products within the framework of the five Business Units.

Through its subsidiary UpGrade Communication, Doro provides advanced solutions for wireless broadband such as the latest technology in this field, WiMax.

Employees and organisation. Doro employs 127 people. The head office is in Lund, Sweden. Most development work is carried out at the head office, which also houses the central marketing department. Doro also has local marketing offices in eight countries. All manufacturing is subcontracted to a group of specially chosen companies in China and Taiwan.

Shares. Doro's shares are quoted on the Stockholm Stock Exchange's O-list as Doro A. At the end of 2005 the total number of shares in the company was 4.3 million and Doro's market value was SEK 131 million.

History. Claes Bühler founded Doro in 1974. The first product was a telephone answering machine called Doro. The Doro name originates from the initial two letters of the names of the manufacturer's sons, Donald and Robin. In 1993 Doro was introduced onto the Stockholm Stock Exchange and the following year the company acquired companies in Norway, Denmark and Finland. In the late 1990s Doro continued to acquire companies in Europe and Australia. Rune Torbjörnsen took over as CEO in 2003.



Doro's Cornerstones is the name of the development process established within Doro during 2005 to ensure that new products match the demands of the company's target groups in accordance with the new segmentation model. The purpose is to create an unexpected "wow" experience for the user.

Doro's Cornerstones pay special attention to:

1. Outspoken design. Doro's Cornerstones ensure that the product design has strong identity that clearly and positively differ from the competition. Doro's products should have a unique and characteristic identity that reinforce the belief among our customers that appearance is something they actually choose.

2. Features adapted to users. Maximising the number of features a telephone offers remains very common in the telecom industry. We do not believe that the more features a telephone has the better it is. The starting point for us is adding the features that users want and appreciate, and do not consider to be superfluous. But adjusted features can also entail developing a single button that can be used to make a call, answer a call and hang up. Simple design added to enhanced consumer understanding helps to develop products that users want.

3. Total quality experience. Quality today means much more than it did just a few years ago. Our customers expect more than just reliability. For Doro the total quality experience covers three areas. The aim is for all three to create a feeling of quality for the customer.

These three areas are:

a. Feeling and appearance. The key factors here are choice of materials, the right tactile feeling and the finish of details and components.

b. User quality. The quality of the product must convince the user that it will perform well. For telephones this includes sound quality, operating distance and the feeling that nothing inside the telephone is loose or poorly assembled. In other words, the product must build trust. Doro is one of the leaders when it comes to managing this development among its suppliers in China.

c. Durability and performance. This third area is fairly obvious but with the current focus on low prices it is not always met. Doro is proud of having one of the lowest reject frequencies in the industry. We know that this is very important for Doro's end users living busy and stressful lives.

4. Reasonable prices. Finally, a good user experience includes confirmation that the purchase was not too expensive and that the product was worth the price. Doro sees a reasonable price as being part of a good product experience. Doro's Cornerstones means that the cost of functions, material and design are always being carefully balanced to ensure that the consumer gets a good price.

new organisation focusing on customers and products

In 2005 Doro carried out major organisational changes and a completely new organisational structure has been created. As a consequence a comprehensive rationalisation scheme has been carried out successfully. The growth-oriented strategy has continued to develop despite difficult market trends.

Increased investment in product development in consumer electronics. As part of the strategy of change begun by Doro the company initiated a new organisation in 2005 with increased focus on products and customers. Doro now groups all products into five clearly defined units that work solely to develop and sell products that lie within the framework for a single Business Unit.

Doro's five Business Units are:

- **Telephony** – corded and cordless fixed-telephony products.
- **IP-Communications (VoIP)** – IP telephones and systems.
- **Accessories** – accessories for all telephony including mobile telephony.
- **Consumer Devices** – other consumer electronics products.
- **Care Electronics** – electronics products for senior citizens.

Examples of products in new areas in which Doro has launched during the year include universal cordless mobile phone headsets under the name Doro Flexus, USB telephones for IP telephony and accessories for use with MP3 players and computers. The new organisation has facilitated a significant cut in development times for new products.

New KAM organisation creates conditions for growth. In addition to the division into Business Units, Doro also changed from the national division that previously organised sales operations. The sales organisation now operates in three regions – Northern Europe including Central Europe, Southern Europe and Australia.

The new sales organisation has strong ties with retailers. Every major customer now has a Key Account Manager who, irrespective of national boundaries, makes sure that expectations of Doro are met. For Doro the new organisation has meant that Key Account Managers (KAMs) help customers in every country the company operates in. Doro's Key Account Managers also follow the customers when they enter new markets to ensure deliveries onto the new market. The KAM structure makes it possible to maintain a significantly higher level of service, but also creates a better foundation for other partnerships. Enhanced knowledge of the customers' driving forces, purchasing processes and sales support overall assist in making Doro's entire product portfolio more relevant.

This reorganisation has also helped Doro make major savings. The number of employees has fallen by 26 per cent and now totals 127. Despite significantly reduced employee numbers Doro has succeeded in maintaining a high level of service towards retailers and consumers. Furthermore, the number of service functions has fallen. Doro now has three service centres in charge of the respective region, in Lund, Paris and Sydney. In percentage terms more people at Doro are now employed with direct sales-related tasks.

Doro's main strengths applied in new product areas. Doro's primary strengths are competence in design, sourcing, quality control and distribution. The carefully designed strategy is to build an organisation that more clearly focuses on these four areas of competence, thereby creating the right conditions for expanding the product portfolio with more consumer electronics products. In many cases Doro's main suppliers in Asia already develop and manufacture many other components than those used for telephones. Through this close relationship to its suppliers Doro can utilise its wide-ranging consumer insight and together with the suppliers, develop other consumer electronics products. This makes Doro's product portfolio even more attractive to both retailers and consumers. Routine distribution channels also create the conditions for supplying the right products at the right time.

Doro's new products must meet several key requirements. They must be products where Doro can utilise its four cornerstones, but they must also be consumer electronics-related. Doro's new organisation has placed extra emphasis on speed. It is vital that a new product or product category can quickly reach the market. The consumer electronics market of today is characterised by a constant stream of new products and Doro therefore goes from concept to launch in the shortest amount of time possible. Doro's stronger brand should also be able to be used as an asset for a new product. Doro has worked very purposefully in recent years to raise brand awareness among both retailers and consumers. In addition, a lot of work has been carried out in getting as much exposure as possible in-store.

Comprehensive consumer understanding. A deep insight and understanding about consumers' needs and requirements are also essential as Doro develops new products. In 2005 Doro expanded its understanding of the end-market, in order to further identify and group together the target groups that are most interesting to the company. This work has been carried out in close co-operation with Ericsson Consumer & Enterprise Lab.

The information used by Doro is based on more than 100,000 interviews with people in more than 35 countries and include matters such as socio-cultural aspects and values as well as attitudes towards technology and real-life situations. Two specific target groups were identified – the modern family and people moving away from home for the first time. Together, the target groups make up a major percentage of people who regularly buy consumer electronics products and they have an open attitude to modern technology. Identifying two primary target groups allows Doro to further focus and guide product development in each of the five Business Units. Understanding of the target groups will also be used in the choice of sales channels and in the design of in-store material and other market communication. The boundaries to other target groups are not clearly defined and Doro's products will naturally suit more people than just those in the modern family and people who've moved away from home for the first time. Furthermore, senior citizens are also included as a primary target group in Business Unit Care Electronics.

Doro's strategy

- Increased focus on consumer-related retailers
- Increased focus on becoming world-class in sourcing, quality, design and customer relationships
- Deeper consumer insight
- Category expansion outside telephony
- Strengthened brand and identity

doro 1010c

Modular-based corded telephone


style
ABC
GHI
DEF

a broader range for “modern” families

Products for fixed network telephony continue to be Doro’s most important and biggest area, accounting for 75 per cent of the company’s sales. During the year Doro has continued to build the most attractive offers on both the corded and cordless telephony markets. This was achieved on many markets despite the market for fixed network telephony still being characterised by strong price pressure and tough competition. To make its business offer even sharper, Doro is now concentrating efforts in fixed-network telephony within Business Unit Telephony.

Higher volumes but stronger price pressure. During the year the market has been characterised by a constant price pressure, mainly on Dect telephones, fuelled by price cuts of 20–25 per cent introduced by competitors. The market value of the markets on which Doro operates is estimated at around SEK 8 billion, while the entire European fixed telephony market is estimated at around SEK 19 billion.

Dect market continues to grow. The European cordless phone market dropped by around 11 per cent and totalled SEK 14 billion in 2005. Through a continued strong product launch pace and attractive products Doro has succeeded proportionately well in maintaining prices, while increasing market shares on most markets. Doro has never before sold as many cordless phones as it did in 2005. On the entire market where Doro operates the number of Dect telephones sold increased by 14 per cent. This is partly due to more combination packages, where 1–2 extra handsets are included with the base unit, being demanded by consumers. Doro has succeeded in increasing sales more than the average and the number of Dect units sold increased by over 20 per cent in 2005. The total number of handsets sold in Europe is estimated at around 53 million, with Doro selling around 2 million.

The market for corded telephones continues to fall, even though the price level is relatively stable for these types of products. The total value of the European market in 2005 was around SEK 5 billion, a drop of 14 per cent. Doro sold 1 million units of the total 32 million (including exchanges). Doro continued to strengthen its position in corded telephony during the year and now has a market-leading position on a number of markets.

Stronger relationship with many customers. The relationships with retailers have been strengthened due to the new, modern sales organisation introduced by Doro. Each major customer now has a Key Account Manager, who, irrespective of national boundaries, makes sure that their expectations concerning Doro and Doro’s products are met. Doro’s customer structure can be split into six categories; supermarkets, electronics chains, department stores, specialist chains, catalogue-based retailers and the former telephone monopolies. The corded and cordless telephones are sold at all these outlets with the emphasis on electronics chains and supermarkets. The close partnership with customers has meant that Doro’s products are now also sold in Hungary, the Czech Republic and Greece. Customers such as Carrefour in France, Elkjöp/Elgiganten in the Nordic countries, Rocom in the UK and Target in Australia are just a few of the major international chains that Doro works in close partnership with. Development of the telephony market has meant that a number of the old telephone monopolies are now often customers rather than competitors. Doro today has excellent customer relationships with companies such as TeliaSonera, TDC and Telenor in Scandinavia, Finnet in Finland, TPSA in Poland, France Telecom in France, and Telstra in Australia.

Well-developed product portfolio continuing to grow. Doro today has one of the widest and most attractive product ranges for corded and cordless telephony. The main target group for the products is the modern family. The target group has been thoroughly analysed during the year to enable Doro to develop products that suit the target group's needs better. The product portfolio has been rationalised during the year and adapted to the target group and currently consists of 40 products, of which no fewer than 20 were launched in 2005.

Important launches during the year included:

- **Doro E-range** – the world's first modular-based telephone, which also won the French design award for "Observeur du design".
- **Doro 855 SIM** – a colour Dect with SIM card function.
- **Doro 430** – a modern telephone for all generations.
- **Doro 516 CR** – a telephone with answering machine.

The important replacements to the successful 500 series were also launched. With modern design and many functions the Doro 600 and 700 series are expected to further strengthen Doro's positive sales trend.

Mobile telephony continues to affect Dect telephones' functions.
The trend in cordless telephony is that more people are choosing to buy a package containing more handsets for each base unit, driving up the number of sold units, but not the price. Manufacturers need to add functions to their phones to match mobile phones. Customers want cordless telephones with colour screen, SIM card function and SMS/MMS functions. The product lifecycle is also becoming increasingly short. Trends in corded telephony are not linked to mobile telephony to the same extent. Corded products also have a significantly long lifecycle.

Summary of Doro's position on different markets

	Scandinavia	France	UK	Poland	Australia
Market size (SEK billion)	1.0	2.6	3.2	0.3	1.0
Brands	Doro Audioline	Doro Matra Audioline	Doro	Doro Atlantel	Doro Audioline
Market shares					
Cordless telephones	High	Medium	Low	Medium	High
Corded telephones	High	High	Low	High	High
"PTT" (former national telecom monopoly)	Customer	Customer	Competitor	Customer	Customer / Competitor
Market leaders					
Cordless	Siemens	Siemens	BT	Siemens	Uniden
Corded	Doro	Alcatel	BT	Doro	Telstra
Other large competitors	Panasonic Philips	Alcatel Philips Sagem	Binatone Philips Alba	Panasonic	Panasonic

tomorrow's telephony products

As IP technology becomes simpler to install and use, the target group for Doro's IP telephony products is increasing. Doro's USB telephone, for example, is now being sold to all age categories after initially being used only by technology enthusiasts. Doro has continued to build up a stronger position in IP telephony over the past year and has gathered all products in Business Unit IP Communications.

Telephone conversations via broadband. Voice over IP (VoIP), or IP telephony, enables you to speak to someone via a broadband connection. The ways voice can be transmitted can be divided into four different main categories:

- From one computer to another.
- From a computer to a telephone.
- From a telephone to a computer.
- From one telephone to another.

The difference between ordinary telephony and IP telephony is that ordinary telephony goes through what's often referred to as PSTN (Public Switched Telephone Network). But today's ordinary telephone networks voice signals are mainly just analogue until they reach the first switchboard when they are altered to digital. IP telephony is the process by which voice is sent in small data packages via a computer network, such as the internet.

Simplicity and constant access boosts interest. The IP telephony market is undergoing extensive development. New technical solutions are being launched and new products are being developed rapidly. Much of this growth is closely tied to the expansion of broadband. This expansion is not as highly developed on all the markets where Doro's products are sold. Broadband penetration in the Nordic region is extensive, with 45–50 per cent of all households having access to broadband. At the other end of the scale many European countries are still in the planning stage for major infrastructure investments.

A major driving force is the way the younger generation uses computers. IP telephony suits people who never switch off their home computer and are always online. New software that makes it simple to make telephone calls is easy to find and download. One example is Skype, which today is used by more than 60 million people, of whom one million are in Sweden. During the year Doro began a partnership with Skype, and a number of products, apart from the already launched 212IPC Skype USB telephone, are near completion.

Another way of using IP telephony is via the various packages that the cable TV and broadband operators sell. In most cases it means that the consumer gets an ATA box. This is then connected to the computer and telephone. No special IP telephone is needed for this and customers can make phone calls using their "normal" telephone. This means that the use of Doro's traditional telephones also increases.

According to the latest report from the Swedish National Post and Telecom Agency about the Swedish telephony market, the number of subscriptions of IP-based telephony as of 31 June 2005 was 126,000, an increase of 123 per cent over a year. There is little consumer statistic about IP telephony. The market is developing at different rates in each country and by age group. Doro estimates that the IP telephony market is between 2–10 per cent for different countries with a growth of between 50–100 per cent a year. Doro's aim is to follow the market growth with the same percentage of IP telephony as the market dictates.

The area meanwhile offers much more than just broadband telephony and Doro is also examining other areas of application in order to launch products when the market is ready. Video monitoring for private individuals is one example.

An attractive and growing product portfolio. Doro's IP telephony product portfolio is constantly growing. In 2005 launches have been made of the Doro 212IPC – a USB port telephone. Lightweight and slim design makes the telephone user-friendly for people constantly on the move. Doro 212IPC works with most of the softphone programs, but the Skype Soft Phone, which is tailored for it, supports all the phone's functions.

Doro's IP products are sold solely under the Doro brand on all markets. Most of the products are sold via Doro's main retailer, but broadband operators and software manufacturers are also important channels. In 2006 Doro will launch a number of IP telephones including Dect telephones, corded telephones for the home and office, Bluetooth headsets and headsets for professional users, and all will be suitable for IP telephony.

Competition from various backgrounds. Many of Doro's main competitors in traditional telephony also offer IP telephony in their ranges, mainly in the form of simple IP telephones. But other players originating in the IT industry are also launching IP telephony products. These competitors now include 3com and Cisco.

doro 225ip

User-friendly USB port telephone for people constantly on the move

products for a senior target group

The average age of the global population has begun to increase in many parts of the world. People are living longer, but also in many cases remaining healthy longer. This is the general pattern in the western world. Doro's Care Electronics business unit includes products that meet this target group's needs.

This target group is sometimes referred to as having reached its third age. This actually means that they have reached a stage of life where their children have moved away from home, their disposable income is still healthy and they have a lot of spare time. In Europe today one in five of the population is over 60 and the average length of life is around 78. There are also signs that this trend will continue. The most dramatic change will be in the 80+ age bracket, where the number of people is expected to increase by 50 per cent over the next 15 years.

Two segments meet different needs. Even if more people feel younger longer, age still affects needs. There is therefore a huge potential to develop products that meet the needs that an older population has. Doro has therefore gathered all products aimed at this target group in Business Unit Care Electronics, which in turn is divided into two segments:

- **Easy** – communication products adapted for senior citizens' general needs.
- **Plus** – communication products specially adapted to meet a specific need of a senior citizen.

What sets the Care Electronics products apart from others is that they have been developed according to the needs of the target group, but also that they have, just like all other Doro products, a modern design. It's important that the products help the target group to continue doing the things they've always done. Senior citizens don't necessarily feel older, but rather just in another phase of life.

New channels to reach the target group. By expanding Doro's main retail network with specialist channels that more directly aim at senior citizens, new opportunities arise to reach the target group and their conditions. Care Electronics Easy will be sold via home electronics chains, but both Easy and Plus will be sold at stores where other products aimed at senior citizens are sold, or through partnership with other organisations that want to access this target group. This might include traditional stores or via the internet.

A product range under construction. The products that Doro develops aim to make senior citizens' lives as normal as they have always been. This means that the products, apart from having all the functions required from a modern product, can also be adjusted for the partially sighted, hard of hearing, people with memory problems or loss of touch. It's not just physical obstacles that are a problem for senior citizens. Feeling safe in their homes and during everyday life is also a very important part of life. Doro has products under development that help people live a more secure life. This can be everything from a telephone equipped with a special button for SOS calls, to small assault alarms and products that remind us to switch the coffee percolator off when we set off from home.

