



Annual Report
2000





C O N T E N T S

Annual General Meeting	
Year in summary	1
Acting CEO's statement	2
Markets	4
Strategies	8
Products	9
DORO's structure	12
DORO's shares	14
Events in 2000	15
Directors' Report	16
Proposed allocation of profit/loss	20
Income statement	21
Balance sheet	22
Cash flow statement	24
Five-year summary	25
Notes to the accounts	26
Auditors' Report	31
Definitions	32
Management Group	33
The Board of Directors and Auditors	34
Glossary	36
Addresses	37

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 5 p.m. on Wednesday 14 March 2001 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 2 March (10 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 10 days before the AGM.

NOTIFICATION

Notification of an intention to participate at the AGM should be made to the company via e-mail to info@doro.se, by post to DORO AB, Skiffervägen 80, SE-224 78 Lund, Sweden, by telephone on +46 46 280 50 67, or by fax on +46 46 280 50 02 by 3 p.m. on Friday 9 March at the latest.

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

DIVIDEND

It is proposed that no dividend (SEK 2.00 last year) be paid for the 2000 financial year.

FINANCIAL INFORMATION

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

Annual Reports can also be ordered through the mail from DORO AB, Skiffervägen 80, SE-224 78 Lund, Sweden.

DORO will publish financial reports for the 2001 financial year on the following dates:

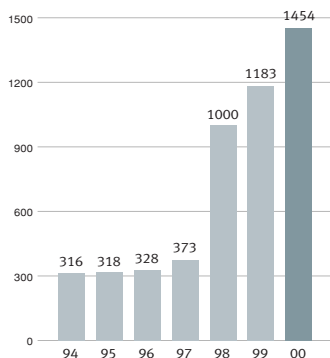
- Q1 report, 17 April
- Q2 report, 16 July
- Q3 report, 17 October
- Press release of the unaudited financial statement, 23 January 2002
- Annual Report for 2001, February 2002
- Annual General Meeting, 5 March 2002.

DORO's business concept is to develop and market a broad and innovative range of communication products primarily on the European market.

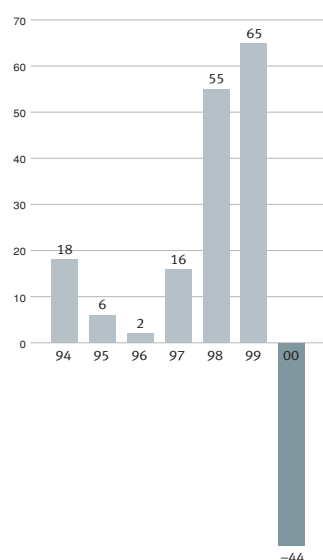
By providing products with a highly advanced design and good quality at competitive prices, DORO will be an attractive choice for buyers of consumer products as well as companies and other organisations.



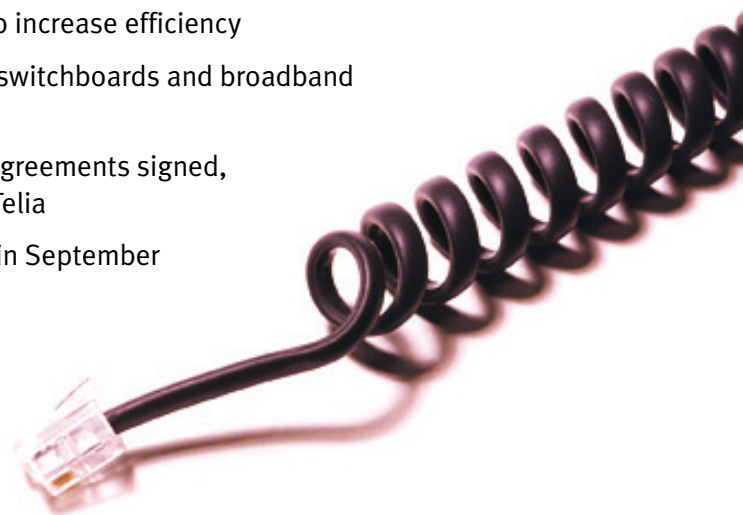
SALES (SEK m)



PROFIT/LOSS BEFORE TAX (SEK m)



- End of global components shortage in sight
- Strong dollar undercuts results
- Scheme launched to increase efficiency
- Increased sales for switchboards and broadband product areas
- Several important agreements signed, including one with Telia
- The CEO left DORO in September



FINANCIAL SUMMARY

Loss before tax	SEK 44 million
Earnings per share after standard tax (30%)	SEK -5.01
The Board proposes that no dividend be paid	SEK 0.00
The Board proposes a new share issue	SEK 75-100 million

DORO'S THREE-STAGE STRATEGY

- Knowledge development on domestic markets
- Good concepts introduced quickly in other markets
- Rapid market expansion in Europe



“Problems also mean opportunities”

There were a few bright spots, but many problems for DORO in 2000.

The bright spots are the markets in Australia and Sweden, where sales were good. The acquisitions of Atlantel in Poland and UpGrade in Sweden have progressed well. It's positive, too, that several of Europe's former telecom monopolies are now among our customers.

Creativity within the company in 2000 also led to some exciting new products. During 2001 most of our cordless telephone and terminal product ranges will be renewed. Several completely new products will be launched in the switchboard and broadband sectors.

But alongside these successes the company has faced serious problems that have affected results.

One such problem that continued from 1999 was the components shortage. Investment fell following the 1997-98 Asian crisis and planned extensions of existing electronics factories were cancelled. Meanwhile, the booming global market for mobile telephones resulted in a global shortage of certain types

of electronic chips. Manufacturers gave priority to chips for GSM telephones, leading to delays and even cancellations in deliveries of the chips used in our DECT telephones. At times, some of our products could not be manufactured, so we were unable to meet market demand in certain periods.

We are now seeing the end of the shortages. In a market economy, components shortages don't last long, and we know that chip manufacturers are investing billions of dollars in order to raise capacity. We expect significant improvements in early 2001, and by the second half of the year we will have good access to chips. In fact there will probably soon be good access to electronic components and prices should fall. DORO will then be able to match the cost levels of the integrated manufacturers, i.e. the ones that make both chips and telephones.

Another problem that became worse during the year was the increase in costs. Our manufacturing partners are often paid in US dollars. For several years the telecom market has seen prices falling regularly. Until now DORO has compensated for dollar exchange rate fluctuations by altering the price reduction rate to our customers. But last year things were different. Because there was a components shortage, component prices did not fall and so purchasing costs in some local currencies rose by between 15 and 25%.

We have been unable to balance increased costs with higher prices. And we have faced tough competition from integrated manufacturers and businesses focusing exclusively on winning market share. When we were able to raise prices in some markets, we soon saw



the positive effects wiped out by a new surge in the value of the dollar. Meanwhile, the components shortage occasionally forced greater transport costs on us, such as air-freight.

The strong dollar continued to deal a hard blow to DORO's cost levels, because our policy has been to hedge dollars only when price commitments are longer than six months. As a result, only around 20% of our purchases in US dollars were hedged in 2000.

We begin 2001 without any hedging. This means that DORO will immediately feel the full effect of a fall in the dollar. The company has also now adapted its prices to match higher purchasing prices.

This was the first time in the company's 26-year history that we have felt the combined burden of a components shortage and a strong dollar. The next time we see a components shortage coming we must hedge a greater proportion of our large dollar flows. We now also have a sharper focus on the importance of having regulated conditions for projects and deliveries. Towards the end of the year we cancelled certain projects that had suffered long delays and were facing a poor market situation and a higher risk level.

Our recently-acquired French company was hit hard by the components shortage and the strong dollar. The components situation was problematic for a majority of the year. It proved difficult to adjust prices as the dollar soared.

We have worked hard to improve efficiency throughout the Group. We have reviewed both major and minor details in all areas. In

2001 we intend to reduce our product range by 30%, and national differences in products will be minimised.

A dispute with a supplier continued during the year. Attempts at reaching a solution failed, and DORO has therefore commenced legal proceedings. The legal dispute could take several years. We have decided to write off the remaining risk worth around SEK 21 million. The legal process has just started.

If we look at the past year from a broader perspective we can see that we did not face these problems alone. Several competitors have disappeared partly or totally. The national telecom companies now produce less products themselves and have become customers of companies such as DORO.

But despite brighter signals in the macro environment, the message for DORO is very clear. When the winds are blowing strongly against us we must act swiftly and forcefully. We have also learnt that acquiring new companies can make us vulnerable, because it takes time to integrate new businesses. Projects can be monitored better and we have the possibility of re-assigning resources if delays occur. We can also cancel projects that run too late or have too high a risk level. A major investment in internal quality work features high up in our planning.