The current product range is mainly made up of a number of different telephones that have various specially enhanced functions for the needs of the target group. Doro 312c is a corded telephone with oversized buttons and a clear display. The ring signal is louder than normal and can be adjusted. The Doro Phone Easy has a light to indicate incoming calls, oversized buttons and a louder ring signal. Both telephones also have easy-grip handsets and audio loops.

doro 313c
Phone Easy has many special functions

Doro's origins are a competitive advantage. There are few properly comparable competitors on the market today. Many of the competitors in telephony provide various products with, for example, oversized buttons, such as Siemens and BT. Few have however taken Doro's overall approach. Doro's major competitive advantage is that even if originally it was detailed know-how concerning technology and function, Doro also has a deep insight into consumer attitudes and a well-known focus on design. Doro can thereby provide not only practical products to a senior target group, but also products that are easy to place in the home environment.

exciting accessories for a growing market

It is a natural step for Doro to expand its current product range with more products that are not telephones but that are telephony-oriented. Business Unit Accessories develops and launches products for cordless mobile accessories, and headsets for home and office telephones.

Wireless technology is becoming more important. Wireless technology has become a key ingredient in many more people's lives. More people want to connect cordless products to their MP3 player, computer and mobile phone. There are many technologies behind being cordless, but Bluetooth is probably the most important and potent technology. In recent years the market for Bluetooth products has increased at a very healthy rate. In 1997, 108 million units were sold with Bluetooth technology. Today, the market sells 780 million units and it is expected that the billion mark will be reached during 2009. By using the existing skills that Doro has about headsets and providing them with wireless technology, new business opportunities are created. The market for Bluetooth headsets is today estimated at around 28 million units, a figure that's expected to double in just one year. Doro launched a number of Bluetooth headsets for mobile phones during the year.

Headset for professional users. Doro's product range also includes traditional headsets to fixed-network telephony. These headsets are mainly aimed at office and professional users who place strict demands on function and design. Call centres for example require exceptional quality. Ergonomic design is often a decisive factor, but also how well a headset cuts out sound from the surroundings. The market for these headsets is expected to grow by 10–20 per cent each year in the coming years. To meet the rising demand for top-quality headsets for professional use Doro is launching a number of models on the market. One example is the Doro HS1210. This is a headset for professional users and one of the few cordless headsets on the market with perfect weight distribution thanks to the location of the battery.

Doro Flexus is truly universal. A special category of Doro's accessories is sold under the name Doro Flexus. Doro Flexus is a group of products aimed at a younger target group wanting cordless products for their mobile phones, MP3 player or computer, irrespective of the manufacturer. The Doro Flexus range includes many product categories such as mobile phone holders and cordless Bluetooth headsets. One example is the Doro Flexus HS2020, Doro's first Bluetooth headset with stereo function. To further boost Doro's design credentials, the company is also launching a special series of Doro Flexus products that have been developed with the award-winning Swedish designer Thomas Meyerhöffer. The series is characterised by bold design, choice of materials and by high quality.

A clear advantage for Doro in the accessories category is that retailers and suppliers are often the same as for fixed telephony products. Both development and sales can thereby be carried out much simpler than when a good working relationship has to be built from scratch.

Mobile phone manufacturers are both customer and competitor. A large group of competitors in cordless accessories include the major mobile phone manufacturers such as SonyEricsson, Nokia, Motorola, LG, Siemens and Samsung. All provide cordless headsets and additional products that can be used for their mobile phones. Their products are not universal like Doro Flexus. The mobile phone manufacturers' products are however not usually made by themselves, but by companies such as Plantronics and GN Netcom. These subcontractors also sell headsets under their own brand names. GN Netcom is also the dominant manufacturer of headsets for fixed network telephony.

doro flexus hs2020

Stereo cordless Bluetooth headset
Design: Thomas Meyerhöffer

consumer-driven product development creates new opportunities

doro wt86

A compact and sporty walkie-talkie

Doro's electronics expertise and its extensive experience of business and production in Asia can be applied to other products alongside telephones. Business Unit Consumer Devices aims to identify new consumer electronics products for Doro's target groups. New walkie-talkies, or PMR (Private Mobile Radio), baby monitors and other small portable communication products were developed in 2005.

Communication over an open and subscription-free system. The market for walkie-talkie PMRs has developed in recent years. The products were originally aimed at professional users, but walkie-talkie PMR products are today aimed at many target groups, from the accent being on toys to those used on building sites and in the emergency services. Doro's products all use PMR frequencies. PMR is a European FM communication standard, which is completely open and free from subscription charges. Anyone can use a PMR without needing special permission. This makes PMRs very usable for Doro's primary "modern" families target group, who have a large social network and an active lifestyle. A simple, good PMR is excellent when you go skiing, for example.

There are also possibilities for walkie-talkie such as functions within mobile telephony, known as push-to-talk. The disadvantage is that this service must be provided by an operator and that the user needs to pay a monthly fee.

Innovative products creating a sensation. Two successful PMR products that attracted much attention when Doro launched them during the year were the Doro WT86 and the Doro WT89. Both are expressions of Doro's ambition to launch target group oriented products that provide a simple, yet effective way of communicating. The Doro WT86 is Doro's latest walkie-talkie, with the longest range on the market of six kilometres, which is quite enough for most outdoor activities. The Doro WT89 is a modern PMR wristwatch, which makes it easier to combine family life with an active, healthy lifestyle.

Doro's unique, well-designed baby monitor, the Doro BM35 was also very successful during the year. Aimed yet again at the modern family, the Doro BM35 is the baby monitor with the safest coverage and a range of three kilometres. The Doro BM35 can also be used as an ordinary walkie-talkie when the child gets a bit older. The products are mainly sold via home electronics stores and major department stores.

Competing players on the market for baby monitors, and similar products, include Philips. Competitors such as Motorola and Cobra all have PMRs in various price segments and for different target groups.

design
is a
good
idea

The looks and design of consumer electronics are very important. Good design not only places demands on aesthetics and user-friendliness, but also on paradoxical challenges such as a discreet design to suit many homes. We might want something we don't get tired of too quickly, but the design should be eye-catching at the point of purchase and easy to remember.

Tougher business competition increases the role of design even more, both for mobile products and products in the home. In the mobile world we know that design and branding play important roles because they quickly convey the users' thoughts, taste and, in some cases, opinions. We know that interest in home furnishings has increased significantly in recent years. Demands are increasing for how things such as telephones are designed for the home.

Design partnerships. As an important part of Doro's design process the company works with various design firms with distinct skills for a particular product group or who design for certain target groups. One example is Doro's partnership with the Swedish designer Thomas Meyerhöffer in 2005. With his background as senior designer at Apple in the US, Thomas Meyerhöffer provides a wealth of experience of simplicity and strong identity in his designs. More partnerships of similar character will be entered into in 2006, in order to satisfy the end-user as much as possible.

market-leading quality at every stage

Doro's quality measures maintain a very high standard. Quality is an important ingredient at every stage, which every employee pays great attention to. Top quality work is a crucial success parameter as Doro extends its product range into new areas.

Doro has a highly respected quality system and a number of Doro's partners have also chosen to use Doro's system. Timing is often critical in launching the types of product Doro expects to offer the market. Product lifecycles have in many cases become shorter, which might mean that a high level of quality is more difficult to maintain. Previous experience however means that Doro always puts quality first, and despite time often being in limited supply, it is rare that a product is delayed due to poor quality production.

Many suppliers mention the sharp focus Doro places on quality assurance throughout the production chain – from the product development stage, through manufacturing to retailers and end users. 23 people currently work with quality control at Doro. There are 7 Doro inspectors working in Asia who are in constant contact with manufacturers and who can respond quickly if required.

Focussing on a few key suppliers. In recent years Doro has become more closely tied to its key suppliers in Asia. Awareness about what Doro and its customers expect today is a priority among manufacturers. To maintain high standards Doro also makes comprehensive checks every quarter on the quality levels at all of its suppliers. By meeting with the manufacturers' management, project managers and quality assurance managers, processes and possible problems can be discussed.

All suppliers are currently measured against the following criteria:

- **Predicted level of customer returns.**
- **Delivery control (fault deviation frequency)**
- **Delivery precision.**
- **Lead times.**

All manufacturers are evaluated and ranked by Doro. In this way Doro and the manufacturers can see how they rank in quality control. The manufacturers that are ranked low are then encouraged to improve details that do not work optimally. Tying certain major suppliers closer makes quality work easier. Major suppliers to Doro know what demands are set, which thereby minimises the risk of products in new product areas falling below standard. Doro also often helps to identify faults in manufacturing processes in Asia. This provides an insight into the opportunities that exist to produce new products, but also to improve the manufacturing of existing products.

All suppliers are also closely monitored with regard to their social responsibility. Doro has formulated a special declaration, which each supplier must sign. The demands that must be fulfilled include:

- **Ban on child labour and forced labour.**
- **Ban on dangerous work.**
- **Must meet labour market requirements for remuneration levels, working hours and working environment.**
- **Must respect the labour market's regulations concerning trade union membership.**

Doro has a strong presence at the manufacturing units. All factory sites are visited regularly by both local quality control inspectors and by Doro's European personnel.

Adjustment work in connection with new EU legislation has come a long way. Doro's environmental work is well-developed. The most senior environmental manager ensures that Doro always adheres to current legislation and is prepared to handle new regulations. The responsibility also includes following up the environmental work of suppliers. Each supplier must be able to show that they follow Doro's demands and fill in a special environmental declaration showing that EU norms are being followed. Suppliers guarantee that no harmful substances are used during manufacturing.

An EU directive, entitled Waste of Electrical and Electronic Equipment (WEEE), was introduced on 13 August 2005. From this date all products imported to the EU must be marked with a symbol clearly showing that the product must be sorted at source as electronic waste. In addition the importer must have a working system to receive electronic waste. Through careful preparation Doro has met the new regulations without delays to ongoing supplies.

The significantly more comprehensive Reduction of Hazardous Substances legislation, RoHS, comes into force on 1 July 2006 but measures have already been implemented to meet the new requirements. In brief the directive limits the use of six substances that are hazardous to people and the environment. One substance attracting strict controls is lead, which dramatically affects all electronics manufacture because as much as 40 per cent of all solder today consists of lead. This places demands on Doro's suppliers to alter their manufacturing processes and use the alternative solutions available. The directive means increased demands from Doro's quality control department, and all current models imported after 30 June 2006 must be re-certified and RoHS approved. Work aimed at meeting this directive has begun for all models launched during Q4. Conversion of existing models in Doro's product range is expected to be completed during Q1 2006.

Process management is an important part of Doro's business.
Doro is a modern process-run company. Part of the quality assurance process includes establishing clear guidelines for how a product is produced, for example. Doro mainly works with the following processes:

Concept to product. This process develops different product concepts and concludes with a decision on product development.
Time to market. This process develops a product and assures quality from the first decision to produce to the first product being made.
Delivery and quality assurance process. This process includes the products being made according to various predictions. The flow of material is managed from manufactured unit via the transport company to the warehouse. This process measures and ranks Doro's manufacturers and their performance in terms of lead times, delivery precision, fault deviation upon inspection and predicted fault frequency.
Sales and marketing process. This process produces marketing material to support the sales companies.
The financing and reporting process covers a range of support processes that create financial resources and reports for interested parties.

Measurement of processes:
Concept to product: number of concepts, time from concept to finished product.
Time to market: project time.
Delivery and quality assurance process: delivery precision, deviation production control, returns.
Sales and marketing process: measuring customer attitudes, market shares, new customers, volumes and sales and different measurements from customers.
The financing and reporting process: meeting a budget for results and cash flow, share of administration costs and report times.

doro wt89
Voice-activated walkie-talkie
for sport and outdoor life

upgrade communication

secures its leading position on the nordic market

In recent years UpGrade Communication has grown to become one of the leading players within wireless communication products on the Nordic market. This technology's rapid growth has meant that the company must constantly update its business model. New technologies and products are constantly added and the business currently rests on a broad base, with wireless broadband solutions providing the foundations.

UpGrade Communication's extensive experience and skills mean that the company can now take care of projects from the beginning, through planning and construction to the final start-up and then monitor operations. UpGrade Communication's customers are mainly retailers, energy companies and internet service providers (ISP) that build and operate the broadband networks. Through an extensive network of around 600 specialist retailers UpGrade Communication also distributes single products. UpGrade Communication's organisation covers the entire Nordic region via its own offices in Lund, Copenhagen and Oslo.

UpGrade Communication mainly operates in four areas:
1. High-speed infrastructure solutions. UpGrade Communication sells high-speed infrastructure for all types of broadband networks through solutions for wireless and fibre-optic networks. The combination of solutions gives customers the flexibility and fast installation of radio while long-term investments in fibre can be used rationally.

2. Access network. There are a number of technical solutions for reaching the end-user. UpGrade Communication provides products adapted for ADSL, ADSL2+, FTTH (Fibre to the Home), licence-free as 2.4 or 5.4 GHz and licensed for 3.5, 7–38 GHz.

3. IP telephony. Doro and UpGrade Communication provide a total solution for IP telephony, from the initial central exchange to the end-user's telephone.

4. Network security and monitoring. A broadband network needs to be operated and monitored. UpGrade Communication has a complete range including remote monitoring, bandwidth control, Virtual Private Networks (VPN) and service control of the entire network. This is all controlled from a centrally located monitoring centre in Lund.

UpGrade Communication has almost 50 per cent of the market share of 2.4 GHz wireless outdoor installations and so far the company has supplied more than 50,000 units in the Nordic region. UpGrade Communication has won the majority of 3.5 GHz orders and the market share is estimated at around 60 per cent.

Broadband expansion continuing in Sweden. The Swedish government decided in Autumn 2005 to invest SEK 560 million in continued broadband expansion in Sweden. The freezing of the subsidy in the 2005 budget was repealed and all funds for broadband expansion are now available once again. For UpGrade Communication the decision means major opportunities as many municipalities will want to reinstate their plans to expand broadband infrastructures. In many cases it's a case of rural districts where wireless broadband solutions such as UpGrade Communication's are often the only solutions that are economically viable and technically possible to complete.

Increased co-operation with world-leading RAD. UpGrade Communication was commissioned during the year as the Swedish distributor to RAD, the world leaders in products for connecting computers to telephony networks. The products enhance UpGrade Communication's ability to combine wireless broadband, ADSL and fibre-optics to provide customers with comprehensive broadband solutions. UpGrade Communication has been an RAD distributor in Denmark for many years and the Swedish agreement is a natural development of the business in the Nordic region. Sweden is one of UpGrade Communication's most important broadband solution markets and RAD's products suit the rapidly expanding Swedish broadband market with unique solutions that include fibre-optic multiplexors, TMD over IP and long-distance xDSL access.

Broadband for everyone on Gotland. One of Sweden's most modern wireless broadband solutions can be found on the island of Gotland. In 2005 UpGrade Communication was given extended support from the client – Gotland's leading energy company, GEAB. Supplying all of Gotland with broadband access is a massive project and UpGrade Communication is helping to achieve the vision of "Broadband for everyone".

SEK 10 million order. At the end of 2005 UpGrade received an order of around SEK 10 million, one of its biggest orders ever. Most of the order was supplied before the end of the year. This is a very large wireless connection of over 50 km, where the alternative would have been fibre-optics. This installation has halved the project time and cut the cost by two thirds.

Advanced infrastructure solution in Norway. UpGrade Communication has supplied advanced high speed infrastructure based on 34, 54 and 155 Mbps microwave links to a service provider that focuses on two regions in Norway, Hedmark and Oppland, which have a joint population of 370,000. This is for a comprehensive solution involving many of Upgrade Communication's services, such as radio planning, design, installation and continuous maintenance.

WiMax project for TV broadcasts of Americas Cup. UpGrade Communication signed an agreement in 2005 with Animation Research Ltd, producers of three-dimensional graphics. The first joint project was to create a high-capacity wireless network structure that would be stable and reliable for application of the real-time graphic program, Virtual Eye. The technology was used during the Americas Cup competitions in Europe. UpGrade Communication's network solutions, based on the new WiMax technology, was used to gather live broadcast information about position, course and speed from the race yachts at sea. Vast amounts of data were transported via WiMax links to a control centre on land and then used to create three-dimensional animations of actual events. Virtual Eye graphics are also seen at some of the world's most prestigious sporting events and used by TV channels such as Eurosport, BBC, ABC, ESPN, Sky and Canal Digital.

UpGrade Communication has had many major successes with the new WiMax technology and is currently the leading company in the area in the Nordic region.

Denmark becoming more wireless. A number of projects have been carried out on the Danish market during the year and UpGrade Communication has helped to make Denmark more wireless. One example is the crossing between Själland and Jylland where WiMax technology enables passengers to be connected to the internet throughout their journey. UpGrade Communication has also started a partnership with ButlerNetworks A/S. UpGrade Communication has supplied BreezeAccess VL, a radio planning service and other services in 2005. ButlerNetworks will build a nationwide network in Denmark and is expected to initially build around 300 base stations. UpGrade Communication is also working on the Faeroe Islands with P/F Elektron to build a closed network to run network services for institutions such as banks on the islands. The initial phase of the project is an installation of three BreezeMAX BST, radio links, project management and constant on-site monitoring.

doro bm40

Baby monitor with life video images

doro's shares

Doro has been listed on the Stockholm Stock Exchange since 1993. There are 4,295,000 A shares. The former B shares (11,764,705) were converted to A shares (total 21,467,859) in March 2005 and a new share issue of 7,141 shares was carried out. A reverse split of 5/1 was carried out on 4 April.

Doro will not pay any dividends on class A shares.

There are no outstanding convertibles or synthetic options.

Doro's share price fell in 2005 by 44 per cent (rose by 20 in 2004). Doro's market value on 31 December 2005 was SEK 131 million (236).

A well-attended AGM was held in Lund on 15 March 2005. Senior managers have held a number of meetings with market analysts. Analyst meetings or telephone conferences are arranged after every quarterly report. Doro has taken part in Financial Hearings during the year at which presentations of the company were made. The management team of Torbjörnsen and Karlsson received an award in 2005 for the best small business presentation.