We are therefore facing a period of comprehensive change in the company. In the future we must focus more sharply on DORO's key assets: creativity, confidence, quick decision-making and the ability to identify new telecom trends at an early stage. We have already decided to focus on fewer product lines and fewer development projects.

"Problems also mean opportunities". It's an old saying, but I believe that DORO will become stronger as it reacts to last year's difficulties, and that the company has a bright future.

Due to the rapid changes in exchange rates and the components situation, we will not be making any forecasts for the current financial year.

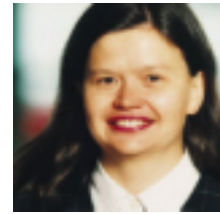
DORO's CEO for the past 26 years, Claes Bühler, left his post in September. He formed the company and ran it with great commitment and enthusiasm over a long period. The company thanks him for his remarkable efforts. A new CEO is expected to be installed during the first half of 2001.

During a year of difficulty employees throughout the company have shown great energy and committed themselves to taking the company out of a tough situation. I would like to thank all employees for their very hard work during a demanding year. Your efforts bode well for the future!

Ingvar Karlsson
Acting CEO, DORO AB



DORO 5055
– to be launched in 2001



Helen Anderson, MD,
DORO UK Ltd,
UK



Selim Dusi, MD,
DORO Audioline AG,
Switzerland

Product areas

DORO is active within four product areas:

- Cordless telephones
- Terminal products
- Telephone switchboards
- Broadband products

These product areas are based on the telecom market, which developed rapidly in Sweden following deregulation in the 1980s. DORO considers itself today to be one of the largest players in Europe and a market leader in several local markets.

Around 30% of DORO's sales are to the business sector, and the rest to the consumer market.

Cordless telephones

In the cordless telephone sector, DORO is number three in Europe in terms of size. The company's share of domestic markets varies from 10-25%. The main competitors are the former telecom monopolies as well as Siemens and Philips. The market is growing in value at around 3-5% per year. The total value of the European market was estimated at around SEK 13 billion in 2000.

Cordless telephones currently account for around 50% of the company's sales. Acquisitions gave a strong boost to growth in 2000. Today the product area faces strong volume growth, falling prices and shorter product life cycles.

Two different technologies are used for the company's cordless telephones. CT1 and CT0

use analogue radio technology, while DECT telephones use digital radio technology. A shift in technology is underway, however, towards more use of digital technology. Up to now this has meant that the analogue market has contracted while the digital market has grown significantly. DORO has a strong position in the analogue sector. During 2000 DORO's sales of DECT telephones increased in all markets. However, because of the components shortage, these increases were still below the overall growth of the market. In the UK, the company's subsidiary has changed strategy and left segments with low profitability.

Terminal products

In terms of size, DORO shares first spot in Europe within terminal products. The company's share of domestic markets varies between 10-25%. The overall value of the market is contracting by about 5% per year (adjusted for exchange rates). The overall European market was worth around SEK 8 billion in 2000.

DORO and Philips are equally strong competitors in this product area. Only the former national telecom monopolies perform better, dominating the market in their own countries. An important new trend is that these former monopolies are now increasing their purchases from businesses such as DORO. Many relatively small companies are also active in this sector.

Sales of traditional telephones continue to contribute good revenues, although the

market for these products is expected to gradually reduce in size.

Product design is a key factor in the sale of terminal products, and Scandinavian design has a strong reputation and makes a useful sales argument.

Sales of telephone answering machines have been successful in Australia, France and the UK. However, sales are expected to fall back in tough competition from telephony products such as caller identity products, network answering systems and GSM technology.

Switchboards

The switchboard product area offers communication solutions for businesses. Telecom and data expertise mix in this area, although they are based on the same knowledge platform.

DORO's market share in the countries where it is active varies between 2-10%. DORO has a much stronger position in the segment for switchboards with fewer than 200 extensions. The overall value of the switchboard market fell by around 5% (adjusted for exchange rates) in 2000 after a record year in 1999 when many customers brought forward their purchases to beat the expected Y2K problem. Normally, the switchboard market grows in value by around 1-2% per year due to increased technology content, CTI and data-network integration. The overall value of the European market was around SEK 20 billion in 2000.

DORO has been selling switchboards since



DORO in a Telia store.

1989 and was the first private supplier in Sweden after the deregulation of the telecom monopoly. DORO's early, small and inexpensive systems were successful, but gradually the market began raising demands for operational reliability. DORO then chose to change strategy completely, and from the mid 1990s onwards has focused on becoming a supplier of high quality products with excellent functionality.

Competition in the Nordic telephone switchboard market is split between several players. Telia, Ericsson, Philips and Alcatel are the dominant players. In the rest of Europe, Siemens has a strong position.

During 2000 DORO's Swedish subsidiary strengthened its position in the switchboard market, which proved to be the company's fastest growing segment. Sales are being built up outside Sweden, with co-ordination

from Lund. The most successful markets are Denmark, Finland and Norway. Increased success in Europe is a prerequisite for the benefits of scale that can bring well-balanced prices.

Broadband products

UpGrade, the Malmö-based business formed in 1987, has been selling and installing wireless networks since 1995 and was acquired by DORO in 1999. UpGrade has exclusive rights to an Israeli system in the Nordic region. The product range includes the products that are needed to build wireless networks as well as specialist products for wireless links between fixed backbones.

UpGrade represents the main part of DORO's broadband product range. Market share varies

between 5-20% in those countries where the company is active. The overall broadband market in Europe is growing in value by between 25-200% per year. The Swedish market was worth around SEK 2-5 billion in 2000 and is expected to grow rapidly. European markets are also growing fast.

UpGrade expanded significantly during 2000, focusing on several niche competences. The rapid progress of wireless broadband solutions and broad infrastructure products (Wireless Broadband Infrastructure Solutions) has been to UpGrade's advantage.

Key customers today are the Internet Service Providers, ISPs. Customer agreements often indicate UpGrade as the partner for developing the entire broadband structure. Service undertakings, provided by UpGrade staff, are often important parts of these agreements.

Customer structure

DORO's traditional customers are retailers of different kinds. On DORO's markets they include the main retailing chains that have specialised in telecom products and computers. These chains often cover several price segments, are nationwide and offer some form of service. In addition, there are smaller specialist stores owned by knowledgeable professionals who give good service to a



A broadband dish from UpGrade.

stable customer base. Both these types of retailer are important for DORO's development.

In order to serve the retail chains quickly and efficiently, DORO has developed a special business-to-business system.

The key customers that set trends in the UK are the retail chains. They often have a clear low-price profile and set tough demands on producers in terms of cost-efficiency and customisation.

Customers in other European markets are both the large retail chains and smaller, specialist stores.

A new feature is the increase in sales to former competitors such as Telia and other large national operators that have stopped their own production and buy from suppliers instead. DORO foresees significant development potential in increased co-operation with telecom operators.

Deregulation

A new EU ruling that came into effect on 9 April 2000 means that manufacturers of telecom products must take full responsibility for specifications and quality controls in accordance with the R&TTE directive.

The changes will give businesses better opportunities to manufacture telephony products in large volumes and thus gain benefits of scale. Furthermore, rules that required telecom products to be adapted to each country were abolished in 1999. Domestic-specific rules still apply outside the EU, however. There are also other differences between countries, too, such as electrical supply and telephone jacks, languages in user guides and menus, etc.

Trends

Technology

Telephony technology is still developing very rapidly, with most resources focusing on the



An ISDN telephone.

Internet and mobile solutions. Internet Protocol (IP) telephony will be important in the short to medium term.

Cordless telephones and terminal products are gaining more functions initially developed for mobile phones and computers. User-friendliness is improving with better Man Machine Interfaces (MMI).

Broadband is expected to have the greatest impact on customers' product choice. Another hot trend is that standard desktop computers are being replaced with other electronic tools for accessing the Internet.

Many new IT applications are being rapidly introduced on markets.

Falling prices

All telecom companies are seeing the prices of their products fall continuously. For DORO this means that new value must be continuously created in the form of better design and new functions if price levels are to be maintained. The company is expected to regularly launch new products that keep pace with technological development and match growing consumer expectations.

Refined product range

The continuous hunt for cost-efficiency is another feature of the market.

A well-adapted product range is vital in this context. During the year, DORO therefore initiated a complete review of its product

The DORO X100 has been launched in Poland.



Prisma, a DORO customer in Finland.



Kevin McDonnell, MD,
DORO Australia Ltd Pty,
Australia



Andrew Leung, MD,
DORO Hong Kong Ltd,
Hong Kong

range. A newly appointed product manager will ensure that the company reduces its product range from around 300 consumer products to less than 200 in 2001.

Three newly designed product lines will be launched, to add further value to the DORO and Audioline trademarks. Each subsidiary will adapt the new lines to develop their own product range. In Sweden, DORO products will predominate alongside a lower profile for Audioline products. In Poland, Atlantel products will predominate, but both DORO and Audioline products will be marketed. In France, Matra will gradually replace its own products with DORO products and complementary products from the Audioline range.

Intranet and e-commerce

Advances in IT affect all areas of the company.

A new, electronics-based administration system is being introduced that features a com-

pany-wide intranet and an external e-commerce interface.

The intranet, called DIBIS or DORO Internet Business and Information System, is primarily designed to support the subsidiaries.

The e-commerce system is designed so that retailers and customers can order products online. All product information, user guides and details of sales campaigns are available here. Retailers can also subscribe to certain material. The site was upgraded significantly during 2000.

Innovative sales forms

The company is also investing in new and innovative sales forms. The brand will be boosted with a common graphic profile for all packaging and uniform sales materials. Standardised user guides are being produced in several languages.

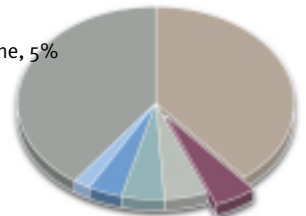
Competitors in the European cordless telephone market (total market value = SEK 13 billion)

- Former telecom monopolies, 26%
- Siemens, 17%
- Philips, 13%
- DORO, 6%
- Others, 38%



Competitors in the European terminal products market (total market value = SEK 8 billion)

- Former telecom monopolies, 39%
- DORO, 5%
- Philips, 5%
- Loewe-Binatone, 5%
- Siemens, 4%
- Alcatel, 2%
- Others, 40%



Competitors in the European switchboard market (total market value = SEK 20 billion)

- Siemens, 17%
- Alcatel, 15%
- Matra/Nortel, 11%
- Ericsson, 8%
- DeTeWe, 8%
- Bosch, 7%
- Lucent, 5%
- DORO, < 1%
- Others, 28%



The basic strategy for DORO's operations is to continue to further refine products developed for a domestic market and then offer them in other markets. Good experience gained in Sweden, one of the world's "telephone laboratories" paves the way for this strategy.

Geographic expansion

Following on from our basic strategy, we give high priority to continued geographic expansion. DORO intends to gain more comprehensive coverage of the European market through acquisitions or other forms of partnership. Acquisition objects must have strong brands and increase our market share. In this way DORO is participating in the ongoing restructuring of the European market, which was prompted by the break-

up of the telephone monopolies in the EU.

Acquisitions boost competence

Another good reason for acquisitions is that they increase our competence levels and thus keep us abreast of the rapid development in the IT and telecom industries. Acquisitions produce synergies between existing and new development departments, and extend knowledge generally throughout our employee base.

Product range

The current product range consists of the following product areas: Cordless telephones, Terminal products, Telephone switchboards and Broadband products. Telephony products gain added value through design and more functions. Switchboard systems are

expected to be an increasingly important product area. Broadband products are currently at the leading edge of technological development.

An efficient organisation

Fast-moving processes must meet rapid development. Product life cycles are getting shorter, and the time taken to turn an idea into a finished product is also getting shorter. These two factors place great demands on the company's employees and the efficiency of the organisation.

DORO will continue to develop its own organisation. The company is already an open one with direct communication between employees. Our organisation is flat and divided into small units, each of which has major responsibility and is highly independent.



A telephone conference for all managing directors is held every Friday.



Tom Ringen, MD,
DORO A/S,
Norway

Henrik Mygind, MD,
UpGrade
Communication A/S,
Denmark



Innovation at the DORO R&D lab.



DORO Congress 200



Audioline 502



DORO Afti 20

Product development

DORO's development department has its base at the company's head office in Lund and works closely with subsidiaries and suppliers.

Inspiration for the development of new products comes from attending exhibitions, recording customer reactions, monitoring trade press and Internet sites and contacts with researchers and other experts. The acquisition of new companies also extends the knowledge base.

Some products are developed exclusively, from idea to finished item, by DORO. Others are developed in co-operation with development staff in Europe and manufacturers in the Far East. Product managers in Europe, however, take final decisions concerning product development.

During the year, shortages of components at factories in Asia that manufacture DORO products have affected the time required to develop new products and some schedules could not be met. Control of development projects is now being reassessed in order to improve procedures. "Time to market" is an

increasingly important success factor and DORO is paying great attention to it.

Production

Switchboard production takes place primarily in the UK and Ireland. Wireless broadband products are built in Israel, among other places. Other products are manufactured mainly in China and Korea.

DORO's inspectors, from its Hong Kong office, check manufacturing units in the Far East regularly.

The degree of automation varies considerably among countries in the Far East. The only DORO products made in Korea, where wages are relatively high, are the DECT telephones, which require virtually no manual intervention. Telephones made in China, however, require more manual work. The difference in wage levels between Korea and China makes China the natural choice for production of more labour intensive products.

Cabinet tools are specially made for DORO and owned by DORO in those cases where products have unique or special features.

Components shortage

Several of DORO's product areas were badly affected by the global components shortage.

The manufacturers of electronic components did not foresee the massive expansion in telephony production – mainly due to growth in sales of mobile phones. In addition, electronics factories in the Far East were unable to expand rapidly as a result of the 1997-98 financial crisis in Asia. DECT telephones require two chips, while GSM telephones require just one, which is another reason why GSM chips have fared better. There have also been shortages of memory chips and capacitors. Rapid expansion of production capacity is not possible because manufacturing must be performed in a highly advanced technical environment.

All of these factors have dealt a hard blow to a relatively small producer such as DORO and especially to the company's DECT telephones. At times, some of the company's subsidiaries were unable to deliver parts of the product range to customers. Launches of new products have been delayed in some cases by up to nine months.

Another result of delayed deliveries is that components, once they arrive, must be paid for at prices agreed many months previously. In markets where prices are cut continuously, it has proved difficult to compensate for the full price of the components in the product price.

At present, existing factories are being expanded at a furious pace. It is expected that manufacturers will have built up their capacity so as to avoid shortages during 2001. By the end of 2000 there were already signs that components prices were starting to fall and that production was catching up with demand.

Following this experience DORO is reviewing its previous procedures and is considering binding its suppliers even closer to its business.



Audioline, one of Australia's top selling brands, is available across the country in Telstra stores, Australia's largest communications retailer.

Quality assurance

The manufacturers of electronics components for telephony products are mainly based in Korea and China. The factories serving DORO are visited regularly by the DORO quality organisation. Dialogue with the factories' quality managers is continuous. Observations and requests for changes quickly result in improvements.

Most of the factories supplying DORO are ISO 9001 certified. Some of them have begun the process of achieving ISO 14 001 environmental certification. Some of these factories are expected to fulfil requirements and gain certification during 2001.

Environmental work

Work aimed at ensuring good environmental credentials for the company's products intensified during 2000. The aim is to meet requirements for increased producer responsibility that will come into force in the EU in the second half of 2001. Our work aims to minimise the overall environmental impact of production, distribution and destruction of our products.

Product range

During the year, the size of the product range has come under sharper focus. The current range is being reviewed. Most ISDN products will be gradually phased out as new broadband capacity is introduced.

Jens Christian Milo, MD,
DORO Danmark A/S,
Denmark

Kai Seppälä, MD,
DORO Tele OY,
Finland



DORO DECT Office provides cordless communication for small switchboards.



DORO 1655
– a new product for 2001.

Products

DECT Office

DECT Office is an attractively designed, cordless business switchboard that enables DECT telephones to be added to an established business switchboard. The new system is piggybacked behind the existing switchboard. DECT Office can cover large office areas, and up to 8 handsets can be linked to each system.

Care products

Terminal products for disabled users were developed during the year.

- In Lund, a security telephone featuring an alarm button and large keys, was developed for elderly people.
- *Phone Easy* is another phone featuring large keys.

Other new products

- *X100* and *4055*, two new cordless digital telephones, were launched during the year.
- The *1200 series* and *Audioline 20*, a new series of cordless analogue telephones, were launched during Q3.
- *PMR 500* – a small radio for wireless communication outdoors.
- The mini telephone was produced in special shapes, including a handball shape.

Existing products that succeeded in 2000

Among the terminal products launched in recent years that continued to do well in 2000 is the X series. Marketing of the X series focuses on the product's good design.

Among switchboards, the well-established DORO Index continues to win appreciation. Alchemy, introduced in 1999, has successfully offered a common platform for all the telephones and data connections used within a company.