Share data (all values have been re-calculated after the reverse split)

	2005	2004	2003	2002	2001
No. of shares, (thousands)[1]	4,295	4,294	4,294	4,294	2,102
Nominal value, (SEK)	5.00	5.00	5.00	5.00	5.00
EPS after tax, (SEK)[1]	–15.68	5.55	3.65	0.15	–92.55
Cash flow per share	–10.12	–6.70	9.50	4.65	28.85
Reported shareholders' equity, (SEK)	7.47	21.80	16.40	12.35	28.55
Market price at 31 Dec, (SEK)	30.60	55.00	45.75	34.50	57.50
Dividend, (SEK)	0.00	0.00	0.00	0.00	0.00
P/E ratio[2]	N/A	10,0	12,5	N/A	N/A
Dividend yield (%)[3]	N/A	N/A	N/A	N/A	N/A

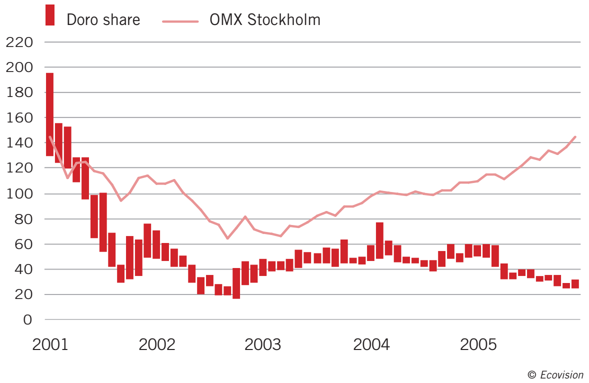
[1] The average number of shares in 2001 was 2,101,791
[2] The P/E ratio is calculated as the market price on the closing date divided by the EPS after tax
[3] The dividend yield is calculated by dividing the dividend by the market price on the closing date

Share issues

The parent company's share capital has changed in recent years through new share issues as follows:

Year	Issue	No. of new shares	Issue price	Increase in 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			

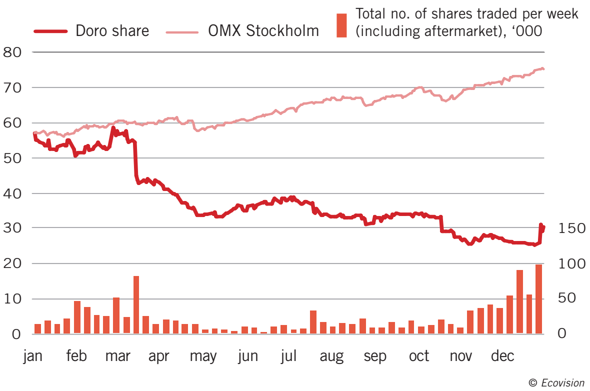
Share performance 2001–2005



Major shareholdings as at 31 December 2005

The 10 largest shareholders	No. of shares	% of shares	No. of votes	% of votes
Nordea Sweden	1,647,058	38.3	1,647,058	38.3
Mellby Gård Intressenter AB (Rune Andersson)	840,305	19.6	840,305	19.6
Falkberget AB (Rune Andersson)	425,000	9.8	425,000	9.8
Hans Björstrand	100,000	2.3	100,000	2.3
Nordea Small cap Funds Finland	61,480	1.4	61,480	1.4
Bengt Jonsson	58,000	1.4	58,000	1.4
Rune Torbjörnsen	43,001	1.0	43,001	1.0
Kenneth Walter and family	24,000	0.6	24,000	0.6
Lloyds Bank International Ltd, Switzerland	22,000	0.5	22,000	0.5
Bruce Grant	21,800	0.5	21,800	0.5
SIF	21,715	0.5	21,715	0.5
Sub-total	**3,264,359**	**76.0**	**3,264,359**	**76.0**

Share performance and sales 2005



Ownership structure as at 31 December 2005

	No. of shareholders	As % of all shareholders	No. of shares held	As % of all shares
Under 501 shares	3,733	90.4	371,500	8.6
501–1000 shares	214	5.2	163,985	3.8
1001–5,000 shares	156	3.8	359,686	8.4
5,001–10,000 shares	12	0.3	87,070	2.0
10,001–20,000 shares	5	0.1	72,400	1.7
20,001–50,000 shares	4	0.1	108,516	2.5
50,001–100,000 shares	3	0.1	219,480	5.1
Over 100,000 shares	3	0.1	2,912,363	67.8
Total	**4,130**	**100.0%**	**4,295,000**	**100.0%**

The number of shareholders has fallen from 4,976 to 4,130. Of the total shares held, about 2% (3) are held by foreign shareholders and about 4% (5) by institutional holders.

directors' report

for Doro AB, corporate registration number 556161-9429

Doro AB is a publicly owned limited company (hereafter referred to as Doro). The company's registered office is in Lund, Sweden. The company is registered in Sweden under the corporate registration number 556161-9429. The address of the head office is Skiffervägen 80, Lund (post code 224 78), Sweden. Doro has operations in Australia, Denmark, Finland, France, Hong Kong, Norway, Poland, Sweden and the UK. The structure of the Group is outlined in note 18.

Through its subsidiary, UpGrade Communication AB (hereafter referred to as UpGrade), Doro has a branch office in Norway.

Business activities. Doro markets a broad and innovative range of telecom and consumer electronics products, primarily for the European market. Doro provides user-friendly products of high quality and modern design for consumers and businesses. Doro's product range is divided into five Business Units: Telephony (cordless digital telephones, corded telephones, telephone answering machines, etc.), IP-Communications, Accessories, Care Electronics (various specialist products for seniors) and Consumer Devices (walkie-talkies, baby monitors, etc.). Through its subsidiary UpGrade, Doro also provides wireless broadband solutions.

Business conditions. Doro operates in the rapidly changing telephony products market for consumers and businesses in Europe and Australia. Production mainly takes place in China. The company protects its products by partly or fully owning the tools and through active participation in the design, development and quality assurance processes.

Large purchase volumes make Doro an attractive customer and mean competitive costs per unit for the company in terms of development and production, which is carried out by suppliers.

Past year in summary. The following factors characterised 2005:

- Significant loss and restructuring.
- Increased market shares and renewed product range.
- New organisation for increased focus on products and customers.
- Rising US dollar rates.

Significant loss despite major cost-cutting measures. Doro had sales of SEK 621 million (SEK 649 m) in 2005, which is a drop of 4 per cent compared to last year. The sales trend has been positive in France and for the subsidiary UpGrade Communication. The Group's total volumes rose by around 20 per cent, but lower customer prices due to price pressure and sell-offs explain that sales are lower than last year.

Margins have been negatively affected by the selling prices. A change in product ranges has led to sell-offs and stock depreciation meaning a profit impact of about SEK 25 million. In addition a stronger US dollar in 2005 reduced margins by around SEK 9 million.

Results were negatively affected by restructuring and one-off costs of SEK 36 million (SEK 0 m). Further streamlining measures are underway and have cut the headcount from 172 to 127. Quality-related costs continue to be low through the continued high quality of Doro's products, even in new product areas.

Depreciation has risen to SEK –10 million (SEK –6 m) via depreciation of last year's major investments. Net financial items fell to SEK –4 million (SEK 8 m) through a lack of positive exchange rate differences as in 2004.

The Group's loss before tax was SEK 75 million (SEK 27 m) for the period). Tax on the year's profit was SEK 8 million due to greater amount of deferred tax. The Group's loss after tax was SEK 67 million (SEK 26 m).

Greater market shares and renewed range. The first half of the year followed the normal seasonal trend with lower sales compared to the second half of the year in 2005. Sales traditionally increase in the second half of the year. Q4 was successful, but didn't quite match the very successful level of Q4 last year.

Doro and Skype, The Global Internet Telephony Company™, signed a partnership agreement in Q2 for delivery of Skype-compatible consumer products. Sales of the Doro 212 IPC with a range of software have progressed well. Doro teamed up with the digital telephony company Woize to launch a new IP telephony package for free telephony.

Sales of the Doro 500 series continued to progress well and further models in the series were launched during the year. The corded range based on the same design concept now makes the 500 series Doro's widest and most sold range of all time. There was a full launch of the recently-developed version of the popular 800 series, Doro 855 SIM, during the second half of the year. The new Doro 855 SIM has an advanced colour screen and a SIM card reader in the base module as standard. The Doro 430 modern Dect telephone with slightly oversized buttons was launched in Q4. The Doro 430 enables users to call and navigate the telephone's menu system more easily.

Doro has also launched the E-range, the world's first modular home telephone, where the user connects the functions required. Doro E-range has already created a great deal of interest in design circles and won the "Observeur du design" award in France. Doro launched two sporty walkie-talkies at the end of the year. The Doro WT86 is small, compact and has the longest range on the market of six kilometres. The Doro WT89 is a trendy walkie-talkie watch.

Doro has started a partnership with the award-winning Swedish designer Thomas Meyerhöffer to jointly develop an entire product range. The first results of the partnership are for the Doro Flexus series. The range, which currently mainly consists of accessories for mobile phones, is being complemented with more universal accessories that can be used with mobile phones, mp3 players and computers.

The subsidiary UpGrade Communication continues to win different projects in wireless broadband. A major project to link various banks on the Faeroe Islands was completed in Q2. A major WiMax project has been supplied to the Danish operator Butler – to increase its capacity on its network that supplies high capacity internet to business. UpGrade won one of its biggest orders ever at the end of the year for SEK 10 million. This involves a major infrastructure investment which chose in favour of wireless transfer instead of fibre-optics. Sales are continuing within the framework for the new distribution agreement for products from RAD – world leaders in connecting computer and telephony products.

New organisation for sharper focus on customers and new products. A new organisation was formed on 1 September for sharper focus on customers and new business units. The business has been divided into five Business Units:

- Telephony (corded and cordless telephony)
- IP-Communications (IP telephones and systems)
- Accessories (telephony accessories, including GSM)
- Consumer Devices (small portable consumer electronics products)
- Care Electronics (electronics products for target groups with special needs)

The new organisation means development time for new products can be cut. In addition, the Group moved away from a national organisation structure and now has a Key Account Management-based regional sales organisation with shared service centres as a support function. The three regions are Northern Europe, (which includes Central Europe), Southern Europe and Australia.

Rising US dollar. The US dollar continued to strengthen throughout the year. This has meant a greater negative impact on Doro's margins. The majority of Doro's products are bought in US dollars and sold in local currencies. Doro protects itself against major fluctuations in the US dollar by buying options. Some of the options were used to minimise the effects of the strengthening US dollar during most of the year. Details of exposure to the US dollar and other currency risks are reported in the risk handling chapter on pages 33–34. At the end of the year around 50 per cent of net flows in US dollars over the succeeding six months were covered by options.

The parent company's debts have continued to be adapted to the need for subsidiaries' loans (mix and volume).

Dect patents, product development and development costs. Doro signed licensing agreements with owners of various Dect technology patents in 2005. Agreements were signed in June with Ericsson and with Siemens in December. Doro is therefore one of a very few companies with the right to use this patent-protected technology.

Doro carries out various projects together with different external partners for product development and design. Most of the cost is normally taken up by the manufacturing partner. These costs are often part of Doro's acquisition value of the products. Doro employs design companies from various countries and the costs are either variable or fixed. Doro also sometimes buys technology from various external companies. The Group's development costs in 2005 were SEK 4 million (SEK 6 m). Intangible assets activated development activities by SEK 2 million (SEK 3 m) in 2005.

Doro also invests in form tools to protect the design of products. They are depreciated over the product's lifespan – two years. The investments amounted to SEK 6 million (SEK 5 m) in 2005.

At the end of the year Doro had no patents registered by the company but it does have the right to use various patents as regulated by agreements. Doro has registered the brands Doro, Airborne, Audioline and Atlantel. A number of product names, patterns and figures are also protected.

Organisation and staff. The Group management team was reorganised during 2005 to reflect a sharper focus on sales, product development and marketing. Thomas Bergdahl was appointed as a new deputy CEO. He was the former head of Supply and Product management and in the new organisation is responsible for Telephony and Operations.

The average number of employees was 146 (171).

Disputes. Doro is involved in two disputes. A detailed account is given in note 25.

In the most important dispute Doro made a claim totalling SEK 106 million upon Sojitz (Nissho Iwai) in a court in Osaka, Japan. Doro lost in the first instance in July 2005. The court's decision has been appealed against and the next decision is expected within 1–2 years.

A dispute concerning stock has been won but not finalised. Doro finalised two disputes during the year and no new disputes arose.

The environment. Doro has no business activities that require environmental licences.

Doro does not own any production units. Comprehensive co-operation takes place with a number of factories where production services are purchased. Whilst surveying factories, various environmental demands are set. An increasing number of factories are working with different environmental programmes and intend to apply for ISO 14000 certificates.

One share class and a reverse split. A total of 11,764,705 class B shares were converted to class A shares at the time of the AGM. Doro thereby now only has one class of share. Following the conversion Doro had 21,467,859 class A shares. Doro's AGM decided on 15 March on a reverse split of 5:1 and a new share issue of 7,141 shares (to achieve a round lot). After the split Doro now has 4,295,000 class A shares. The aim is to facilitate trading in shares and thereby create the conditions for improved liquidity in Doro shares.

Dividend and financial targets. The Board adopted a new policy in 2005. The Board will propose to the AGM that all shareholders be offered the opportunity to redeem shares when funds are available. This policy replaces the dividend policy until further notice.

Doro aims to have a maximum debt/equity ratio of 1.3 (interest-bearing debt/equity).

The organic expansion will be funded from internally provided funds, while new share issues will finance larger acquisitions.

Financial overview. Reports are presented in the various financial reports with comments and quarterly developments:

- income statement.
- balance sheet.
- cash flow.
- shareholders' equity.
- quarterly summary.
- five-year summary.

The comments are included directly after the reports.

Sales per product area and segment. Doro operates in the following product areas: cordless telephones, corded telephones (including telephone answering machines, caller-id products), wireless broadband and other consumer-related electronics products. Cordless telephones are the largest product area, accounting for around 59 per cent (62) of total sales. Corded telephones follow, with more than 23 per cent (26) of sales. Wireless broadband accounts for around 13 per cent (12) of sales. Doro improved market shares and thus higher sales on all markets. Reporting in 2006 will be via five Business Units: Telephony, IP-Communications, Accessories, Consumer Devices and Care Electronics.

Performance in the various segments is reported in note 2. The different regions are seeing the same trend with declining profits and sales.

Investments. Investments mainly consist of those made in different production tools for sub-suppliers manufacturing Doro's products. Various costs for development are set up as assets. In addition there is investment in testing equipment, other equipment and computers. Investments amounted to SEK 9 million (SEK 9 m).

Parent company. In addition to Group management and finance staff, the parent company, Doro AB, provides service functions for the rest of he Group. Marketing and product development are co-ordinated by the parent company, while the product and quality department monitors design and tooling issues as well as quality assurance of deliveries. Purchasing and logistics personnel are responsible for material flows within the Group.

The parent company reported sales of SEK 39 million (SEK 53 m). The loss after financial items was SEK 71 million (SEK +15 m).

Doro AB is responsible for a majority of the subsidiaries' financing. Net debt has increased by SEK 30 million (reduced by 74 m) to SEK 114 million (SEK 84 m). Dividends from Group companies, write-downs and write-backs of shares in Group companies and negative currency effects have had a negative net impact on results and reduced shareholders' equity to SEK 57 million (SEK 126 m).

The Board and its work schedule. Doro's Board consists of seven members elected by the AGM on 15 March 2005. One of the main shareholders (Mellby Gård Intressenter AB) is represented by a single Board member.

At the Board meeting following the election Anders Bülow was re-elected as Chairman. The Board includes the CEO and the CFO is co-opted to the Board as its secretary. Other company executives take part in the Board meetings to make reports.

The Board held 10 (6) meetings during the 2005 financial year and the items on the agenda are listed below.

A number of tele-conferences were held in addition to those planned. Attendances were good: Anders Bülow, Ulf Körner and Rune Torbjörnsen 10 (out of a total of 10), Tomas Persson 9 (of 10), Kerstin Häregård 8 (of 10), Magnus Yngen 7 (of 8), Joen Magnusson 7 (of 10) and Anders Frick 1 (of 2).

January: Approval of annual accounts, review with auditors and discussion of strategy.

February: Notice to attend Doro's AGM and proposed reverse split.

March: First board meeting following election. The Board and two Board members together (of whom one shall be the Board chairman or the CEO) may sign on behalf of the company.

April: Quarterly report, re-structuring and investment in accessories.

July: Quarterly report and new organisation.

September: Re-structuring, investment in new product areas and other strategies.

October: Quarterly reports and restructuring.

November: Forecast for 2005.

December: Financing and restructuring.

December: Budget for 2005. Work plan about division of responsibility between Board and CEO, instructions for CEO and new credit agreement.

Information is sent out about one week before each meeting. Each month the previous month's results are sent out along with comments. The Board continually addresses subjects such as the business situation, budget, periodical accounts and strategies. During the year the Board has focused on the company's strategic development and growth. Seven Board meetings are planned for 2006. There are no special committees.

Nominations. Nominations for the Board are co-ordinated by the Chairman, Anders Bülow, and proposals may be submitted to him. An informal nominations committee comprises Mr Bülow and a representative of the two main owners, Mellby Gård Intressenter AB and Nordea AB (publ). Contacts are made with major shareholders prior to elections and a proposal for a new Board is submitted. A special nominations committee is not therefore considered necessary.

Auditing. The scope and focus of auditing are planned and decided by Anders Bülow, Kerstin Häregård, Ulf Körner, Joen Magnusson, Tomas Persson and Magnus Yngen (i.e. Board without ordinary employees). The scope and focus of the audit is presented by the company's auditor at the Board meeting in August. Based on the quarterly report of 30 September an interim audit is prepared and the Chairman heads a meeting that assesses the results of this survey. The result of the audit is reported in detail at a meeting of the Chairman and senior executives both after the interim audit and after the final audit. At the January meeting of the full Board the auditor presents the results of their audit of the Group's internal systems and the annual accounts.