UpGrade has continued to sell wireless broadband connections with good success.

Products for the future

During 2001 a large part of the existing range will be replaced.

- Two new series of terminal products will be introduced (DORO Afti and the Audio-line 500 series).
- A new series of business telephones (Congress) will be launched.
- The cordless range will be replaced and smaller telephones will be launched.
- The DORO Izor switchboard will be launched.

The following products are expected to feature strongly in the future:

- *IP (Internet Protocol)* and *LAN (Local Area Network)* switchboards and telephones.
- *E-mail telephone* features a screen that enables the user to send e-mail.
- *Video telephones* already exist, but are too expensive to break into the market.

It can be expected that, as before, DORO will not be the first to launch these frontline products, but will wait until the time is right. The ability to make a correct assessment of the best time to launch a product has often been one of DORO's strengths.

DORO's STRUCTURE

Ronny Söder, MD,
DORO Sverige AB,
Sweden



Jérôme Arnaud, MD,
DORO Matra Telecom SA,
France



DORO started operating in 1974 in Lund, Sweden. The parent company is still based in Lund. DORO today has 12 subsidiaries, of which 11 are sales companies located in key markets. Some of these subsidiaries are described below.

DORO completed several company acquisitions in 1999 in order to strengthen its European presence and boost competence. The company intends to make further acquisitions, primarily to ensure that growth matches the overall progress of the telecom market.

Staff

DORO has 312 employees, of whom 95 are women.

The headcount was reduced during 2000 by around 10%, mainly due to natural turnover. Operations have been restructured in France and Norway. Various solutions have been implemented at other units so that no new recruitment has taken place. As a result, most units now have less staff at the end of the year than at the beginning.

A series of top-level management positions have been created and filled at head office during the year. The company expects to be able to continue to attract highly qualified staff despite shortages of people with requisite IT and telecom skills. The ability to preserve the culture of a small business, with good internal communication, has always been a strength. Other elements that make the company attractive are its bonus system and far-reaching delegation of individual responsibility.

DORO Sweden

DORO's Swedish subsidiary is responsible for around 15% of the company's sales,

based on a 20% share of the Swedish market. The company has 50 employees.

The company reported a good year and continued good progress. Technology-aware Swedes appreciate the good design, powerful technology and reasonable prices of DORO's products.

DORO currently sells five different switchboard models in Sweden. Market consolidation was the objective in 2000 following very strong growth in 1999. Sales in the Swedish market have more than tripled since 1996.

A strong sales organisation, including over 60 retailers who work swiftly and informally and provide good service, is winning customers and helping DORO to increase its market share in Sweden.

The focus in recent years on strong retail chains such as Elgiganten, SIBA, OnOff and Expert, has paid off. These large chains are the only ones capable of meeting the enormous pressure on prices that has been the dominant feature of the Swedish market since the mid 1990s. The retail chains appreciate the size of the DORO range and have also begun selling the cheaper Audioline products.

DORO Sweden is now preparing an internet-based sales campaign. Among new customers are several e-commerce sites. An organisation has been created in Lund to provide logistics support within e-commerce. Other logistics measures being planned include

better warehouse support for the Swedish market and, eventually, the European market.

DORO Sweden expects to continue making good progress in 2001.

DORO Matra Telecom

This French subsidiary with 40 employees was formed in 1999 following the acquisition of Matra Nortel Communication's terminal activities and of Audioline France. Matra's products are primarily directed at the high-price segment, while Audioline's products are designed for the business segment (e.g. switchboard suppliers). During 2000 the company introduced traditional DORO products in its markets.

Sales by the French company represent 15% of DORO's total sales. The company has around 20% of the French market, which is one of the most important in Europe.

The company's cost level deteriorated during the year as the US dollar climbed in value. Previously, the company had a single supplier in Asia, which combined with the dollar problem meant major difficulties for the company's ability to deliver its products. DORO Matra Telecom has therefore undertaken a large-scale rationalisation programme aimed at cutting costs. The company has changed its information system and replaced several suppliers. A new organisation for repairs, storage and transport has been set up.

DORO Matra Telecom is well equipped for 2001.



A busy office with the new DORO Izor on the desk.

DORO Atlantel

DORO's subsidiary in Poland was formed at the start of 2000 following the merger between DORO and Atlantel of Poland. Atlantel is a market leader in Poland in corded telephones. The company has 17 employees and around 15% of the Polish telecom market.

Sales in 2000 represented 3% of DORO's total sales. Sales were hit by the ongoing privatisation of Poland's telecom utility, which caused a temporary investment stoppage for new, fixed telephone lines. The Polish market has very large potential, as only 22% of Poles have a fixed telephone line, compared with 71% in Sweden.

Atlantel is expected to progress well in 2001.

UpGrade

Malmö-based UpGrade was acquired by DORO in 1999. The company was formed in 1987 and has been distributing wireless networks and links since 1995. The product range includes products that are needed to build wireless networks in offices and buildings, as well as wireless access networks and microwave links that enable a house or entire area to be connected to a fibre connection in the region.

Sales in 2000 represented around 10% of DORO's total sales. The company has 41 employees. In various countries UpGrade has a 5-20% market share for wireless networks. There are subsidiaries in Denmark and Estonia (being formed). There are also sales offices in Norway and Finland.

The company expanded significantly in 2000 and this growth is expected to continue in 2001.

Both the components shortage and exchange rate problems were negative factors for UpGrade.

UpGrade looks positively to 2001. The company is expanding both in and outside the Nordic region. A project management centre for exports is currently being set up in Estonia. Major installations have been delivered to Norway and Iceland. A growing proportion of sales is now going to various telecom operators, which is entailing ever larger projects.

Maciej Nowakowski, MD,
DORO Atlantel Sp. z o.o.,
Poland

Ronny Johnsson, MD,
UpGrade Communication AB,
Sweden



DORO –
“Walk&Talk”



DORO's SHARES

DORO has been listed on the OM Stockholm Exchange since 1993. Following two new issues in 1998, there are now 9,703,154 shares. There are no outstanding convertibles or synthetic options. RunDor AB, a company owned by Rune Andersson, has issued 300,000 options to 19 senior managers.

DORO's share price fell by 75% in 2000. The company's market value on 31 December 2000 was SEK 257 million.

During the second half of the year, DORO's shares were quoted on the OM Stockholm Exchange's special "Attract 40" list. DORO was previously on the OTC list. As of 1 July 2000 the OTC list has been included in the O-list.

The Annual General Meeting, held in Lund on 14 March, was well attended.

Senior managers have participated in meetings with stock market investors and analysts to present the company.

SHARE DATA

	2000	1999	1998	1997	1996
No. of shares, (thousands) ¹	9703	9703	9703	5750	5750
Nominal value, (SEK)	1.00	1.00	1.00	1.00	1.00
EPS after tax, (SEK) ¹	-5.01	4.70	3.76	2.06	0.07
Cash flow per share	-2.44	6.22	5.98	2.66	0.59
Reported shareholders' equity, (SEK)	14.97	21.85	18.94	11.63	10.05
Market price at 31 Dec, (SEK)	26.5	108	72.5	27	14.3
Dividend, (SEK)	0.00	2.00	1.75	0.60	0.50
P/E ratio ²	N/A	22.7	15.5	13.1	N/A
Dividend yield (%) ³	N/A	1.9%	2.4%	2.2%	3.5%

¹ The average number of shares in 1998 was 8,236,544

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	Amount 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

MAJOR SHAREHOLDINGS AS AT 31 DECEMBER 2000

The 10 largest shareholders	No. of shares	% of shares	No. of votes	% of votes
RunDor (Rune Andersson)	3,012,116	31.0%	3,012,116	31.0%
SEB Fonder Småbolagsfond	592,400	6.1%	592,400	6.1%
Banco	400,000	4.1%	400,000	4.1%
Länsförsäkringar Småbolagsfond	257,800	2.7%	257,800	2.7%
AMF	241,000	2.5%	173,100	2.5%
Hans Björstrand	200,000	2.1%	200,000	2.1%
Mats Ljunggren	135,000	1.4%	135,000	1.4%
SIF	108,571	1.1%	108,571	1.1%
Eskil Johannesson	100,000	1.0%	100,000	1.0%
Swedbank Luxembourg S.A.	75,100	0.8%	75,100	0.8%
Sub-total	5,121,987	52.8%	5,121,987	52.8%

OWNERSHIP STRUCTURE AS AT 31 DECEMBER 2000

	Number of shareholders	As % of all shareholders	No. of shares held	As % of all shares
Under 501 shares	5,538	76.4%	896,798	9.2%
501-1000 shares	921	12.7%	747,428	7.7%
1001-2000 shares	431	5.9%	639,864	6.6%
2001-5000 shares	236	3.3%	770,214	7.9%
5001-10,000 shares	64	0.9%	456,463	4.7%
10,001-20,000 shares	35	0.4%	494,695	5.2%
20,001-50,000 shares	14	0.2%	448,205	4.6%
50,001-100,000 shares	4	0.1%	302,600	3.1%
Over 100,000 shares	8	0.1%	4,946,887	51.0%
Total	7,251	100.0%	9,703,154	100.0%

The number of shareholders has gone down from 10,831 to 7,251. Of the total shares held, about 2% (2%) are held by foreign shareholders and about 21% (6%) by institutional holders. The number of institutional holders has risen significantly.



EVENTS IN 2000



A product demonstration at DORO's managing directors meeting.

- The year's results were significantly affected by the components shortage and strong US dollar, as described previously. These factors, together with stock market uncertainty, impacted on DORO's share price, which fell from SEK 108 on 31 December 1999 to SEK 26.50 on 31 December 2000.

- CEO Claes Bühler left the company in September. It is expected that his successor will be appointed in the spring of 2001.

- Several key product launches are being planned for 2001. They will include new telephony products and new switchboard products such as DECT Office and DORO Izor.

- A major efficiency scheme has been launched throughout the company and will continue in 2001. The number of products will be cut by around 30%.

- Several important agreements were signed in 2000:

- In April an agreement was signed between DORO and Allgon Microwave. Allgon's Ethernet Radio Switch enables wireless broadband transmissions of data and telephony.

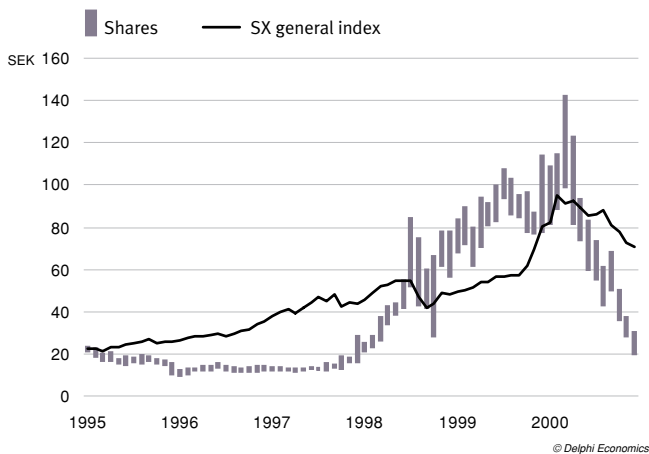
- In June a distribution agreement was signed with Witcom, a manufacturer of radio-based point-to-point microwave links for high-speed communication of data, voice and video.

- A product partnership with Telia started in June. DORO began delivering telephones to Telia's stores in Q3. DORO also sells Telia's services.

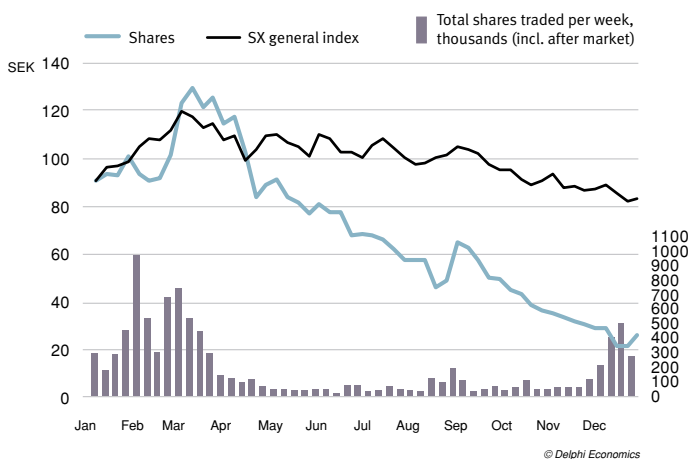
- Another Swedish partnership was announced in September. DORO signed an agreement to deliver an additional switchboard to Telepass' new call-centre in Gällivare, which handles around 7 million calls for Sweden's Motor Vehicle Inspection Authority. DORO has previously delivered switchboards to Telepass call-centres in Malmö and Växjö.

- In November DORO signed an agreement with Partner Electric of Vojens, Denmark. DORO will market Partner Electric's newly developed switchboards under the name of DORO Izor. The switchboard is designed for businesses with fewer than 100 extensions.

PRICE TREND 1995-2000



PRICE TREND AND SALES 2000



BACKGROUND

DORO works in the rapidly changing telecommunications market. DORO's business concept is to develop and market a broad and innovative range of communication products primarily on the European market.

DORO will provide products with highly advanced design and good quality for consumers and companies.

Production mainly takes place in the Far East. DORO owns some of the manufacturing equipment, i.e. the cabinet tooling. The company can therefore protect its design and development.

Increased purchase volumes, due to the company's growth, make DORO an attractive customer and also reduce costs for the company for both development and production per unit.

BUSINESS ACTIVITIES

The past financial year has been characterised by:

- A components shortage
- A strong US dollar
- Integration of acquired units

The components shortage and the strong US dollar have had a major impact on profit margins and are the two main reasons for the decline in profits.

The market is changing, and the previously state-owned telephone monopolies are changing their purchasing patterns. A strategic agreement was signed with Telia in Sweden in June, and major deliveries were made during the latter half of the year.

A new range of cordless telephones has been introduced, and DORO is now an important player in the DECT market as well.

The DORO range of terminal products (corded telephones, telephone answering machines and caller identity products) is being reduced.

The market for switchboards has progressed more slowly than the record year of 1999. Expansion outside Sweden has led to improved sales.

The Broadband product area has been the area to grow most rapidly following the acquisition of UpGrade. The business is changing as large projects become increasingly important. Two major projects have been completed in Iceland and Norway.

COMPONENTS SHORTAGE

The components shortage that began in the second half of 1999 continued and deteriorated during 2000. It was extensive and caused a disruption to deliveries and led to a complete lack of supplies. It produced the following effects:

- A lack of products that led to customer commitments not being met (reduced sales).
- Stable and in some cases climbing prices in US dollars, despite a fall in the cost of manufacturing chips.
- Greater uncertainty about deliveries with greater back-up stock leading to increased air freight costs (around SEK 15 million).
- Delays in different development projects due to microchip access changing a number of times.

The lack of components caused by a global shortage of manufacturing capacity mainly hit DECT chips. Products with different memory chips have also been affected. The main reason is the extremely strong growth in mobile telephones and personal computers.

At the end of 2000 various signals suggested that the end of the components shortage is in sight. A good supply of products exists for delivery in the second half of 2001. Chip manufacturing capacity is expanding. Some prices have started to fall for spring deliveries.

To reduce the problems above, microchip manufacturers have been contacted to secure long-term assurances concerning the supply of components.

THE US DOLLAR

The US dollar continued to strengthen from the start of 2000, only to fall back during the final two weeks of the year. A majority of DORO's products are bought in US dollars and sold in other currencies. The purchase price usually drops for each different product. The price reduction level has usually absorbed the higher dollar exchange rate. Due to the components shortage, prices in US dollars are steady or rising. The situation deteriorated during the second part of the year with a continually climbing dollar exchange rate (see diagram). The different sales companies have succeeded in increasing prices to the customer to varying degrees. In a number of cases the price has been fixed for a number of months and the prices have therefore been changed late in the process. Price changes have not been adequate and profit margins have fallen.

In accordance with its currency policy, DORO hedges a limited amount of US dollars (for price commitments longer than six months). This led to around 20% of the flow being hedged during 2000, mainly in the UK. At the end of 2000 nothing was hedged.

DORO has reduced its commitments to customers with long-term price commitments.

RESTRUCTURING SCHEME

A restructuring scheme was carried out during the year at all the companies in the Group. A rationalisation scheme will be carried out in all areas of the Group whereby the number of products in the Group will be reduced by 30% during the first half of 2001.

The cash flow and results were such that a number of activities were stopped during Q3:

- New recruitment ceased. The number of employees dropped by nearly 10% for the year.
- Greater care is being taken with expenditure.
- A halt in the purchase of products and careful thought taken when considering opening L/Cs.

These measures have reduced costs and have focussed on increasing the cash flow.

The efficiency scheme will continue during 2001.

IMPROVED FOCUS

A number of decisions were taken during the autumn to improve focus in core activities and to reduce risk levels:

- Closure of a number of smaller product lines (telefax and ISDN-data products). Other activities in Norway were sold off last spring.