Remuneration issues. Remuneration issues are decided by Anders Bülow, Kerstin Häregård, Ulf Körner, Joen Magnusson, Tomas Persson and Magnus Yngen (i.e. Board without ordinary employees). Salaries and bonus schemes for managers were discussed and established at two meetings. The Board as a whole has responsibility for remuneration issues and other employment terms for senior executives and the heads of subsidiaries. The Chairman of the Board approves all terms for management reporting to the CEO. Employment terms for around 15 people are dealt with.

Swedish code for corporate governance. A Swedish code for corporate governance was introduced in 2005. It follows the principle of conform or explain. Doro is listed on the O-List and is not therefore obliged to follow the code. Doro has however implemented the parts of the code that are reasonable for a company of its size.

Doro made a report on corporate governance in the 2004 annual report that followed the code. Minor adjustments were made in 2005 to this system of reporting (see page 30–32). The Board annually reviews how the code should be followed.

Risk. Doro's risk management is reported on pages 33–34.

Expected future developments. During 2005 Doro implemented and completed a major restructuring scheme and introduced a new organisation focussing on growth within new product areas and a customer-oriented KAM organisation. The increase in the pace of the launch of new products has already borne fruit in 2005. The lower costs and new product launches provide excellent opportunities for positive growth.

An assessment of the business situation for the current business year will be made in connection with the AGM on 15 March 2006.

Events after the end of the financial year. No events of any significance have taken place after the end of the financial year that affect this annual report.

Changeover to International Financial Reporting Standards (IFRS). In 2005 all listed companies in the EU must use International Financial Reporting Standards (IFRS) to report financial results. Swedish companies have been making changes gradually over recent years by implementing the recommendations of the Swedish Financial Accounting Standards Council based on IFRS. Current discrepancies between the Council and IFRS are usually due to barriers raised by Swedish law. Despite the gradual changeover in recent years, further changes will appear in the financial reports of Swedish companies in 2005 as IFRS is fully implemented.

The effects of the change of accounting principles have had little effect on Doro's income statement and balance sheet. The only effect is that there will be no planned depreciation of goodwill. The values for 2004 have been re-stated using the new rules and the difference between reported income for 2004 and income adjusted according to IFRS has been reported for 2004 in note 42.

During 2003 and 2004 Doro initiated the introduction of IFRS and its first application from 2005. A comprehensive review was started in 2003 and followed up in 2004 and 2005 to ensure that the new accounting principles are observed. The Board makes an unconditional assurance that adjustments have been observed for the accounts to match IFRS.

The most important differences between the company's current accounting principles and the new IFRS principles and which were known at the time of writing are presented below:

– Financial instruments (IAS 39). Financial derivatives are used by the parent company Doro AB. During 2003 Doro stopped using forward contracts to buy currencies and since March 2003 the company has used various buy and sell options to hedge against fluctuations in the US dollar. An assessment is made of future flows over the next six months and 50 per cent of payments in US dollars are hedged via option agreements. This means that options are bought with a call/put, which is currently fixed at 5 per cent above the forward rate. The remaining volumes of US dollars are purchased on a running basis according to spot rates. Doro does not use any other financial derivatives. A review has established that there are no embedded derivatives. Doro has existing securities for net investments in foreign subsidiaries via loans in corresponding currencies. According to a preliminary assessment, IAS 39 will not affect Doro's results for 2005.

An effect can be seen if the US dollar rate rises and the actual value rises. This would mean that options would receive a market value higher than the purchase value. This has occurred in more than one quarterly report and annual report.

– Intangible assets (IAS 38). A review of goodwill has been made and adjustments were made to expected results and cash flow in recent years and in coming years. Goodwill will no longer be depreciated linearly. Instead it will be obligatory to assess each year if there is a need for a write-down.

Doro applies IFRS 1 (First-time Adoption of International Financial Reporting Standards). Various standards that apply on the report date (balance day) and that has been applied with retroactive effect according to IFRS 1 ordinance, i.e. that the adoption ordinance of the individual standards may not be used in first-time adoption of IFRS. In principle an opening balance account shall be established in accordance with IFRS on the transition date of 1 January 2004.

Presentations have been made to the Board. Work aimed at introducing IAS/IFRS was carried out using those rules that were in force when the Annual Report was produced.

Proposed allocation of profit. The Board and CEO propose to the Annual General Meeting that the accumulated profit/loss, as per the parent company's balance sheet, be allocated as follows:

Profit/loss brought forward	SEK	49,383,000
Loss for the year	SEK	–69,784,000
	SEK	**–20,401,000**
and be dealt with as follows:		
Dividend to shareholders of		
SEK 0.00 per share	SEK	0
Profit/loss carried forward	SEK	–20,401,000
	SEK	**–20,401,000**

code of corporate governance

The code of corporate governance was set up in 2005. Doro was the first company to choose to follow the code in its annual report for 2004. Doro is listed on the Stockholm Stock Exchange's O-list and is not formally obliged to follow the code. Doro has chosen to adopt a majority of these rules. The table below shows how the code is implemented and explains why it is not followed in some instances. In general the code is extensive and mainly intended for large companies with uncertain ownership structures.

The Board will continue to discuss the code in 2006.

The following table shows how the various points are implemented (according to Swedish code of corporate governance).

	Code	Observed	Comments
1. Annual General Meeting			
1. 1.1 Date for AGM	As early as possible, at least six months before	Yes	Information 1 year before in AR and on website.
1.1.2 Items at AGM	How item is taken up	Yes	Press release 19 Dec. and on website.
1.1.3 Notification methods	Via email	Yes	Email, fax, telephone and letter.
1.2 Remote participation			
1.2.1 Participate in AGM Follow AGM	Remote connection	No	Too expensive.
1.3 Presence of Board, senior executives and auditors			
1.3.1 Board, senior executives and auditors all present	All present	Yes	
1.3.2 Reporting of proposals	Chairman or committee	Yes	
1.4 Implementation			
1.4.1 Proposal to AGM chairman	In notification and at AGM by election committee	Partly	In notification, but no election committee.
1.4.2 Minutes checkers	Not on Board	Yes	
1.4.3 AGM language	Interpreters	No	All major owners speak Swedish.
1.4.4 Question AGM	Questions may be asked	Yes	
1.4.5 Minutes	On website within 2 weeks	Yes	
2. Appointment of Board and auditors			
2.1 Election committee			
2.1.1 Election committee	Shall be chosen by AGM or criteria for election	No	Election prepared by chairman and main owners.
2.1.2 Composition	Three people, Board chairman not chairman	No	See above.
2.1.3 Time for names	Publicised in Q3 report at latest	Yes	Procedure is known 6 months before.
2.2 Appointment of Board			
2.2.1. Chairman and directors	Election committee makes proposal to chairman and board members about fees	Yes	Proposal made to Chairman, board members and about their and fees in connection with notification.
2.2.2 Requirement profile	Election committee makes requirement profile	Yes	
2.2.3 Presentation	Detailed presentation	Yes	Made in notification of new board members and others in AR. Independents added in AR.
2.2.4 Reasons	Reasons for re-election and how work is done	Yes	

2.2.5 Attendance	Proposed members shall attend	Yes	
2.2.6 Fees	Division between chairman and others decided at AGM	Yes	
2.3 Appointment of auditors			
2.3.1 Proposed auditor	Election committee proposes	No	Is judged as an ownership issue decided by major owners.
2.3.2 Election and fees	Election committee proposes for election and fees	No	See above.
2.3.3 Information about auditors	Competence and independence and fees and how elections are prepared	Partly	See above.
2.3.4 Reasons	Presentation and reasons	Yes	
2.3.5 Attendance	Shall attend AGM	Yes	
3. Board			
3.1 Assignments			
3.1.1 Special care	Board responsibility for goals, appoint managers, follow-up, information, ensure that laws and ethical guidelines are followed	Yes	
3.1.2 Assessments	Annual assessments	Yes	
3.2 Board composition			
3.2.1 Composition	Suitable composition and even mix of genders	Yes	
3.2.2 Size	Suitable size, No deputies	Yes	
3.2.3 Max. one employee	Just one elected member is employee	Yes	
3.2.4 Independence	Majority independent	Yes	
3.2.5 At least 2 independent		Yes	
3.2.6 Mandate period	1 year	Yes	
3.3 Board members			
3.3.1 No. of assignments	Not too many assignments	Yes	
3.3.2 Independent judgement		Yes	
3.3.3 Knowledge	Obliged to acquire knowledge	Yes	
3.3.4 New, to be trained	Trained by company?	Yes	
3.4 Board chairman			
3.4.1 Chosen by AGM		Yes	
3.4.2 Departing CEO	Special reason if chosen as Board chairman	Yes	
3.4.3 Discussions of assignments	Board, chairman and CEO have clear division of assignments	Yes	
3.4.4 Organisation	Lead Board work through planning, checking and assessing	Yes	
3.5 Work forms			
3.5.1 Instructions	Work instructions, CEO instructions and reports	Yes	
3.5.2 Committees	Can be set up and how managed	No	All Board handle all issues.
3.5.3 CEO assessment	Min. once per year	Yes	
3.5.4 Agenda	Important decisions must be on agenda	Yes	
3.5.5 Secretary	Not Board member	Yes	
3.5.6 Minutes	Clear minutes	Yes	

3.6 Financial reports			
3.6.1 Reports	Formal parts, principles and verification	Yes	
3.6.2 Assurance	Guarantee that AR done properly	Yes	
3.6.3 Audit	General audit	No	Pre-audit done (see further section about audit work in the Directors' Report).
3.7 Internal checks			
3.7.1 Internal checks	Good system	Yes	
3.7.2 Reports	Submit reports for checking	No	Parts of Group checked each year by auditor.
3.7.3 Internal audit	Own department	No	Not needed because of company size but done externally in planned process.
3.8 Accounting and auditing issues			
3.8.1. Quality of reporting	Documentation of how quality is assured in reports	Yes	
3.8.2 Audit committee	Set up by Board	Partly	External members discuss audit twice per year.
3.8.3 Work in committees	Committee programme	Partly	Handled by Board.
3.8.4 Meeting with auditors	At least once per year	Yes	
4. Company management			
4.1.1 Information	Comprehensive, correct and relevant information	Yes	
4.1.2 Other engagements	CEO's other activities checked by Board	Yes	
4.2 Remuneration to management			
4.2.1 Remunerations committee	Can be all Board	Yes	
4.2.2 Principles	Remuneration to managers at AGM	No	Handled by remunerations committee.
4.2.3 Share-related remuneration	Decided at AGM	Yes	
5. Information about corporate governance			
5.1 Corporate governance reports			
5.1.1 Report in AR	Special report	Yes	Follow how standards develop.
5.1.2 Non-conformance	Application of code	Yes	
5.1.3 Quality of reports	Safeguard 3.8.1	Yes	
5.1.4 Organisation work	Board work	Yes	Included in report and in directors' report.
5.2 Reporting of internal checks			
5.2.1 Reports	Board's report	No	To be assessed.
5.3 Information on website			
5.3.1 Website	Special department	Yes	

risk management

FINANCIAL RISK MANAGEMENT

Risk management at Doro. The Board of Directors has established various frameworks in Doro's financial policy and outlined which risks may be taken. Risk management aims to identify, quantify and reduce or eliminate risks. Doro's financial policy establishes frameworks for how different types of financial risks are managed and defines the risk exposure with which the business may be run. The main objective is to achieve a low risk profile.

Doro AB (the parent company) has overall responsibility for the Group's financial issues. Through centralisation and coordination, significant benefits of scale can be achieved regarding the terms obtained for financial transactions and financing. At present there is one cash pool in Sweden, which is used by the parent company for several foreign currencies.

Currency risks. Foreign currency management is concentrated within Doro AB. Doro AB buys and sells currencies within the framework for established risk limits.

Doro usually has a very limited currency risk on various receivables because most sales are made in local currencies. However, Doro does have a very significant exposure regarding liabilities. Because a large proportion of products are bought in USD, changes can have a big impact (see sensitivity analysis). Purchasing options limits this risk to around 50 per cent for flows over a six-month period. Currency management for the Group is the responsibility of the parent company Doro AB. Currencies are bought on an ongoing basis and in 2005 were mainly based on the spot rates, but also in hedged options in USD.

Net investments in international Group companies are hedged via loans in local currencies.

Exchange rate fluctuations affect results in various ways:

Transaction exposure. This arises when income from sales and costs for purchases are in different currencies. Doro has large exposure because a large share of products are purchased in USD and income from most sales is in local currency. The exception is sales to markets where Doro does not have its own company, where both the income and costs are mainly in USD.

Doro's currency policy means that 50 per cent of expected net flows (primarily purchases as few customers pay with USD) over the coming six months are hedged (via options). A further 50 per cent of commitments of more than six months (currently a minor percentage of sales) are hedged. At the end of 2005 option agreements accounted for the equivalent of 50 per cent of the expected flow for the first six months of 2006.

Transaction exposure by currency and year
(gross and after options)

(SEK m)	2005 Currency Gross	2005 After options	2004 Currency Gross	2004 After options
SEK	+10	–20	+30	–25
DKK	+20	0	+30	+10
NOK	+40	+10	+70	+45
EUR	+170	+80	+150	+80
GBP	+10	0	+10	0
AUD	+60	+30	+80	+40
USD	–400	–180	–390	–160
PLN	+20	+20	+20	+20

Reporting of outstanding options at year-end 2005. All refer to purchases of USD running until June 2006.

Currency	Contract amount	Price paid	Real value
AUD	3.5	0.70–0.725	+0.2
DKK	1.5	6.20–6.21	+0.2
EUR	6.0	1.11–1.20	+0.5
GBP	1.5	1.64–1.74	+0.1
NOK	2.0	6.48–6.95	+0.4
SEK	5.5	7.70–8.375	+0.7
Total	**20.0**		**+2.2**

Conversion exposure of foreign assets. Doro has net investments in foreign subsidiaries. These are partly hedged by loans in local currencies.

At the year-end the value of foreign net assets was SEK 62 million (93), of which SEK 57 million (109) was hedged in the form of loans in the same currency.

Value of foreign assets

	2005 Value	2005 Of which hedged	2004 Value	2004 Of which hedged
DKK	16	15	13	13
NOK	1	0	1	1
EUR	20	18	24	27
GBP	15	10	21	35
CHF	1	1	3	3
AUD	–3	0	15	13
HKD	6	6	4	4
PLN	6	7	12	13
Total	**62**	**57**	**93**	**109**

Conversion of the foreign subsidiaries' income statements is affected by the exchange rate. These conversion differences are inconsiderable.

A 1 per cent difference in the EUR exchange rate will affect the results by around SEK 0.2 million per year.

Exposure of interest rates and foreign currencies. Doro has concentrated a large part of its loans in Doro AB. Doro has only a limited amount of loans and a change in interest rates has an insignificant affect on results. All loans are short-term and have variable interest rates. The reason for this is the large variations in loaning requirements (because each cash flow is uneven) and the fact that variable interest rates produce lower annual costs.

Net debt/currency 31 Dec. 2005 and 31 Dec. 2004

(SEK m)	2005	2004
SEK	76	23
EUR	2	–3
GBP	3	13
DKK	0	0
NOK	0	0
AUD	0	–6
HKD	0	0
USD	–16	–16
PLN	8	9
Total	**73**	**20**

Price risks. Price risks are defined as the risk of change in value of financial instruments depending on the change in market prices. Only currency and interest risks pose price risks to financial instruments. Doro has no liquid assets placed outside normal bank accounts.

Liquidity risks. Doro has an annual credit contract with Nordea. The volumes on the check accounts and letters of credit are adapted to Doro's seasonal fluctuations in material flow and its need of financing. Doro maintains a continuous dialogue with the bank. The risk of having insufficient credit is assessed as small.

Cash flow risks. Doro's cash flow is uneven. It is strongly negative during the first six months of the year and strongly positive in the final quarter. Credit volumes are adjusted to meet these fluctuations.

Sensitivity analysis. Doro is affected by different factors and the following effects arise following a 1 per cent change in different variables (SEK million):

	2005	2004
Price change	+/– 6	+/– 7
Volume change	+/– 2	+/– 2
USD	+/– 4	+/– 4
Interest rate change	+/– 1	+/– 0.5

The analysis is made in a static environment. In reality, a drop in USD for example can lead to lower prices for customers while an increase can be compensated for with higher prices with a slight time delay.

OPERATIONAL RISK MANAGEMENT

Market risk. Doro is primarily active within telephony and is affected by the general price reductions in the electronics industry. This can mean that buy-back prices are lower than acquisition prices. Doro works proactively with various forecasting tools and stock-monitoring programs. Cooperation with suppliers enables good flexibility based on forecasts that are converted into purchase orders. Stock levels are very low and therefore price risks are correspondingly low.

Competition risks. Doro is active in competitive markets. The new division into different market segments is a means of meeting the competition. Furthermore, Doro continuously runs programmes to increase productivity.

Raw material risks. Different raw material price changes have so far been absorbed by falling prices of electronic components.

Credit risks. In recent years Doro has experienced very low credit losses (less than 0.5 per cent of sales) due to the fact that the main customer group is large businesses with regular trade. The largest single customer accounts for less than 5 per cent of the Group's sales. Doro operates in most countries without credit insurance.

Complaint risks. Complaint risks concern costs for correcting faults tat arise in the products supplied by Doro. Guarantees usually cover 12 months. European legislation will introduce EU directives for a two-year guarantee for consumers. This led to increased allocations in 2005. 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 that authorities in different countries create difficulties for business, or make business more expensive or impossible. All manufacturing is carried out in Asia (as are nearly all the competition). All sales are carried out in stable countries.

Environmental risks. This risk is seen as the costs that may be incurred by Doro for reducing 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 returning electrical waste, packaging and used batteries.