- Development projects in wireless networks, together with Wireless Solution have been cancelled (DORO Airborne) due to serious delays, during which market conditions had changed completely.
- Introduction of agreements with suppliers to clarify responsibility.
- Quality work strengthened through an enlarged presence in Asia and working with fewer and more qualified suppliers.
- Different projects are followed up more actively to secure the right product at the right time ("Time to market").

LAST YEAR'S ACQUISITIONS

Four acquisitions were carried out in 1999.

UpGrade was consolidated from 1 September 1999. The year has seen the company forge ahead, especially outside Sweden. UpGrade has been given greater project focus. The strong US dollar had a negative impact on profit margins.

Audioline France was acquired on 1 November 1999. The terminal product operations at Matra Nortel Communications (MNC) were bought on 1 January 2000 and the company changed name to DORO Matra Telecom. DORO has 80.1% of voting rights and MNC 19.9%.

Comprehensive restructuring work has been carried out and the DORO range is now being sold.

Operations have been hit hard by the components shortage and for much of the period DORO was without key products. The stronger US dollar has meant increased costs not being able to be compensated for through increased sales prices partly due to locked price commitments. Profitability has been very unsatisfactory.

The reduced cost situation and a complete product range will considerably improve profitability during 2001.

An agreement was drawn up in December 1999 with the owners of Atlantel of Poland to form a joint venture company in Poland. DORO holds 75% of voting rights and the previous owners hold 25% of voting rights. Operations were consolidated on 1 January 2000.

Privatisation of the Polish telecom utility has delayed the expansion of the number of fixed telephone lines in Poland and thus impeded development. Despite this, operations have developed positively.

DISPUTES

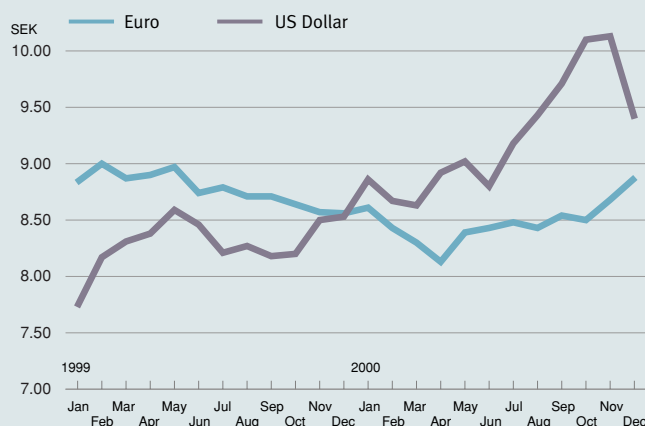
DORO reported a major dispute with one of its suppliers in last year's Annual Report. Different attempts have been made to solve the dispute without success. DORO has now taken Nissho Iwai to court in Osaka, Japan. The legal process can take a long time. The year's results have been charged with SEK 21 million (10 m) and with that there is no remaining risk.

CHANGE OF CEO AND CHANGED ORGANISATION

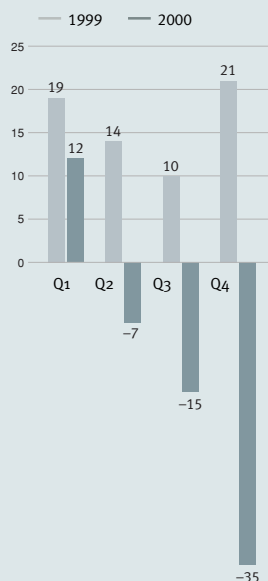
Claes Bühler, DORO's CEO, left DORO on 28 September 2000 and the deputy CEO Ingvar Karlsson has been acting CEO since then. A new CEO will be appointed during the first half of 2001.

The Group Management has been strengthened and re-organised following the acquisitions. The average number of employees rose within the Group to 312 (242), an increase entirely due to the addition of the new companies. A cutback in the headcount has been carried out at most companies, with the largest reductions in France and Norway.

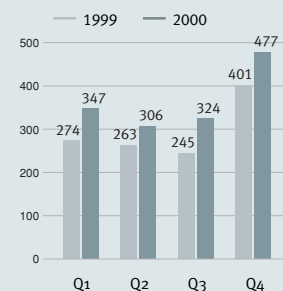
EXCHANGE RATE TREND 1999-2000



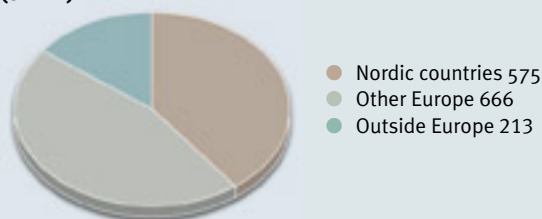
PROFIT/LOSS BEFORE TAX PER QUARTER (SEK m)



SALES PER QUARTER (SEK m)



SALES PER MARKET (SEK m)



DIRECTORS' REPORT

SPP

The SPP insurance company has informed DORO that deposits of SEK 0.7 million are available. The sum has been taken up as revenue and at the end of 2000 there remains SEK 0.5 million recoverable during 2001.

ENVIRONMENT

DORO has no business activities that require environmental licences. No unit has an environmental certificate.

DORO does not own any production units. Comprehensive co-operation is underway 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 be awarded a certificate.

RESEARCH AND DEVELOPMENT

The DORO Group has research facilities at Lund in Sweden and also at Redditch in the UK. DORO works with a number of factories and together they develop different products and software.

EURO

The introduction of the Euro has had limited effects on DORO. At the end of 2000 DORO had two subsidiaries in countries affected by the Euro (France and Finland).

The Group has a positive Euro inflow and is therefore a net seller. Very few transactions are made between the subsidiaries.

Different computer systems introduced in different European divisions (outside of the current euro nations) are being prepared for the Euro.

RULES OF PROCEDURE FOR THE BOARD OF DIRECTORS

The rules of procedure for the Board of Directors are described together with the presentation of the board.

DIVIDEND AND FINANCIAL TARGETS

The Board formulated a new dividend policy two years ago. The aim is to pay out a dividend that is between a third and a half of the profit after tax. The Board proposes therefore that no dividend be paid this year (SEK 2.0 last year).

The Group aims to have a maximum debt/equity ratio of 1.3. It currently lies at 1.51.

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

NEW SHARE ISSUE

The work to restore DORO's financial position after strong expansion in recent years is progressing via capital rationalisation and profit improving measures. The Board will propose to the AGM a new share issue amounting to SEK 75-100 million to finance the company's future growth.

THE OUTLOOK FOR THE COMING YEAR

An assessment of the market conditions for the coming financial year will be made at the Annual General Meeting on 14 March.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

An agreement has been signed with the German company, Swyx, to distribute their IP switchboards.

DORO's main shareholder, RunDor, has invited 34 executives to buy call options in DORO for a total of 180,000 shares.

FINANCIAL REVIEW

The following financial review comments on and analyses the DORO Group's:

- Income statement
- Balance sheet
- Cash flow

Finally there are a few comments about the parent company, DORO AB.

COMMENTS TO THE INCOME STATEMENT

During 2000 DORO had sales of SEK 1,454 million (1,183 m), an increase of 23%. Of this increase, SEK 372 million is due to the contribution from previously non-consolidated units now included (UpGrade for four months of 1999, Audioline France for two months of 1999, DORO Matra Telecom and DORO Atlantel from 1 January 2000) and SEK 101 million from organic reduction. A dispute with a supplier is responsible for a charge of SEK 21 million in the year's results (the entire amount in Q4).

US dollar fluctuations have had an effect on the results of around SEK 125 million. This has partly been compensated for by price increases and new products.

Depreciation has risen through increased depreciation of goodwill.

Net financial items have fallen because of higher interest rates, and net debt has increased. All debts have floating interest rates.

The Group's loss before tax was SEK 44 million (+65 m).

QUARTERLY EARNINGS TREND

	1999				2000			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Invoiced sales	274	263	245	401	347	306	324	477
Operating costs	-250	-243	-229	-373	-326	-305	-329	-499
Operating profit/loss before depreciation	24	20	16	28	21	1	-5	-22
Depreciation according to plan	-4	-2	-3	-5	-6	-6	-6	-8
Operating profit/loss after depreciation	20	17	12	23	15	-5	-11	-30
Net financial items	-1	-3	-2	-2	-3	-2	-4	-5
Profit/loss before tax	19	14	10	21	12	-7	-15	-35
Calculated tax	-6	-4	-3	-6	-3	1	2	-4
Net profit/loss	13	10	7	15	8	-6	-13	-39
Financial items affecting comparability	0	-2	-2	-6	0	0	0	-21
Financial items affecting comparability include costs for the dispute with Nissho Iwai.								