Legal disputes. This risk is seen as the cost that may be incurred by Doro for running different legal proceedings and costs to third parties. Doro is involved in a number of disputes. Extra legal advice has been sought as a preventative measure, which causes very few new disputes. The fixed telephony industry has so far had few patent disputes. As long as different patent claims are made to all players they will often cancel each other out.

income statement

(SEK m)	Note	GROUP 2005	GROUP 2004	PARENT COMPANY 2005	PARENT COMPANY 2004
Income/Net sales	1, 2, 3	621.3	648.8	38.8	53.1
Operating costs					
Manufacturing services bought in		–462.3	–435.6	–16.2	–28.4
Other external costs	4, 26, 31	–118.2	–102.7	–25.0	–24.7
Personnel costs	5–13	–101.6	–85.7	–20.4	–13.5
Depreciation of tangible assets	17	–8.7	–5.7	–4.7	–2.4
Depreciation of write-down of intangible assets	16	–1.6	–	–	–
Operating profit/loss (EBIT)	2	**–71.0**	**19.1**	**–27.6**	**–15.9**
Profit/loss from financial items					
Profit/loss from participations in Group companies	28	–	–	–32.3	23.1
Interest income and similar profit/loss items	14	8.9	28.6	2.8	27.7
Interest expense and similar profit/loss items	15	–13.0	–20.3	–13.9	–19.9
Profit/loss after financial items		**–75.2**	**27.3**	**–71.0**	**15.0**
Tax on profit for the year	27	7.9	–0.9	1.2	10.4
PROFIT/LOSS FOR THE YEAR		**–67.4**	**26.4**	**–69.8**	**25.4**
Key figures					
Average number of shares (thousands)	20	4,295	4,295		
Earnings Per Share before tax		–17.53	6.37		
Earnings Per Share after tax		–15.68	6.11		

Comments on the income statement. In 2005 Doro reported sales of SEK 621 million (649 m) – a fall of SEK 28 million (up SEK 1 million), which represents a fall of 4 per cent (increase of 0 per cent) compared with the previous year. Volumes have increased by around 20 per cent (increase of around 20 per cent). Continued tough price pressure overall, coupled with falling prices has caused the weaker results.

Margins were negatively affected by falling customer prices, a general strengthening of the US dollar (SEK 9 m) and sales of older product ranges (SEK 25 m).

Overheads were high because of major one-off costs, including restructuring costs of around SEK 36 million. Depreciation has increased through greater investment levels. Depreciation of intangible assets has increased due to the writing-off of activated development costs in 2005.

Negative cash flow has increased borrowings and thus also raised financial costs. Foreign currency losses in the parent company have been reported as financial costs.

Changes in the US dollar have had a negative impact of around SEK 9 million (+60) on profits. The loss before tax for the Group was SEK 75 million (27).

balance sheet

ASSETS (SEK m)	Note	GROUP 2005	GROUP 2004	PARENT COMPANY 2005	PARENT COMPANY 2004
FIXED ASSETS					
Intangible assets					
Capitalized expenditure for development work	16	3.0	3.0	–	–
Goodwill	16	14.0	14.0	–	–
Tangible assets					
Equipment and tools	17	11.4	11.3	6.6	5.0
Financial assets					
Participations in Group companies	18	–	–	95.4	167.1
Other securities held		0.2	0.1	–	–
Deferred income tax recoverable	27	29.6	22.1	15.7	14.4
Total fixed assets		**58.2**	**50.5**	**117.7**	**186.5**
CURRENT ASSETS					
Stocks					
Inventories		71.7	118.6	–	–
Advanced payment to suppliers		0.2	–	–	–
Current receivables					
Accounts receivable – trade		106.6	96.7	4.1	3.8
Receivables from Group companies		–	–	53.7	15.1
Other current receivables		18.0	9.0	9.4	10.8
Prepaid expenses and accrued income	19	7.3	18.0	0.6	10.7
Cash and bank balances		8.0	14.5	0.0	0.0
Total current assets		**211.8**	**256.8**	**67.8**	**40.4**
TOTAL ASSETS		**270.0**	**307.3**	**185.5**	**227.0**

SHAREHOLDERS' EQUITY AND LIABILITIES (SEK m)	Note	GROUP 2005	GROUP 2004	PARENT COMPANY 2005	PARENT COMPANY 2004
SHAREHOLDERS' EQUITY					
Share capital 4,295,000 shares at nom. SEK 5	20	21.5	21.5	21.5	21.5
Other allocated capital		55.5	55.5	55.5	55.5
Reserves		4.2	0.4	–	–
Profit/loss brought forward		18.3	–7.5	49.4	24.0
Profit/loss for the year		–67.4	26.4	–69.8	25.4
Total shareholders' equity		**32.1**	**96.3**	**56.6**	**126.4**
CURRENT LIABILITIES					
Provisions					
Provisions for taxation	33		–	–	–
Provision for guarantees	31	12.2	12.0	–	–
Other provisions	25, 30, 32, 34, 35	15.5	6.3	1.8	3.7
Total provisions		**27.7**	**18.3**	**1.8**	**3.7**
Interest bearing liabilities					
Bank overdraft facilities	21	74.8	26.0	65.6	21.9
Liabilities to credit institutions		6.4	8.8	–	–
Liabilities at Group companies		–	–	48.0	61.8
Total interest bearing liabilities		**81.2**	**34.8**	**113.6**	**83.6**
Non-interest bearing liabilities					
Accounts payable – trade		98.3	135.4	4.6	5.0
Liabilities to Group companies		–	–	0.9	1.4
Other liabilities		6.9	2.4	0.9	0.0
Accrued expenses and prepaid income	22	23.8	20.1	7.2	6.9
Total non-interest bearing liabilities		**129.0**	**157.9**	**13.6**	**13.3**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**270.0**	**307.3**	**185.5**	**227.0**
Pledged assets	23	331.0	409.0	265.4	337.1
Contingent liabilities	24	9.3	8.1	9.3	8.1

Comments on the balance sheet. The Group's balance sheet total has fallen by SEK 37 million (rise of 62) since the start of the financial year, to SEK 270 million (307). Goodwill remains unchanged at SEK 14 million (14).

The equity/assets ratio has fallen from 31 per cent to 12 per cent due to the negative earnings trend. The Group's net debt (interest bearing liabilities less cash in bank) has risen by SEK 53 million (+ 39) to a debt of SEK 73 million (20). The largest part of the interest bearing debt is in SEK.

Stock values have fallen from the high level of the last annual accounts despite a healthier product portfolio of SEK 72 million (119). The majority of purchases are in Asia. Right of ownership passes to Doro once the goods are loaded onto cargo vessels. This provides higher stock levels as stock-on-route accounts for between 20 and 30 per cent of stock at any one time.

Accounts receivable have increased as a large percentage of sales occurred at the end of Q4.

shareholders' equity

CHANGES IN SHAREHOLDERS' EQUITY, 2005 (SEK m)	Share capital	Other allocated capital	Reserves	Profits brought forward	Total shareholders' equity
THE GROUP					
Shareholders' equity, 31 December 2003	21.5	55.5	1.5	–8.1	70.4
Exchange rate differences [1]			–0.5		–0.5
Total changes in shareholders' equity not reported in income statement			**–0.5**		**–0.5**
Profit/loss for the year				26.4	26.4
Shareholders' equity, 31 December 2004	**21.5**	**55.5**	**1.0**	**18.3**	**96.3**
Exchange rate differences [1]			3.2		3.2
Total changes in shareholders' equity not reported in income statement			**3.2**		**3.2**
Profit/loss for the year				–67.4	–67.4
Shareholders' equity, 31 December 2005	**21.5**	**55.5**	**4.2**	**–49.1**	**32.1**

Exchange rate differences [1]

Specification of exchange rate differences shown as shareholders' equity concern translation of the overseas Group companies' income statements and balance sheets in Swedish kronor (independent overseas activities).

	2005	2004
Accumulated exchange rate differences, 1 Jan.	1.0	1.5
Exchange rate differences for the year [2]	3.2	–0.5
Accumulated exchange rate differences, 31 Dec.	4.2	1.0

[1] Exchange rate differences upon translation of financial reports of overseas activities using the current method.

[2] Hedging activities in 2005 cut exchange rate differences by SEK 3.3 (SEK –1.0, 2004). Hedging activities applied are included in the accounting principles under Parent Company: hedging of net investments (shareholders' equity) in Group companies (page 46).

	Share capital	Statutory reserve	Unrestricted shareholders' equity	Total shareholders' equity
PARENT COMPANY				
Shareholders' equity, 31 December 2003	21.5	55.5	19.2	96.2
Group contribution received			6.7	6.7
Tax effect due to Group contribution			–1.9	–1.9
Total changes in shareholders' equity not reported in income statement			**4.8**	**4.8**
Profit/loss for the year			25.4	25.4
Shareholders' equity, 31 December 2004	**21.5**	**55.5**	**49.4**	**126.4**
Profit/loss for the year			–69.8	–69.8
Shareholders' equity, 31 December 2005	**21.5**	**55.5**	**–20.4**	**56.6**

Comments on shareholders' equity. Shares and share capital. Doro AB's share capital was previously divided into A shares and B shares. Since the AGM in 2005 all B shares have been converted to A shares with one voting right per share. Doro carried out a reverse split in April and the number of shares is now 4,295,000. The total share capital on 31 December 2005 was SEK 21.5 million.

Shareholders' equity. Doro AB's total shareholders' equity for the Group fell compared with last year to SEK 32.1 million (96.3 m). The fall was due to the loss for the year of SEK 67.4 million and exchange rate differences of SEK 3.2 million.

The total shareholders' equity in the parent company fell compared with last year to SEK 56.6 million (126.4 m). The fall was due to the loss for the year of SEK 69.8 million. The higher shareholders' equity in the parent company than the Group is due mainly to internal profits in the parent company that were eliminated in the consolidated accounts because these profits are unrealised from the Group's point of view.

Restricted reserves. In Sweden and certain other countries where the Group does business, the parent company and its subsidiaries have restricted reserves that may not be used for dividend payment due to legal restrictions. According to Swedish law, 10 per cent of the year's profit shall be set aside in a reserve fund (included in restricted reserves) until it amounts to 20 per cent of the share capital.

cash flow statement

(SEK m)	Note	GROUP 2005	GROUP 2004	PARENT COMPANY 2005	PARENT COMPANY 2004
CURRENT ACTIVITIES					
Profit/loss after financial items		–75.2	27.3	–71.0	15.0
Adjusted for items not in cash flow etc:					
Change in allocations		9.4	–20.8	–1.9	–6.6
Depreciation/write downs	16, 17, 18, 30–35	10.3	5.7	47.4	10.5
Income tax paid	27	0.1	–1.2	–	–
Cash flow from current activities before changes in working capital		**–55.4**	**11.1**	**–25.5**	**18.9**
Change in working capital					
Change in stocks		47.4	–45.9	–	–
Change in receivables		–7.1	–31.4	–27.4	2.0
Change in non-interest bearing liabilities		–28.4	37.5	0.3	0.4
Cash flow from current activities		**–43.5**	**–28.7**	**–52.6**	**21.3**
INVESTMENT ACTIVITIES					
Acquisition of Group companies	18	–	–	28.8	32.6
Acquisition of other securities		–0.1	0.4	–	–
Acquisition of intangible assets	16	–1.5	–3.0	–	–
Acquisition of tangible assets	17	–8.9	–9.0	–6.2	–5.2
Cash flow from investment activities		**–10.5**	**–11.6**	**22.6**	**27.4**
FINANCING ACTIVITIES					
Group contribution received		–	–	–	6.7
Change in interest-bearing liabilities		46.4	22.2	30.0	–73.9
Cash flow from financing activities		**46.4**	**22.2**	**30.0**	**–67.2**
Cash flow for the year		**–7.6**	**–18.1**		**–18.5**
Liquid assets at 1 Jan. 2005		14.5	33.1	0.0	18.5
Exchange rate difference in liquid assets		1.1	–0.5	–	–
Liquid assets at 31 Dec. 2005 [1)]		8.0	14.5	0.0	0.0

[1)] Liquid assets are made up of cash and bank balances

Comments on the cash flow. Cash flow from current activities was unevenly balanced throughout the year due to significant differences in sales between each quarter. Cash flow is usually negative for the first six months, neutral in Q3 and positive in Q4.

The negative earnings trend led to a negative contribution, which has been partly balanced due to a drop in working capital. Sales towards the end of the year were considerably lower than last year, and coupled with the earnings trend, negatively affected cash flow (which was worse than last year). Cash flow from current activities in 2005 was SEK –44 million (–29 m).

quarterly summary

Quarterly profit trend

(SEK m)	2005 Q1	Q2	Q3	Q4	2004 Q1	Q2	Q3	Q4
Net sales	138	151	144	189	136	144	148	220
Operating costs	–144	–161	–160	–216	–129	–138	–141	–215
Operating profit before depreciation	**–6**	**–10**	**–17**	**–27**	**7**	**6**	**7**	**5**
Planned depreciation and write-downs	–2	–2	–2	–5	–1	–1	–1	–2
Operating profit after depreciation	**–8**	**–12**	**–19**	**–32**	**6**	**5**	**6**	**3**
Net financial items	0	3	–4	–3	1	–2	–3	12
Profit/loss after financial items	**–8**	**–9**	**–23**	**–35**	**7**	**2**	**3**	**16**
Tax on profit for the year	–1	0	0	8	–1	1	0	–1
Net profit/loss	**–9**	**–9**	**–23**	**–27**	**6**	**3**	**3**	**15**

Quarterly balance sheet for the Group

(SEK m)	2005 Q1	Q2	Q3	Q4	2004 Q1	Q2	Q3	Q4
Intangible assets	17	17	17	17	14	14	14	17
Tangible assets	11	12	12	11	7	7	9	11
Financial assets	22	22	22	30	22	22	22	22
Stock	140	121	111	72	96	108	123	119
Current liabilities	96	101	104	132	88	86	103	124
Cash and bank balances	11	8	10	8	13	7	10	15
Total assets	**297**	**280**	**277**	**270**	**239**	**244**	**281**	**307**
Shareholders' equity	85	79	60	32	77	80	84	96
Interest bearing liabilities	68	97	90	81	13	32	52	35
Non-interest bearing liabilities/provisions	144	105	127	157	149	132	145	176
Total shareholders' equity and liabilities	**297**	**280**	**277**	**270**	**239**	**244**	**281**	**307**

Quarterly cash flow

(SEK m)	2005 Q1	Q2	Q3	Q4	2004 Q1	Q2	Q3	Q4
Operating profit after financial items	–8	–10	–24	–33	7	2	3	15
Planned depreciation and write-downs	2	2	2	5	1	1	1	2
Paid income tax	–1	0	1	0	–1	1	0	–1
Change in working capital	–25	–25	29	42	–30	–26	–20	16
Cash flow from current activities	**–33**	**–33**	**8**	**13**	**–23**	**–22**	**–16**	**32**
Investments	–1	–3	–2	–6	–1	–2	–1	–5
Cash flow from investment activities	**–1**	**–3**	**–2**	**–6**	**–1**	**–2**	**–1**	**–5**
Change in interest bearing liabilities	33	29	–7	–9	1	19	20	–17
Translation differences, other	–3	4	3	6	2	–1	–1	–4
Cash flow from financing activities	**30**	**33**	**–4**	**–14**	**3**	**18**	**19**	**–21**
Cash flow (change in liquid assets)	–4	–4	3	–2	–21	–6	2	6

five-year summary

(SEK m)	2005	2004	2003	2002	2001
Income statement					
Income	621.3	648.8	647.5	838.6	1,099.4
Operating profit/loss before depreciation	–60.7	24.8	34.6	33.3	–115.6
Operating profit/loss after depreciation	–71.0	19.1	15.4	16.8	–157.2
Net financial items	–4.2	8.3	12.2	–6.2	–37.0
Profit/loss after net financial items	–75.2	27.3	27.6	10.6	–194.2
Balance sheet					
Fixed assets	58.2	50.5	44.2	38.1	57.2
Current assets	211.8	256.8	198.1	252.1	332.4
Cash and bank	8.0	14.5	33.1	13.9	7.8
Shareholders' equity	32.1	96.3	70.4	53.0	60.0
Interest bearing liabilities	81.2	34.8	12.6	32.4	43.1
Non-interest bearing liabilities	156.7	176.2	159.1	218.6	294.2
Balance sheet total	270.0	307.3	242.4	304.1	397.4
KEY FIGURES (Definitions on page 47)					
Return ratios					
Average return on operational capital employed, %	neg	18.1	18.1	16.5	neg
Average return on shareholders' equity, %	neg	32.2	25.6	1.2	neg
Margins					
Gross margin, %	–9.7	3.8	5.3	4.0	–10.5
Operating margin, %	–11.4	2.9	2.3	2.0	–14.3
Net margin, %	–12.1	4.2	4.3	1.3	–17.7
Value added per employee (SEK m per person)	1.1	1.2	1.3	1.2	0.6
Capital turnover					
Capital turnover rate (multiple)	2.2	2.4	2.7	2.4	2.0
Financial data					
Debt/equity ratio, %	2.28	0.21	N/A	0.35	0.72
Interest cover ratio (multiple)	N/A	10.5	6.6	2.4	N/A
Equity/assets ratio, %	11.9	31.3	29.0	17.4	15.1
Cash flow from current activities	–43.5	–28.7	40.7	19.9	60.6
Number of employees	146	171	172	210	276
Liquid assets (incl. unused credit)	17.1	46.6	149.2	137.2	181.1
Investments	8.9	9.0	4.7	5.7	8.9

2004 and 2005 according to IAS/IFRS. Other years have not been restated.

Comments on the five-year summary.

2001. During the year quality problems had a major impact. A new quality scheme was started, which had a beneficial effect in the ensuing years. The US dollar continued to rise in value. During the winter Gunnar Åkerblom took over as CEO and a major restructuring scheme was started. A directed share issue to Nordea (publ) and Mellby Gård Industri AB (Rune Andersson) raised SEK 100 million and gave the company the opportunity for financial reconstruction. Sales reached SEK 1,099 million and the loss was SEK 194 million, of which around SEK 180 million was for one-off items. Major cuts in the balance sheet led to positive cash flow from current activities.

2002. The restructuring scheme was in full swing. The headcount was cut from 251 to 188 people (Doro has never had more than 340 employees). The switchboard business was sold as were the Swiss business and the broadband business in Estonia. With costs being significantly reduced and the US dollar falling, Doro reported a profit of SEK 11 million on sales of SEK 839 million.

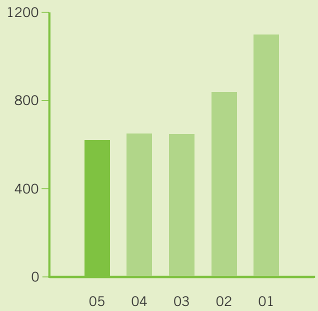
2003. The main part of the restructuring scheme, started in the autumn of 2001, was completed in 2003. Doro continued to cut away at its balance sheet and for the first time reported no interest-bearing debt. The company won three regional negotiations for wireless broadband. At the end of the year Rune Torbjörnsen took over as CEO. Major efforts were channelled into increasing the number of new product launches and a new strategy of customer segmentation was introduced. Sales totalled SEK 648 million and the profit rose to SEK 28 million. The US dollar continued to fall.

2004. The new segmentation strategy was launched. The development of new products more than doubled. Towards the end of the year growth returned for Doro and the annual sales figure showed an increase for the first time since 2000. Doro enterednew areas, including IP telephony. The US dollar was stable during the first half of the year and then fell strongly. Sales totalled SEK 649 million and the profit was SEK 27 million.

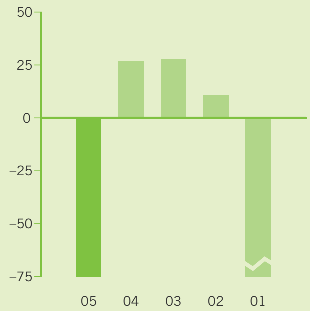
2005. In 2005 Doro was hit hard by downward pressure on prices of Dect telephones and the rising US dollar. The problem with changing models and excess stock led to a selling off of products with lower margins. Trying to return to profitability has followed two main lines. Four new Business Units were introduced to increase sales of new products in new product areas: Accessories, Care Electronics, IP Communications and Consumer Devices. A comprehensive restructuring scheme has reduced the number of employees by nearly 60 to 127. Doro lost its dispute with the Japanese company in the first instance – which has been appealed against. Sales fell to SEK 621 million with the loss rising to SEK 75 million.

2004 and 2005 were reported according to new accounting principles while previous years have not been converted.

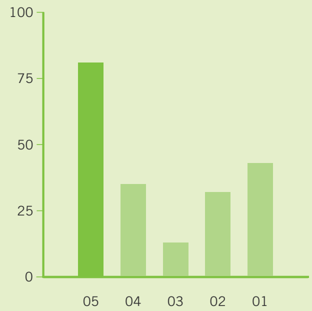
Sales (SEK m)



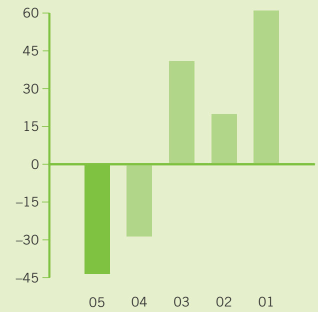
Profit/loss before tax (SEK m)



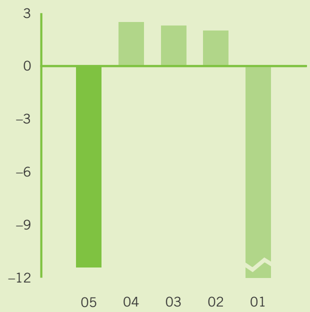
Interest-bearing liabilities (SEK m)



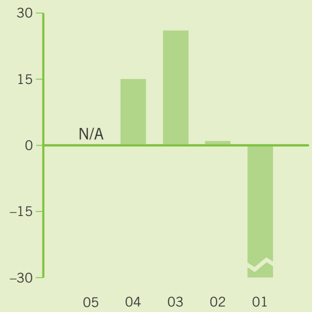
Cash flow (SEK m)



Operating margin (%)



Yield on total capital (%)



accounting principles

The Annual Report is produced for the Group in accordance with the Swedish Annual Accounts Act and International Financial Reporting Standards (IFRS), and for the parent company in accordance with the Swedish Annual Accounts Act and the Swedish Financial Standards Council's recommendation 32 (Accounting for legal entities).

New accounting principles. New rules came into force on 1 January 2005 for consolidated accountancy according to IFRS/ IAS. The Swedish accountancy praxis has been adapted over a number of years to these new rules. No retroactive effects arise for Doro in previous years' accounts when applying the integration of these rules. The new rules involve minor adjustments to the accounting principles observed hitherto. Planned depreciation of goodwill is no longer performed and exchange rate options are reported at their actual value in the balance sheet. It does however entail a significant new amount of information in the notes and Directors' report.

The changeover to IFRS/IAS is described in the Directors' report and the effects of the changed values are described in note 40. A number of new regulations were introduced for 2005. Recommendation 30 (Additional consolidated accounting regulations), recommendation 32 (Accounting for legal entities), URA 44 (Reporting of changeover from application of point 30 in IAS 19 and remuneration to employees to recommendation 29). URA 45 (Pension plans involving multiple employers), URA 46 IFRS 2 and social security contributions, System documentation and treatment history for cash registers (BFNAR 2004:1), Draft on the statement by BFN concerning reporting company owned capital insurance to be paid as a pension and FAR's standards. The new rules have given no or had an insignificant effect on Doro's accounting principles.

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 11 (11) 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 to their actual value at the date of acquisition.

If the terms for provisions for a restructuring scheme are met then provisions are made in the acquisition analysis. Provisions for deferred tax on acquired untaxed reserves are made in conjunction with the acquisition. Unutilised tax carry forwards obtained in conjunction with the acquisition are converted into deferred tax assets if the assessed earning capability means that it can be expected that the assets can be utilised. 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' equity, calculated as above, the difference is accounted for as goodwill, which is depreciated according to plan.

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. Every year a new reconciliation and booking of the expected purchase price is carried out. An examination is carried out to see whether a need for depreciating goodwill exists.

The internal 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's overseas activities mainly buy from external companies and sell in local currency and are classified as autonomous. All Group companies overseas are therefore classified as independent. This means that all assets and liabilities in the subsidiaries are translated at the closing day rate, whilst 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 an effect partly 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. Exchange rate differences are not carried forward in the income statements and are instead carried directly to equity.

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

		Average rate		Closing day rate	
Country	Currency	2005	2004	2005	2004
Australia	AUD	5.67	5.41	5.81	5.19
Denmark	DKK	1.25	1.23	1.26	1.21
Euro area	EUR	9.28	9.12	9.41	9.02
Hong Kong	HKD	0.96	0.94	1.02	0.85
Norway	NOK	1.16	1.09	1.17	1.09
Poland	PLN	2.31	2.02	2.44	2.21
United Kingdom	GBP	13.54	13.39	13.70	12.74
USA	USD	7.46	7.33	7.96	6.61

Effects of changing exchange rates. Translation of receivables and liabilities in foreign currencies. Receivables and liabilities in foreign currencies are valued at the closing day rates and unrealised exchange rate profits and losses are included in the results.

Hedging and future flows. Doro uses currency options. Currency options provide greater flexibility when trading volumes vary and they also enable the company to benefit from the positive effects of the US dollar falling in value.

Options contracts concerning future flows in foreign currencies are not reported in the balance sheet. The real value of the options is reported in the notes. Doro has significant exposure because a large proportion of products are purchased in USD and the income of the majority of sales is in local currency. The exception is sales to markets where there are no Doro companies, where both income and expenses are mainly in USD.

Doro's currency policy means that 50 per cent of the expected purchase is hedged over six months using currency options. A further 50 per cent is hedged for everything over six months (currently a minor part of revenues).

Revenue recognition. Doro has the following types of revenue: product sales and sales of services. This includes servicing, repairs, training and technical service. In addition there is delivery of large projects externally by the subsidiary, UpGrade

Communication AB. Revenue 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, when the price is fixed and the collection of a receivable is probable.

Revenue recognition of services is performed as the service is performed. Revenue from projects is recognised through ongoing settlement of the project, which means that the company implements successive profit settlement. The successive profit settlement is performed following the different stages described in the different projects. The projects' degree of completion is calculated by income and expenditure calculated for the project as a whole and matched against the amount completed on the closing day. If the project caused a loss or expected to cause a loss then a reserve for the loss is made on the closing day.

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. Provisions for and payments of pensions (corresponding to future payments) are made according to different pension plans.

All pension commitments not taken over by insurance companies, or otherwise hedged through funding by an external party, are reported in the balance sheet. Most of Doro's commitments to staff are in the form of various premium-related pension plans. In addition there are few benefit-linked pension plans. In France and Poland there are agreements concerning pension remuneration based on factors such as salary, period of employment, etc. An actuarial assessment has been made for all commitments, for which provisions have been made, to determine the liability.

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 developments. Product development costs include those for product adaptations, design, model approval, etc.

Costs relating to the development phase are capitalised 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 capitalised. This criteria includes the option of ending a project, proof that a project is technically feasible and that the market exists, as much as the intention and opportunity to reliably calculate the costs during the development phase. When capitalisation has occurred the intangible fixed asset is written off over its expected lifespan. Depreciation plans of 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 capitalised and deducted according to plan over the lifespan of the products – two years.

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.

Financial instruments. The Group uses a limited amount of financial derivatives to hedge itself against exchange rates. The aim of the hedging policy (see the chapter on Hedging of future flows under Exchange rates above on page 44) is to protect Doro against sudden, large increases in the exchange rate of the US dollar and to absorb various brief fluctuations in exchange rates. This enables Doro to adapt sales prices to a higher level of the US dollar. Options are bought with an addition to the forward rate of 5 per cent. Contracts are drawn up regularly. A positive effect of SEK 2.2 million was noticed when valuing options at their market price in the consolidated accounts. From this, costs of SEK 1.7 million were incurred, causing a positive net effect of SEK 0.5 million. The premium costs for these options contracts are reported in the accounts for the periods the options contracts are applicable. The value of options for these hedging flows is reported in note 37. Loans are raised in the currencies that match the net investments in Group companies overseas and each country respectively (see the passage on the Parent company below about Hedging net investments in Group companies overseas).

Write-downs. Each annual account considers whether there is any indication for write-downs of the reported values of the Group's assets. When there is an indication that an asset has dropped in value its recyclable value is established. The recyclable value is the higher value of an asset's net sale value and its utilisation value. When establishing the utilisation value a current value is assessed for the estimated future payments that the asset is expected to generate during its utilisation. 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. Write-backs are carried out if there is no longer good cause for write-downs. Write-downs and write-backs are reported in the income statement.

An annual goodwill reconciliation is done for the expected earnings and cash flow development. Write-downs of goodwill are done if considered necessary.

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

Expenses brought forward for development work	2 years
Moulds (production tools)	2 years
Computers, cars, furniture etc.	2–5 years

Leasing. Leasing is classified in the consolidated accounts as financial or operational leasing. 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 it is an operational leasing. Financial leasing agreements for company cars, copying machines, computer equipment and the like are reported for intangible reasons as operational leasing. Doro has no financial leasing agreements. Property rents are included in operational leasing. No significant leasing agreements were signed in 2005.

Stocks. Stocks are valued at whatever is the lower of the acquisition value (FIFO) and the net sale value (lowest value principle). The acquisition value is calculated for each delivery.

Technological development is rapid and prices fall regularly. Write-down of stocks is carried out in line with a model where older stock ages give higher write-down requirements. Different product families have different write-down periods. Net sales values are defined as the sales price minus sales costs. Write-downs to the net sale value including write-downs due to technical and commercial obsolescence are made in each respective Group company. Write-downs increase on a scale and the products are written down to 50 per cent after 6–12 months and then fully written down after 18 months depending on the product family. In addition to this, individual assessments can be carried out.

Guarantees and repairs. Provisions are made for the cost of repairing goods that can be returned within the guarantee period (normally one year 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 changed.

Accounts receivable and liabilities. Accounts receivable and similar operationally related financial instruments are reported according to the trade date principle.

Accounts receivable are reported net after deductions for uncertain accounts receivable. Deductions for uncertain accounts receivable are based on a model in which the due date gives an increased deduction. In addition individual assessments are made of the accounts receivable, taking expected customer losses into account.

Other receivables are reported net after deductions for uncertain accounts receivable that are based on individual assessments with consideration for expected losses connected with these receivables. Operational liabilities are reported at their acquisition value.

Provisions. Provisions are defined as liabilities that are uncertain with reference to amount or time of regulation. 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 restructuring measures are recorded as provisions in the balance sheet.

Taxes. All tax is accounted for in the income statement that is expected to be paid on the recorded results. 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 carry-forwards and other Group tax deductions.

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 utilised within the near future. An individual assessment is made of the situation for companies in each country. Companies that have been profitable for many years give a full value of their loss carry forwards. Companies that have recently become profitable give a valuation according to their plans. Companies that have shown an uneven trend of losses and profits give a specific estimation of the probable outcome of the value of the loss carry forwards. When calculating deferred tax the current nominal tax rate in each country is used.

The Group's balance sheet shows the individual company's untaxed reserves divided into shareholders' equity and deferred tax. The Group's income statement shows deferred tax as tax relating to the annual change in untaxed reserves.

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

Liquid assets. Liquid assets comprise cash and bank balances plus approved bank credits. There is no other type of liquidity (current investment).

Segment reporting. Doro's reporting is based on subsidiaries' income statements and balance sheets from different countries. Subsidiaries are gathered together in segment reporting by country groups, reflected in the internal accounts. Goodwill relating to different markets is divided into these groups. This is Doro's principle segment. A division has also been done in secondary segments where telephony and broadband are operational branches.

Classification. The balance sheet items that appear as 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.

PARENT COMPANY

Hedging of shareholders' equity in Group companies. In order to reduce the effects that arise when translating amounts for foreign subsidiaries the company's policy is that the parent company raises external loans in the exposed currency. Exchange rate differences for these loans, after deductions for the relating tax effect, are reported in the consolidated accounts directly under shareholders' equity to the extent that they correspond to translation differences in the foreign subsidiary.

Intra-Group hedging. The parent company has internal hedging contracts with the subsidiaries. The parent company and Group establish the value of their exposure in USD by using the most advantageous of either the put/call rates of options and the spot rates on the closing date.

Write-downs and write-backs of participations in subsidiaries. Participations in subsidiaries are valued at their acquisition value. If the recyclable value (see paragraph above entitled "Write-downs") should prove to be lower, a write-down occurs. Write-backs can occur of previous write-downs of the value of participations in subsidiaries when there is no longer a reason for the write-down.

Group contributions and shareholders' contributions. Group contributions that are paid and received are accounted for directly under equity as a reduction or increase of non-restricted equity. The tax effect is considered for the Group contribution. This tax effect is booked in the income statement and under shareholders' equity. Paid shareholders' contributions are recorded by the payee as an increase in the 'Participations in Group companies' item, after which an assessment is made as to whether a write-down of the value of the participation is appropriate. Received shareholders' contributions are recorded by the receiver directly under non-restricted equity.

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 final tax divided by average shareholders' equity.

Gross margin. Operating profit/loss before depreciation as a percentage of the year's income.

Added value per employee. Sales minus costs for manufacturing services bought in divided by the average number of employees.

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

Liquid funds. Cash balances plus approved unutilised bank credit. Doro does not have any other liquid funds (short-term investments).

Net margin. Operating profit/loss after financial items as a percentage of the year's sales.

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

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

Interest cover ratio. Profit/loss after net financial items plus financial expenses divided by financial expenses.

Equity/assets ratio. Shareholders' equity as a percentage of the balance sheet total.

Cash flow. Cash flow from current activities.

Investments. Net investments excluding acquisitions.

Earnings per share before tax. Profit/loss after financial items divided by the average number of shares.

Earnings per share after tax. Profit/loss after financial items less final tax divided by the average number of shares.

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

notes

Sums in SEK million unless otherwise stated.

Note 1 Income

Income (called net sales in parent company) divided into type of income

	2005	2004
Product sales	601.1	614.9
Service and repairs	4.0	13.4
Training and technical service	7.0	6.3
Project sales	13.9	14.2
Total	**621.3**	**648.8**

Note 2 Results per segment

Doro is organised into various geographic area and reporting sectors. Results are therefore presented for each geographic segment.

2.1 Results per geographic segment (primary segment)

Results 2005	Net sales	Operating expenses	Operating profit/loss
Nordic region	283.2	–294.2	–11.0
Rest of Europe	246.9	–267.7	–20.8
Rest of world	102.5	–125.6	–23.1
Parent company and eliminations	–11.3	–4.8	–16.1
Total	**621.3**	**–692.3**	**–71.0**

Results 2004	Net sales	Operating expenses	Operating profit/loss
Nordic region	304.7	–302.2	+2.5
Rest of Europe	241.4	–229.2	+12.2
Rest of world	112.2	–108.9	+3.3
Parent company and eliminations	–9.5	+7.9	–1.6
Total	**648.8**	**–632.4**	**+16.4**

Balance sheet 2005	Assets	Liabilities	Net assets
Nordic region	132.2	–75.4	56.8
Rest of Europe	92.2	–68.5	23.7
Rest of world	45.2	–52.5	–7.3
Parent company and eliminations	0.4	–41.5	–41.1
Total	**270.0**	**–237.9**	**32.1**

Balance sheet 2004	Assets	Liabilities	Net assets
Nordic region	161.3	–97.0	64.3
Rest of Europe	118.9	–69.3	49.6
Rest of world	61.4	–45.8	15.8
Parent company and eliminations	–34.3	+1.1	–33.2
Total	**307.3**	**–211.0**	**96.3**

Investments, including capitalisation of development costs	2005	2004
Nordic region	1.3	1.2
Rest of Europe	0.2	1.2
Rest of world	0.9	1.6
Parent company and eliminations	8.0	8.3
Total	**10.4**	**12.3**

Depreciation	2005	2004
Nordic region	1.3	1.3
Rest of Europe	1.0	1.4
Rest of world	0.9	0.5
Parent company and eliminations	7.1	2.5
Total	**10.3**	**5.7**

Write-downs	2005	2004
Nordic region	–	–
Rest of Europe	–	–
Rest of world	–	–
Parent company and eliminations	–	–
Total	**0.0**	**0.0**

There are no significant costs not corresponding to payments except depreciation and write-downs.