PROFIT CENTRES

The Group is organised on a country-by-country basis. Each country reports to the CEO. The different units are supported by different executive functions in the parent company.

UpGrade was included as part of the Group for four months of 1999 and Audioline France for two months of 1999. Assets and liabilities in Matra Nortel Communications (MNC) terminal operations in France

have since January 2000 been consolidated with Audioline France under DORO Matra Telecom SA. DORO Atlantel was also consolidated on 1 January 2000.

SWEDEN: Invoiced sales of SEK 387 million (330 m). The business has continued to perform well and deliveries to Telia began. Activities in Sweden include the parent company, DORO AB, DORO Sverige AB and UpGrade Communication AB.

NORWAY: Invoiced sales of SEK 102 million (149 m). Success has been reached in switchboard operations. Sales are down because of the sale of non-telecom operations in March.

DENMARK: Invoiced sales of SEK 77 million (80 m). Operations have been consolidated following the strong growth in previous years.

FINLAND: Invoiced sales of SEK 36 million (26 m) with strong growth in all product areas.

UK: Invoiced sales of SEK 248 million (375 m). The business has continued to be hit by tough price competition. A detailed review of profitability per product and customer has been carried out. The company has withdrawn from segments with low profit margins, and sales are thus deliberately lower.

SWITZERLAND: Invoiced sales of SEK 119 million (111 m). The business has been consolidated during the year and has seen the introduction of switchboards.

AUSTRALIA: Invoiced sales of SEK 184 million (134 m). Continued good progress for all products.

FRANCE: Invoiced sales of SEK 257 million (3 m). Matra and Audioline's personnel and product range have been consolidated. The DORO range was introduced during the second half of the year. French activities have been hit by the rising US dollar and major disruption in production supply during a large part of the year. Extensive restructuring has reduced cost levels and improved different routines.

POLAND: Invoiced sales of SEK 43 million (0). The business performed well during the first half of the year, but slowed somewhat during the second half. The reason for the decline is the fall in growth in new telephone subscriptions at the Polish telephone utility.

OTHER OPERATIONS: The different sales companies co-ordinate their purchasing activities via the Hong Kong company. Besides this there are a number of joint-Group functions for development, quality, design, purchasing, financing, etc.

SALES PER REGION

(SEK m) (exports broken down per region)	2000	1999
Nordic countries	575	553
Other Europe	666	475
Outside Europe	213	155
Total	1454	1183

SALES PER PRODUCT AREA

DORO's business includes cordless telephones, terminal products (telephones, telephone answering machines, caller identity products, etc.), telephone switchboards, wireless broadband and other activities. The most successful of these are cordless telephones with around 50% of total sales. Terminal products follow this, with more than 30% of sales. Switchboards and wireless broadband account for around 10% of sales.

The most sizeable increase in real terms is for cordless telephones through the acquisition of the French operations (mainly consolidated from 1 January 2000) and through the introduction of cordless DECT telephones.

Considerable increases in percentage terms have been reported for cordless broadband.

The market for terminal products has developed at a steadier rate than last year during the last quarter of the year.

The sales of switchboards are continuing to expand outside Sweden. A contract was signed in December with Partner Electric of Denmark, and in January 2001 with Swyx of Germany, for the distribution of switchboards.

The launch of Alchemy (an integrated switchboard for telephone and computer traffic) has continued.

A new series of cordless DECT and analogue telephones were introduced during the autumn.

COMMENTS TO THE BALANCE SHEET

The balance sheet total has risen by SEK 178 million (139 m) to SEK 724 million (546 m) since the beginning of the financial year. Of this rise, DORO Matra Telecom and DORO Atlantel account for SEK 136 million.

Through the acquisitions goodwill has advanced to SEK 70 million (56 m).

The net debt/equity ratio has gone up from 0.73 to 1.51 and the equity/assets ratio has fallen from 39% to 20% due to the acquisitions and earnings trend. The Group's net debt level has risen by SEK 60 million (62 m) to SEK 200 million (140 m). The greatest part of the debt is in GBP, SEK and AUD.

Stock-in-trade has increased through the acquisitions, as well as the strong US dollar and long lead-times having delayed the effects of the reduced purchases. The different price increases gave short-term low sales and increasing stock-in-trade. DORO mainly purchases from Asia. The ownership rights for goods are transferred to DORO as soon as they are loaded aboard the vessels transporting them. This gives high stock-in-trade where the share of "goods in transit" is between 30 and 50% of the period values.

COMMENTS TO THE CASH FLOW

Tax payments are lower when profits are low or when losses are reported. The new principles regarding deferred taxes have been implemented and DORO has income taxes recoverable in a number of countries. At the end of the financial year there were losses to be carried forward of SEK 34 (12) million in the UK, SEK 26 (27) million in France, SEK 24 (0) million in Sweden and SEK 2 (0) million in Denmark.

Investments mainly consist of product tooling used in manufacturing DORO's products. By owning the production tools, DORO protects its designs, etc. On the other hand, DORO does not own any manufacturing units.

PARENT COMPANY

The parent company DORO AB, had sales of SEK 36 million (24). The loss before tax was SEK 5.4 million (+34.6 m). Dividends have been received from the UK, Norway, Switzerland and Australia.

DORO AB is responsible for a majority of the subsidiaries' financing. Net debt has climbed by SEK 90 (38) million to SEK 213 (123) million.

PROPOSED ALLOCATION OF PROFIT/LOSS

The Board and CEO propose that the earnings, as per the compiled balance sheet, are at the disposal of the Annual General Meeting, namely:

Profit brought forward	SEK	48,759,000
Group contribution made	SEK	–10,750,000
Loss for the year	SEK	–5,406,000
	SEK	32,603,000

and should be distributed as follows:

To the shareholders, a dividend of

SEK 0.00 per share	SEK	0
Carried forward	SEK	32,603,000
	SEK	32,603,000

The Group's non-restricted unappropriated earnings at 31 December 2000 amounted to SEK 29.8 million

Lund, 25 January 2001

Lars-Olof Hjalmar
Chairman

Rune Andersson Mats Ljunggren

Ulf Körner Joen Magnusson

Ingvar Karlsson
CEO

Our audit report was submitted on 3 February 2001

Mats Fredricson
Authorised Public Accountant

Torbjörn Svensson
Authorised Public Accountant

INCOME STATEMENT

(SEK m)	Note	THE GROUP		PARENT COMPANY	
		2000	1999	2000	1999
Net sales	1	1454.1	1183.1	36.2	24.1
Operating costs					
Manufacturing services bought in		-1197.0	-918.3	-12.5	-7.2
Other external costs	2, 3, 23	-124.7	-77.6	-14.9	-19.1
Personnel costs	4, 5, 6, 7	-138.3	-99.6	-15.9	-11.6
Depreciation of tangible assets	12	-13.1	-11.4	-4.9	-2.6
Depreciation of intangible assets	8, 11	-11.8	-3.2	-	-
Operating profit/loss		-30.8	72.9	-12.1	-16.5
Result from financial investments					
Profit from participations in Group companies	27	-	-	8.4	51.2
Interest income		6.0	10.6	6.6	15.3
Interest expense		-19.6	-18.8	-14.7	-16.0
Profit/loss after financial items		-44.4	64.7	-11.8	34.0
Appropriations	9	-	-	6.4	0.6
Tax on profit for the year	10, 26	-4.2	-19.1	0.0	0.0
PROFIT/LOSS FOR THE YEAR		-48.6	45.6	-5.4	34.6

BALANCE SHEET

Assets (SEK m)	Note	THE GROUP		PARENT COMPANY	
		2000	1999	2000	1999
Fixed assets					
Intangible assets					
Goodwill	8, 11	69.6	55.8	–	–
Tangible assets					
Equipment and tools	12	23.4	24.5	6.8	4.9
Financial assets					
Participations in Group companies	13	–	–	292.0	248.4
Other securities held		0.1	2.0		
Other long-term receivables		0.3	0.0	0.3	
Total fixed assets		93.3	82.3	299.1	253.3
Current assets					
Stocks					
Inventories		321.3	206.0	0	0
Advance payments to suppliers		0.3	3.8	0.1	0
Current receivables					
Accounts receivable – trade		231.1	193.2	14.2	3.8
Receivables from Group companies		–	–	78.5	87.7
Income tax recoverable	26	8.8	7.8	1.4	2.1
Other current receivables		23.4	29.2	15.3	1.6
Prepaid expenses and accrued income	14	26.2	8.9	4.8	0.4
Total current assets		611.1	448.9	114.4	95.5
Cash and bank balances		19.5	15.0	0.0	0.0
TOTAL ASSETS		723.9	546.3	413.5	348.8