2.2 Net sales per product line (secondary segment)

Net sales	2005	2004
Telephony	548.2	578.7
Broadband	82.2	78.1
Parent company and eliminations	–9.1	–8.0
Total	**621.3**	**648.8**

Balance sheet 2005	Assets	Liabilities	Net assets
Telephony	330.9	–244.0	86.9
Broadband	33.2	–18.6	14.6
Parent company and eliminations	–94.1	24.7	–69.4
Total	**270.0**	**–237.9**	**32.1**

Balance sheet2004	Assets	Liabilities	Net assets
Telephony	311.9	–197.2	114.7
Broadband	29.7	–15.3	14.4
Parent company and eliminations	–40.7	2.0	–38.7
Total	**304.6**	**–211.0**	**93.6**

Investments	2005	2004
Telephony	1.5	2.8
Broadband	1.2	0.3
Parent company and eliminations	6.2	4.7
Total	**8.9**	**7.9**

Note 3 Intra-Group transactions

Of the parent company's invoicing, SEK 25 million (23) relates to subsidiaries. Invoicing from subsidiaries to the parent company amounted to SEK 7 million (8).

Note 4 Rental and leasing agreements

Costs for operational rental and leasing charges during the year totalled SEK 4.0 million (4.4). Agreed future rental and leasing costs amount to SEK 5.8 million (4.4) and fall due for payment over the next four years as follows: 2006 (SEK 2.8 m), 2007 (SEK 1.9 m) 2008 (SEK 0.9 m) and 2009 (SEK 0.2 m)

Note 5 Average number of employees

	2005	Of which men	Staff turnover	2004	Of which men	Staff turnover
Parent company	20	77%	0%	21	81%	23%
Other, Sweden	49	80%	5%	56	75%	10%
Norway	9	89%	0%	9	89%	0%
Denmark	3	100%	0%	2	100%	0%
Finland	3	67%	0%	5	60%	0%
United Kingdom	13	77%	15%	15	73%	13%
Australia	18	60%	6%	23	52%	9%
Hong Kong	4	75%	0%	4	75%	0%
France	21	43%	5%	23	53%	13%
Poland	7	43%	14%	13	69%	0%
Total	**146**	**70%**	**4%**	**171**	**70%**	**8%**

Note 6 Gender of senior managers

	2005 Total	Women (%)	2004 Total	Women (%)
Board	7	14%	6	17%
Group management	7	0%	7	0%
Parent company	1	0%	1	0%
Other, Sweden	2	0%	2	0%
Norway	1	0%	1	0%
Denmark	1	0%	1	0%
Finland	1	0%	1	0%
United Kingdom	1	0%	1	0%
Australia	1	0%	1	0%
Hong Kong	1	0%	1	0%
France	1	0%	1	0%
Poland	1	0%	1	0%

Note 7 Staff absence and health risks

7.1 Staff absence in Sweden

Age	2005 Total absence	2005 Of which over 60 days	2004 Total absence	2004 Of which over 60 days
Under 30	2.2	–	2.9	–
30–50	3.1	2.4	3.7	2.1
Over 50	0.8	–	0.5	–
Men	3.1	2.4	3.8	1.8
Women	1.7	–	1.6	–

7.2 Health risks

No serious work-related injuries occurred in 2005 and 2004 (that led to an absence of over 60 days) at any Doro site.

Note 8 Age of staff

	2005	2004
Under 30	18	35
30–50	113	120
Over 50	15	16
Total	**146**	**171**

Note 9 Staff education

	2005	2004
Secondary education	44	34
Upper secondary school	65	90
Higher education	37	47
Total	**146**	**171**

Note 10 Additional staff training

Costs for different forms of training and improving skills within Doro have been as follows over the past few years.

	2005	2004
Training	1.0	0.7
Other skills development	0.1	0.4
Total	**1.1**	**1.1**

Note 11 Salaries and other remuneration

	2005	2004
Salaries and other remuneration		
Parent company	10,2	8,9
Subsidiaries	62,9	56,3
Group total	**73,1**	**65,2**
Payroll overheads excluding pension costs		
Parent company	3,8	2,8
Subsidiaries	10,4	11,2
Group total	**14,2**	**14,0**
Pension costs (of which premium-based)		
Parent company	1,9 (0,0)	2,3 (0,0)
Subsidiaries	3,6 (0,0)	5,7 (0,0)
Group total	**5,5 (0,0)**	**8,0 (0,0)**

Pension costs for the managing directors of the subsidiaries amounted to SEK 0.7 million (0.4).

Note 12 Salaries and other remuneration

	2005 Board and CEO	2005 Other staff	2004 Board and CEO	2004 Other staff
Sweden	2.6	29.2	3.1	25.6
Norway	1.0	3.6	0.9	3.1
Denmark	0.0	1.7	0.0	2.0
Finland	0.7	0.9	0.6	1.3
United Kingdom	1.3	7.9	1.0	5.6
Australia	1.5	9.4	1.7	6.7
Hong Kong	0.0	1.9	0.0	1.8
France	1.4	8.5	1.4	8.0
Poland	0.7	0.7	0.7	1.4
Total	**9.2**	**63.8**	**9.5**	**55.6**

Note 13 Management remuneration (SEK 000)

Board 2005	Fee	Pension	Other remuneration	Total
Chairman	200	0	0	200
Ulf Körner	70	0	60	130
Other Board members	280	0	0	280
Total	**550**	**0**	**60**	**610**

Board 2004	Fee	Pension	Other remuneration	Total
Chairman	200	0	0	200
Ulf Körner	70	0	60	130
Other Board members	280	0	0	280
Total	**550**	**0**	**60**	**610**

Senior executives 2005	Salary	Bonus	Pension*	Other remuneration	Total
Rune Torbjörnsen (VD)	1,311	0	351	54	1,716
Other senior executives	5,404	0	1,192	227	6,823
Total	**6,715**	**0**	**1,543**	**281**	**8,539**

Senior executives 2004	Salary	Bonus	Pension*	Other remuneration	Total
Rune Torbjörnsen (VD)	1,216	240	394	52	1,902
Other senior executives	3,864	241	900	193	5,543
Total	**5,080**	**481**	**1,294**	**245**	**7,445**

Remuneration paid in 2005 to other executives no longer with the company

	Salary	Bonus	Pension*	Other remuneration	Total
Gunnar Åkerblom	2.274	0	0	0	2.274
Other	0	0	0	0	0

Remuneration paid in 2004 to other executives no longer with the company

	Salary	Bonus	Pension*	Other remuneration	Total
Gunnar Åkerblom	1.594	112	412	4	2.122
Other	594	0	109	0	703

*Pension schemes for senior executives are all premium-based with premiums of SEK 1.5 million (1.3) 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 responsibility and authority of the executive. There are 7 (6) other senior executives. Kjell-Reidar Mydske joined the management team on 1 September. Fredrik Forssell joined the management team on 15 September 2004 and Anders Östergren was part of the management team between 1 November 2004 and 14 November 2005.

Comments on the table. The annual salary to the CEO, Rune Torbjörnsen, consists of a fixed salary of SEK 1.3 million (1.2 m). A bonus of 20 per cent of the basic salary was guaranteed for the period up to the end of 2004.

Bonus. As a bonus, the CEO has a variable remuneration linked to targets corresponding to 20 per cent of the basic salary. The maximum bonus is 100 per cent of the basic salary. This refers to an earned bonus. The bonus is linked to profits and sales growth, where the bonus normally begins when 80 per cent of the target is reached. The bonus is normally paid out during the year after it is earned.

Pensions. The CEO's pension is premium-based with an annual premium of 27 per cent of the total salary and a retirement age of 65. 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 period of notice for senior executives is in line with LAS (the employment Protection Act), or a maximum of 24 months.
No agreements have been signed concerning pension commitments or the equivalent, more than is mentioned in the periods of notice mentioned above, whether for board members or senior executives.

Notice. The period of notice by the company is one year and by the CEO six months. The CEO has the right to salary over 12 months during the period of notice. Gunnar Åkerblom left the post of CEO in October 2003 and was replaced by Rune Torbjörnsen. The Board has cancelled the departing CEO's non-competition clause and therefore does not consider that compensation for termination is necessary. Gunnar Åkerblom instigated arbitration proceedings. In October 2005 the arbitration proceedings found in Gunnar Åkerblom's favour and further costs of SEK 3.3 million were incurred, which burdened the profits for 2005.

No severance pay will be paid if notice is given by senior management.

Nominations and decisions. These procedures are explained in the Directors' report.

Share related compensation. No member of the Board or senior executive receives any compensation relating to shares (options, convertible debentures or similar) issued by Doro or main owner.

Options. There are no remaining options to be issued to senior executives.

Note 14 Interest income and similar income

	Group		Parent company	
	2005	2004	2005	2004
Interest income, external	0.6	0.7	0.2	0.1
Interest income, internal	–	–	2.6	1.0
Exchange rate gains	6.9	27.6	0.0	26.6
Other	1.3	0.3	0.0	0.0
Total	**8.8**	**28.6**	**2.8**	**27.7**

Note 15 Interest expenses and similar expenses

	Group		Parent company	
	2005	2004	2005	2004
Interest expenses, external	4.5	2.6	3.6	1.9
Interest expenses, internal	–	–	2.0	3.5
Exchange rate losses	5.7	13.8	5.2	11.5
Other	2.8	3.9	3.1	3.0
Total	**13.0**	**20.3**	**13.9**	**19.9**

Interest expenses are the same as interest paid because there are no loans except bank overdraft facilities (where interest is paid at the end of each period).

Note 16 Intangible assets

Goodwill is divided among the Group's cash generating units identified by market area (except telephony)

	2005	2004
Nordic region	0	0
Rest of Europe	10	10
Rest of world	4	4
Parent company and elimination	14	14

An examination of the write-down requirement for goodwill occurs annually and as indications of write-down requirements arise. Recoverable sums for cash generating units are set based on calculating the utilisation value. For a write-down test this has been carried out at the lowest level where separable cash flow has been identified.

The utilisation value of goodwill has been calculated according to the cash flow for a period of 5 years. Cash flow for the first year is based on a fixed budget set by the Board. For the period after that the cash flow assigned to the business provides a considerably higher utilisation value than goodwill.

The major assumptions are sales margins, volumes and business costs.

Group / Goodwill	2005	2004
Acquisition value brought forward	13.9	13.9
Acquisitions during the year	0	0
Adjustment of acquisition value	0	0
Closing accumulated acquisition value	**13.9**	**13.9**
Write-downs brought forward	0.0	0.0
Closing depreciation and write-downs	**13.9**	**13.9**
Closing residual balance according to plan	**13.9**	**13.9**

No acquisitions were made in 2004 or 2005 and no amounts have been paid as purchase sums.

The Group's capitalised expenditure for development work	2005	2004
Acquisition value brought forward	3.0	0
Acquisitions for the year	1.5	3.0
Closing accumulated acquisition value	**4.5**	**3.0**
Depreciation according to plan brought forward	0	0
Depreciation according to plan for the year	1.5	0
Closing depreciation according to plan	**1.5**	**0**
Closing residual balance according to plan	**3.0**	**3.0**

Planned depreciation will start in two years with effect from the market introduction of each respective product. Acquisitions in 2005 refer to market introductions in 2006.

Note 17 Tangible assets

Inventory and tools	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Acquisition value brought forward	47.4	47.4	14.6	13.0
Acquisition for the year	8.9	9.3	6.2	5.2
Sales/disposals/other	–13.4	–9.3	–2.4	–3.6
Closing acquisition value	**42.9**	**47.4**	**18.5**	**14.6**
Depreciation according to plan brought forward	36.1	39.4	9.6	10.7
Depreciation according to plan for the year	8.8	5.7	4.6	2.4
Sales/disposals/other	–13.3	–9.0	–2.4	–3.6
Closing depreciation according to plan	**31.6**	**36.1**	**11.8**	**9.6**
Closing residual balance according to plan	**11.4**	**11.3**	**6.6**	**5.0**

Note 18 Participations in Group companies

Subsidiary	No. of shares	%	Nominal value	(SEK m) Book value 2005	Shareholders' equity[2] 2005	Book value 2004
Doro A/S, Norway	3,000	100	1.5 NOK m	1.0	1.0	1.6
Doro Denmark A/S	5,000	100	5.0 DKK m	16.5	16.4	14.6
Doro Tele OY	500	100	10 EUR (000)	0.1	0.4	5.9
Doro Protech AB (merger 2005)				–	–	0.9
Doro Finans AB	1,000	100	0.1 SEK m	6.8	18.6	26.8
Doro Nordic AB	200,000	100	20.0 SEK m	24.5	24.5	27.7
Doro UK Ltd	3,013,400	100	3.0 GBP m	14.8	14.8	26.8
Doro Audioline AG[1]	1	100	20 CHF (000)	1.0	1.0	3.2
Doro Australia Ltd Pty	7	100	2.5 AUD m	0	–3.3	16.5
Doro Hong Kong Ltd	4,500	100	4.5 HKD m	4.7	5.8	4.6
Doro SAS	30,000	100	4.5 EUR m	19.5	19.5	25.4
Doro Atlantel Sp.Zo.o.	2,800	100	14.0 PLN m	6.6	6.6	13.1
Total				**95.4**	**105.3**	**167.1**

[1] Dormant company

[2] Shareholders' equity (Net assets) means Group book value per subsidiary, e.g. shareholders' equity according to the subsidiary's balance sheet including consolidated residual value attributable to the subsidiary.

	2005	2004
Opening balance	167.1	207.8
Adjustment to acquisition value	–	–0.6
Redemption of shares	–8.2	–32.1
Conditional repayment of shareholders' contribution	–20.0	–
Merger of Group company	–0.8	–
Write-downs during the year	–44.7	–10.5
Write-backs during the year	2.0	2.5
Closing balance	**95.4**	**167.1**

Write-downs after balancing cash flow and result estimates amounted to SEK 44 million and were distributed among the following companies:

Doro UK Ltd	SEK 12 million
Doro A/S	SEK 0.6 million
Doro Atlantel Sp.Zo.o.	SEK 6.5 million
Doro Australia Ltd	SEK 16.5 million
Doro Nordic AB	SEK 3.2 million
Doro SAS	SEK 5.9 million

Write-backs have been made where there is no longer reason for the write-downs. Write-backs during the year amounted to SEK 2 million and were distributed among the following companies:

Doro Denmark A/S	SEK 1.8 million
Doro Audioline AG	SEK 0.2 million

There are sub-groups within the Group, which include the following:

- Doro UK Ltd is the parent company of Gima Electronics Ltd.
- Doro Finans AB is the parent company of UpGrade Communication AB.
- UpGrade Communication AB is the parent company of UpGrade Communication Denmark A/S.
- Doro Atlantel Sp.Zo.o is the parent company of Doratel Sp.Zo.o.

Subsidiary - Company reg. no.	Registered office
Doro A/S - 934210719	Fredrikstad, Norway
Doro Denmark A/S - 180130	Bröndby, Denmark
Doro Tele OY - 0994069-9	Helsingfors, Finland
Doro Finans AB - 556450-7282 [1]	Lund, Sweden
Doro Nordic AB - 556558-0221	Lund, Sweden
Doro UK Ltd - 1180330	Redditch, United Kingdom
Gima. Ltd - 1627693 [2]	Redditch, United Kingdom
Doro Audioline AG – 122237 [2]	Köniz, Switzerland
Doro Australia Ltd Pty - ACN 003680528	NSW, Australia
Doro Hong Kong Ltd - 08194263-000-12-98-6	Kowloon, Hong Kong
UpGrade Communication AB - 556280-7338	Lund, Sweden
UpGrade Communication A/S - 240210	Bröndby, Denmark
Doro SAS - 309 662 195	Versailles, France
Doro Atlantel Sp.zo.o. - KRS 0000036162	Krakow, Poland
Doratel Sp.Zo.o. - KRS 0000202938	Krakow, Poland

[1] Doro Finans and Doro Protech merged during the year.

[2] Dormant company

Note 19 Prepaid expenses and prepaid income

	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Prepaid rents	0.5	1.0	0.2	0.1
Other prepaid expenses	5.5	15.5	0.5	10.6
Other accrued income	1.3	1.5	0.0	0.0
Total	**7.3**	**18.0**	**0.7**	**10.7**

Note 20 Share capital and dividends

No. of shares		Voting rights	Type
A shares	4,295,000	1 vote per share	Normal

Share capital

4,295,000 shares at a nominal SEK 5 per share = SEK 21,475,000.

Increase in share capital of SEK 7.141 via new issue.

Dividends and redeemable shares

No dividend or redemption of shares was proposed as of 31 December 2005.

Convertibles or synthetic options

There are no convertible or synthetic options outstanding.

Note 21 Overdraft facilities

	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Approved credit	102.9	66.9	102.0	66.0
Unutilised credit	74.8	26.0	65.6	21.9

Note 22 Accrued expenses and prepaid income

	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Holiday pay liability	6.1	6.8	1.3	1.1
Payroll overheads	1.3	1.2	0.7	0.7
Other staff liabilities	3.0	3.6	0.0	0.4
Other accrued expenses	13.3	8.5	5.3	4.7
Total	**23.8**	**20.1**	**7.3**	**6.9**

Note 23 Pledged assets to credit institutions

	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Chattel mortgages	180,0	180,5	170,0	170,0
Trade debtors and stock	30,5	39,1	–	–
Shares in Group companies [1]	120,5	189,4	95,4	167,1
Total	**331,0**	**409,0**	**265,4**	**337,1**

[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' capital according to the subsidiaries' balance sheet total including consolidated residual value of the subsidiary.

Note 24 Contingent liabilities

	Group 2005	2004	Parent company 2005	2004
Guarantee to subsidiary	9.3	8.1	9.3	8.1
Total	**9.3**	**8.1**	**9.3**	**8.1**

Note 25 Disputes

Doro works in an environment with purchased products. Disputes arise with suppliers because they do not deliver products that have the agreed quality, functionality or delivery time. Doro normally only has a small amount of these disputes.

Doro has in the past reported a major dispute with a supplier in previous years' annual reports, for which funds of SEK 31 million were set aside in the accounts for 1999 and 2000. This means that there is no remaining risk. Sojitz (formally Nissho Iwai) was taken to court in Osaka, Japan, in 2000 and sued for a total of SEK 106 million. In July 2005 the local court ruled in Sojitz's favour, which Doro has appealed against. The entire legal process is expected to take between one and two years. A number of attempts have been made during the year to solve this dispute

A successful outcome will mean that the entire sum will give the same result as a cash flow effect after deductions for ongoing legal fees and technical costs.

Two older disputes were cancelled during the year. An older dispute about guarantees in connection with the purchase of Audioline Ltd of the UK was cancelled without cost to Doro and arbitration proceedings found in favour of former CEO Gunnar Åkerblom for the interpretation of his non-competition clause. The arbitration proceedings ruled against Doro and costs of SEK 3.3 million had a negative impact on Q4's results.

Doro also has a commercial dispute with a previous distributor concerning stocks. The value of the stock is SEK 2.7 million, which has been completely written down. Doro has won the principle issues in other instances in a court ruling, which was not contested. A number of other practical issues concerning the handling of the stock were not solved at the time of the annual accounts. Doro is expected to receive a sum during the first half of the year. This will provide the same result as the cash flow effect during 2006.

Doro has been contacted by the holder of a patent for cordless telephony for possible patent infringement. Extensive legal and patent-related consultations have taken place. Doro signed licence agreements with Ericsson and Siemens during the year.

Doro's principle is to reserve sums for estimated risks and legal costs until the case has been settled by a higher court.

Note 26 Auditors

Prior to the 2003 AGM tenders were made for auditing assignments. After negotiations the final proposals were presented to Doro's two main owners. The 2003 AGM chose Torbjörn Svensson (Deloitte & Touche AB) to audit the parent company, Doro AB. Deloitte & Touche will carry out the auditing at all large units within the Group for the period 2003-2006.

Fees and costs	Group 2005	2004	Parent company 2005	2004
Auditing assignments	1,5	1,3	0,2	0,2
Other assignments	0,5	0,6	0,2	0,3

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. Other assignments refer to all other activities.

Note 27 Taxes

Tax on profit/loss for the year	Group 2005	2004	Parent company 2005	2004
Current tax cost	0.1	–1.2	–	–
Deferred tax	7.7	0.3	1.2	10.4
Total tax on profit/loss for the year	**7.8**	**–0.9**	**1.2**	**10.4**

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

	Group 2005	2004	Parent company 2005	2004
Reported profit/loss before tax	–75.2	27.3	–71.0	15.0
Tax at current rate, 28 %	21.2	–7.6	21.0	–4.2
Tax effect on deductible expenses:				
Other non-deductible expenses	–1.3	–0.9	–12.3	–3.0
Tax effect due to Group contributions	–	–	–	1.9
Non-taxable income	4.3	2.3	3.8	7.8
Change in deferred tax on loss carry forwards	–17.0	3.8	–11.3	4.9
Change in value of temporary differences	0.6	–	–	3.0
Adjustment for tax rates in foreign subsidiaries	–	1.5	–	–
Reported tax	**7.7**	**–0.9**	**1.2**	**10.4**

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

	Group 2005	2004	Parent company 2005	2004
Deferred tax assets				
Unutilised losses carried forward	27	19	16	14
Allocation to restructuring reserve		–		–
Temporary differences	3	3	–	–
Total accounted deferred tax assets	**30**	**22**	**16**	**14**
Current tax	8	–1	1	10

Deferred tax assets are shown for unutilised loss carry forwards and temporary differences, when they can be met by resolving untaxed reserves or those that in all probability 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 loss carry forwards. Of the consolidated loss carry forward, SEK 275 million (186), can be used without a time limit being imposed. The substantial remaining losses are in Sweden, the UK, Poland and Denmark.

Loss carry forwards due dates are as follows:

2006	11
2007	4
2008	4
2009	6
2010	0
2011	0
Later	0
Never	275
Total	**300**

Non-accounted deferred tax recoverable in the balance sheet concerning unutilised taxable loss carry forwards amount to:

Group 2005	Group 2004	Parent company 2005	Parent company 2004
63	43	24	14

Temporary differences exist in the Group concerning intangible assets recorded under their respective taxable value in the consolidated balance sheet. Temporary differences arise for costs for which tax deductions can be made at a later date. These intangible assets (concerning the sale of brands between Group companies) appear in the Group companies' own balance sheets but are eliminated to zero in the consolidated balance sheet due to intra-Group transactions. The deferred tax asset regarding the Group difference for these assets amounts to SEK 10 million (11), which has not been included as a value in the consolidated balance sheet.

Deferred tax receivables referring to allocations for temporary differences amount to SEK 1 million (1), which has not been included as a value in the consolidated balance sheet.

Note 28 Profit /loss from participations in Group companies

	Group 2005	Group 2004	Parent company 2005	Parent company 2004
Dividends	–	–	10.4	20.6
Write-down of shares	–	–	–44.7	–10.5
Write-back of shares	–	–	2.0	2.5
Write-back of receivables[1]	–	–	0.0	10.6
Total	**–**	**–**	**–32.3**	**23.1**

[1] Concerns Doro SAS, which in 2001 received a conditional "shareholders' contribution" with liability to repay when a profit was made. At the end of 2005 around SEK 1.3 million is remaining.

The background to write-downs and write-backs of shares is explained in note 18.

Note 29 Information concerning comparisons

Items that can affect comparisons between years include the following major items (SEK million):

group	2005	2004
Restructuring (excl. tax)	36	–
Other one-off costs	10	–

Note 30 Allocations for restructuring measures

An allocation for restructuring was made in Q4 2005.

	2005	2004
Opening balance	1	8
Amount released from	–3	–8
New allocations	15	1
Unutilised amount cancelled	0	0
Closing balance	13	1

A major restructuring of the Doro Group was carried out in 2005. This included job lay-offs and relocation to other offices etc.

Note 31 Allocation for guarantees

Doro's products are subjected to extensive quality testing. Guarantees are given to end-users that extend for 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.

	2005	2004
Opening balance	12.0	16.8
Amount released from	–9.4	–7.2
New allocations	9.8	11.6
Unutilised amount cancelled	–0.2	–9.2
Closing balance	**12.2**	**12.0**

Note 32 Pension allocations

At most of its units Doro has premium-based pension systems. In certain countries there are fixed sums paid out when an employee retires. Furthermore there are shares in pension that are premium-based in Sweden.

	2005	2004
Opening balance	0.2	0.2
Amount released from	–0.2	–0.1
New allocations	0.1	0.1
Unutilised amount cancelled	0.0	0.0
Closing balance	**0.1**	**0.2**

Note 33 Tax allocations

Doro allocates different estimated tax costs.

	2005	2004
Opening balance	0.0	3.5
Amount released from	–	–3.5
New allocations	–	0.0
Unutilised amount cancelled	0.0	–
Closing balance	**0.0**	**0.0**

Note 34 Allocations for disputes

The situation regarding disputes is explained in note 25. Reserves are made continually to cover the cost of court cases.

	2005	2004
Opening balance	3.5	6.0
Amount released from	–2.6	–5.0
New allocations	0.8	2.3
Unutilised amount cancelled	–	–
Closing balance	**1.5**	**3.5**

Note 35 Other allocations

Different allocations are made for estimates of commitments to customers and various other commitments.

	2005	2004
Opening balance	1.8	4.6
Amount released from	–1.4	–4.6
New allocations	0.7	1.8
Unutilised amount cancelled	–	–
Closing balance	**1.1**	**1.8**

Note 36 Effects of exchange rate fluctuations

Doro's currency policy and sensitivity analysis of changes in the US dollar are presented in a special section of the Directors' report.

The effects of exchange rate fluctuations on the Group amount to SEK –5 million (43) and financial items were affected by SEK 1 million (18). Exchange rate fluctuations include those differences arising between booking and paying debts and receivables in other currencies, the consolidation effect of the subsidiaries' results and the change to the average exchange rate when purchasing manufacturing services. Customer prices have been significantly reduced.

Net investments in foreign subsidiaries have been hedged by raising loans in the appropriate currencies. The unrealised profit amounts to SEK 4.2 million (+1.0 m). The change during the year amounts to SEK 3.3 million (–1.0 million). The change seen during the year is explained by the weaker SEK rate, especially compared to the GBP, EUR and AUD.

Note 37 Actual value of financial instruments

	2005		2004	
	Reported	Actual	Reported	Actual
Other securities held	0.2	0.2	0.1	0.1
Accounts receivable – trade	106.6	106.6	96.6	96.6
Other receivables	18.0	18.0	8.9	8.9
Currency options	0.5	0.5	0.0	0.0
Assets	**125.3**	**125.3**	**105.6**	**105.6**
Pension allocations	0.1	0.1	0.2	0.2
Bank overdraft facilities	74.8	74.8	26.0	26.0
Liabilities to credit institutions	6.4	6.4	8.8	8.8
Trade debtors	98.3	98.3	135.4	135.4
Other liabilities	25.8	25.8	2.3	2.3
Currency options	0.6	0.6	0.0	0.0
Liabilities	**206.6**	**206.0**	**172.7**	**172.7**

The values of financial instruments are assessed at their actual value. This is done by assessing the value of different receivables and liabilities at the exchange rate on the closing date. Receivables are adjusted with various needs for write-downs of customer receivables. Doro does not own securities or similar assets and does not therefore have any problems valuing them. Neither does Doro have any financial derivatives apart from currency options. These are valued at the actual value on the closing day. A positive effect of SEK 2.2 million was noticed when valuing options at their market price in the consolidated accounts. From this, costs of SEK 1.7 million were incurred, causing a positive net effect of SEK 0.5 million.

Other financial instruments (primarily accounts receivable and accounts payable) are reported according to the trade date principle. Receivables are reported in the amount at which they are expected to be received after individual assessment. Business debts are reported at the accrued acquisition value.

Note 38 Statement concerning interested parties

Doro has a credit agreement with Nordea (bank and one of the main owners) that is reviewed annually and whose conditions are assessed as being market-based. The credit agreement includes a series of financial services such as loans, letters of credit, options, currency hedging, guarantees and ongoing transactions.

Doro has no other transactions with interested parties.

Note 39 Pensions

Allocations for pensions are reported in note 30. Most of Doro's commitments to staff are in the form of various premium-related pension plans. In addition there are a few benefit-linked pension plans. In France and Poland there are agreements concerning pension remuneration based on factors such as salary, period of employment, etc.

Allocations are made for these commitments by the subsidiaries in France and Poland.

The cost for the benefit-linked plans (comparable) in FR and PL are as follows:

	Group 2005	2004
Costs for service during current period	0.1	0.1
Interest costs	–	–
Actuarial profit and loss	–	–
Total	**0.1**	**0.1**

Note 40 Effects of IAS/IFRS

Reporting according to IFRS was introduced in 2005, with comparable figures for 2004 also according to IFRS. Compared with the income statement and balance sheet reported in the 2004 annual report, the differences are small. The only difference is in depreciation of goodwill.

	Group Swedish Accounting rules	Effect of transfer to IFRS	IFRS
Income statement			
Net sales	649		649
Operating costs	–624		–624
Operating profit before depreciation	25		25
Planned depreciation	–8	–3	–6
Operating profit after depreciation	16		19
Net financial items	+8		+8
Profit after financial items	25		27
Tax	–1		–1
Net profit	24		26
Balance sheet			
Tangible assets	11		11
Goodwill			
Intangible assets	11	+3	14
Financial assets	22		22
Stock	122		122
Accounts receivable	97		97
Other receivables	27		27
Cash and bank	15		15
Total assets	305	+3	307
Share capital	22		22
Other funds	47		47
Adjusted profit/loss	24	+3	26
Total shareholders equity	93	+3	95
Interest-bearing liabilities	35		35
Deferred tax liability	0		0
Allocations	18		18
Total long-term liabilities	53		53
Accounts payable	135		135
Other non-interest bearing liabilities	24		24
Total current liabilities	160		160
Total shareholders equity and liabilities	305	+3	307

The Board hereby pledges its assurance that, as far as we are aware:

– the annual report has been produced in accordance with good accounting practices.

– the information presented is factually correct.

– nothing of significance has been excluded that could alter the picture of the company presented by this report.

Lund, 30 January 2006

Anders Bülow
Chairman

Kerstin Häregård

Ulf Körner

Joen Magnusson

Tomas Persson

Magnus Yngen

Rune Torbjörnsen
CEO

My auditor's report was submitted on 2 February 2006

Torbjörn Svensson
Authorised Public Accountant

auditor’s report

To the Annual General Meeting of Doro (publ)
Company Reg. No 556161-9429

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and CEO of Doro AB for 2005. It is the Board of Directors and the CEO who have responsibility for these accounts and the administration of the Company, and the Annual Accounts Act is applied when drawing up the annual report and the International Financial Reporting Standards (IFRS), as adopted by the EU, are applied when drawing up the consolidated accounts. My responsibility is to express an opinion about the annual accounts, the consolidated accounts, and the administration, based on my audit.

I conducted my audit in accordance with Generally Accepted Auditing Standards in Sweden. Those Standards require that I plan and perform the audit to obtain reasonable assurance that the annual accounts and consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the CEO, as well as evaluating the overall presentation of information in the annual accounts and consolidated accounts.

As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board Member or the CEO.

I also examined whether any Board Member or the CEO has, in any other way, acted in contravention of the Swedish Companies Act, The Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and, thereby, give a true and fair view of the company’s financial position and results of operations, in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and the Annual Accounts Act, and, thereby, give a true and fair view of the Group’s results and financial position. The Directors’ report has been drawn up in accordance with the remainder of the annual accounts and consolidated accounts.

I recommend that the annual general meeting adopts the income statements and balance sheets of the parent company and the Group, that the profit of the parent company be allocated in accordance with the proposal in the Directors’ report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Lund, 2 February 2006

Torbjörn Svensson
Authorised Public Accountant

group management

Rune Torbjörnsen, born 1964.
Main employment: President and CEO of Doro.
Qualifications: Market economist.
Employed since 2003. Previously at Anoto as Deputy CEO.
Shareholding: 43,001 shares.
Options: 0

Fredrik Forssell, born 1970.
Main employment: Marketing director.
Qualifications: Economist.
Employed since 2004. Previously at Fitch as Accounts Director.
Shareholding: 0 shares.
Options: 0

Ingvar Karlsson, born 1956.
Main employment: Deputy CEO and CFO.
Qualifications: Graduate Business Administrator.
Employed since 1998. Previously at Gambro as Group controller.
Shareholding: 1 410 shares.
Options: 0

Jérôme Arnaud, born 1963.
Main employment: Director of Doro Southern Europe and CEO of Doro SAS, France and responsible for business development.
Qualifications: Master of Science.
Employed since 2000. Previously at Matra Nortel Communications working with business development.
Shareholding: 0 shares.
Options: 0

Thomas Bergdahl, born 1964.
Main employment: Deputy CEO plus Operations and BU Telephony director.
Qualifications: Master of Science.
Employed since 2002. Previously at Anoto as Director of manufacturing.
Shareholding: 0 shares.
Options: 0

Kjell-Reidar Mydske, born 1971.
Main employment: Director of Doro Northern and Central Europe, plus MD of Doro A/S, Norway.
Qualifications: Bachelor of Arts.
Employed since 2001. Previously at Accenture as a Communication and High Tech consultant.
Shareholding: 620 shares.
Options: 0
Included since 1 September 2005.

Per Carlenhag, born 1954.
Main employment: Quality and environmental director.
Qualifications: Engineer.
Employed since 1999. Previously at Volvo Excavators as Service director.
Shareholding: 400 shares.
Options: 0
Included until 31 December 2005.

Anders Östergen was included in Group management until 14 November 2005.
Shares and options holdings also include shares and options held via personal companies and family holdings.

board of directors

Members

Anders Bülow, born 1953.
Main employment: CEO of Mellby Gård Industri AB.
Qualifications: Graduate Business Administrator.
Chairman of the Board since 2001.
Other positions: Chairman of Brämhults Jos AB, Cale Access AB, Feralco AB, Flash Holding AB, Senea AB and Svanströms AB. Board member of Roxtec AB.
Shareholding: 0 shares.
Options: 0

Tomas Persson, born 1954.
Main employment: CEO of Pilpet.
Qualifications: Bachelor of Arts.
Board member since 2002.
Other positions: Board member of Flügger AS, Panduro Hobby AB and Chairman. of Lugi HF and Notebook Design AB.
Shareholding: 0 shares.
Options: 0

Kerstin Häregård, born 1957.
Main employment: Head of marketing for private and farming markets at Länsförsäkringar Älvsborg.
Qualifications: Graduate Business Administrator.
Board member since 2003.
Other positions: None.
Shareholding: 0 shares.
Options: 0

Rune Torbjörnsen, born 1964.
Main employment: President and CEO of Doro.
Qualifications: Marketing economist.
Board member since 2003.
Other positions: Member of boards of Doro subsidiaries.
Shareholding: 43,001 shares.
Options: 0

Ulf Körner, born 1946.
Main employment: Professor of Teletraffic systems at Lund University.
Board member since 1993.
Qualifications: Professor of Technology.
Other positions: Board member of Consafe IT AB, Post- och telestyrelsen and Chairman of UpGrade Communication AB.
Shareholding: 600 shares.
Options: 0

Magnus Yngen, born 1958.
Main employment: Deputy CEO of Electrolux.
Qualifications: Licentiate of Technology
Board member since 2005.
Other positions: Various board assignments within the Electrolux Group.
Shareholding: 0 shares.
Options: 0

Joen Magnusson, born 1951.
Main employment: CEO of G&L Beijer AB.
Qualifications: Graduate Business Administrator.
Board member since 1993.
Other positions: Board member of Beijer Electronics AB and others.
Shareholding: 429 shares.
Options: 0

Auditor

Torbjörn Svensson, born 1953.
Authorised Accountant Deloitte AB.
Auditor since 1999.

The independent directors are Tomas Persson, Kerstin Häregård, Ulf Körner, Joen Magnusson and Magnus Yngen.

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