Shareholders' equity and liabilities (SEK m)

	Note	THE GROUP		PARENT COMPANY	
		2000	1999	2000	1999
Shareholders' equity	15				
Restricted equity					
Share capital 9,703,154 shares at nom. SEK 1		9.7	9.7	9.7	9.7
Restricted reserves/Statutory reserve		105.8	101.9	94.0	94.0
Non-restricted equity					
Non-restricted reserves/Profit carried forward		78.4	54.8	38.0	33.5
Profit/loss for the year		-48.6	45.6	-5.4	34.6
Total shareholders' equity		145.3	212.0	136.3	171.8
Untaxed reserves	16	-	-	1.4	7.9
Provisions and liabilities					
Provisions					
Provisions for taxation		0.0	7.5	0.0	0.0
Other provisions	17	86.7	21.9	43.0	0.0
Total provisions		86.7	29.4	43.0	0.0
Interest bearing liabilities					
Bank overdraft facilities	18	193.6	139.6	137.5	107.9
Liabilities to credit institutions		25.5	15.0	25.5	15.0
Liabilities to Group companies		-	-	49.8	0.0
Total interest bearing liabilities		219.1	154.6	212.8	122.9
Non-interest bearing liabilities					
Accounts payable – trade		215.2	85.9	4.2	4.8
Liabilities to Group companies		-	-	1.6	26.9
Other liabilities		11.2	18.6	4.2	-
Accrued expenses and prepaid income	19	46.4	45.7	10.1	14.5
Total non-interest bearing liabilities		272.9	150.2	20.1	46.2
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		723.9	546.3	413.5	348.8
Pledged assets	20	611.5	619.4	500.5	371.0
Contingent liabilities	21	57.7	0.3	19.9	-

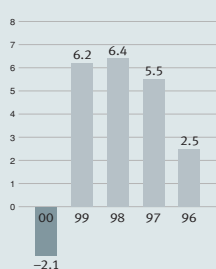
CASH FLOW STATEMENT

	THE GROUP		PARENT COMPANY	
(SEK m)	2000	1999	2000	1999
Current operations				
Operating profit/loss	-30.8	72.9	-12.1	-16.5
Adjustments for items not included in the cash flow				
Depreciation	24.9	14.6	4.9	2.6
Interest received/dividends	6.0	10.6	38.4	66.5
Write-down of shares in subsidiary	-	-	-2.0	-
Write-down of claim on subsidiary	-	-	-21.4	-
Interest paid	-19.6	-18.8	-14.5	-16.0
Income tax paid	-4.2	-19.1	0.0	0.0
Cash flow from current operations before changes in working capital	-23.7	60.2	-6.7	36.6
Change in working capital				
Change in stocks	-111.8	10.9	-0.1	39.4
Change in liabilities	-50.4	-73.0	-18.9	-26.4
Change in non-interest bearing liabilities	180.0	36.1	16.9	13.1
Cash flow from current operations	-5.9	34.1	-8.8	62.7
Investment activities				
Acquisition of subsidiaries/goodwill	-25.6	-50.2	-43.9	-97.1
Acquisition of tangible assets	-11.3	-10.5	-7.1	-4.3
Loss for disposals	-0.5	0.5	-0.0	1.3
Cash flow from investment activities	-37.4	-60.2	-51.0	-100.1
Financing activities				
Loans raised	64.5	29.8	89.9	38.2
New share issue	0.0	0.0	0.0	0.0
Dividend paid	-19.4	-17.0	-19.4	-17.0
Group contribution	-	-	-10.8	16.2
Translation difference and other items	2.7	10.0	-	-
Cash flow from financing activities	47.8	22.8	59.7	37.4
Change in liquid assets	4.5	-3.3	0.0	-0.1
Liquid assets at 1 Jan 2000	15.0	18.3	0.0	0.1
Liquid assets at 31 Dec 2000	19.5	15.0	0.0	0.0

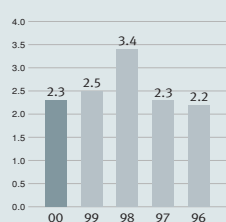
FIVE-YEAR SUMMARY

(SEK m)	2000	1999	1998	1997	1996
Income statement					
Net sales	1,454.1	1,183.1	1,000.3	373.0	328.0
Operating profit/loss before depreciation	-5.9	87.5	77.4	23.9	11.3
Operating profit/loss after depreciation	-30.8	72.9	64.6	20.6	8.3
Net financial items	-13.6	-8.2	-9.2	-4.1	-6.1
Profit/loss after net financial items	-44.4	64.7	55.4	16.5	2.2
Balance sheet					
Fixed assets	93.3	82.3	25.9	16.6	13.9
Current assets	611.1	448.9	362.8	161.6	125.6
Liquid assets	19.5	15.0	18.3	4.1	1.3
Shareholders' equity	145.3	212.0	183.8	66.9	57.8
Provisions	86.7	29.4	8.0	3.0	2.8
Interest bearing liabilities	219.1	154.6	96.4	54.6	46.0
Non-interest bearing liabilities	272.9	150.2	118.8	57.9	34.2
Balance sheet total	723.9	546.3	407.0	182.4	140.9
Key figures					
Return ratios					
Average return on operational capital employed %	-7.8	25.8	33.1	19.1	8.4
Average return on shareholders' equity %	-27.2	23.0	29.1	19.0	0.6
Average return on capital employed %	-4.5	19.2	22.6	13.3	6.4
Margins					
Gross margin %	-0.4	7.4	7.7	6.4	3.4
Operating margin %	-2.1	6.2	6.4	5.5	2.5
Net margin %	-3.1	5.5	5.5	4.4	0.7
Capital turnover					
Capital turnover rate %	2.3	2.5	3.4	2.3	2.2
Financial data					
Debt/equity ratio (multiple)	1.5	0.7	0.5	0.8	0.7
Interest cover ratio (multiple)	-1.3	4.4	6.0	4.3	1.3
Equity/assets ratio %	20.0	38.8	45.2	37.0	41.8
Cash flow	-23.7	60.2	49.3	15.3	3.4
Liquid assets incl. unused credit	156.8	160.4	146.1	19.6	21.0
Investments	11.3	10.5	13.9	1.1	4.3
Internal financing (multiple)	-1.3	6.0	2.2	13.9	0.8

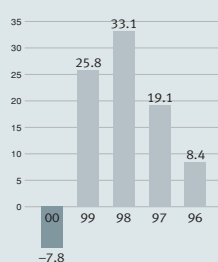
Operating margin (%)



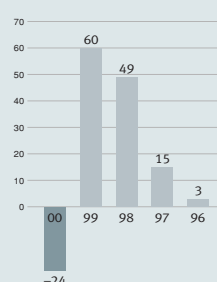
Capital turnover rate (%)



ROCE (%)



Cash flow (SEK m)



Debt/equity ratio (multiple)



NOTES TO THE ACCOUNTS INCLUDING ACCOUNTING AND VALUATION PRINCIPLES

Amounts in SEK million unless stated otherwise

GENERAL

The consolidated accounts have been drawn up in line with the recommendations of the Swedish Financial Accounting Standards Council and Swedish Annual Accounts Act.

Furthermore, the company will apply in advance the Swedish Financial Accounting Standards Council's recommendation for RR:9 concerning deferred taxes. The use of such tax has not resulted in the need to adjust the opening balance or other comparative figures.

CONSOLIDATED ACCOUNTS

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 of the voting rights.

At the end of the financial year there were 12 (9) operating companies in the Group.

Companies acquired are included in the consolidated accounts from the date of acquisition. Companies sold are included up to and including their sale date.

The consolidated accounts are drawn up in line with the acquisition method.

Foreign subsidiaries' accounts are converted to Swedish kronor using the current rate method. This means that income statements are converted according to the year's average conversion rate and the balance sheets are converted according to the account's closing day rate. A majority of the shareholders' equity is hedged through a loan taken up corresponding to the shareholders' equity in the subsidiaries. The changes that occur in the Group's shareholders' equity due to the differences in the closing day rates over the year are transferred to shareholders' equity.

COST ACCOUNTING

DORO works in an environment characterised by rapid technological change.

Development costs, registration and approvals, marketing etc., are written off immediately. Larger projects can be capitalized after individual assessments (no such costs are currently capitalized).

GOODWILL

Goodwill is calculated according to the acquisition method. 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 of the expected purchase price is carried out. Adjusted goodwill is therefore depreciated in line with the remaining goodwill's lifetime. When exceptionally good earnings trends appear goodwill is usually maximised and final payment can be made via a new share issue.

DEPRECIATION

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

Moulds/Production tools	2 years
Goodwill	10 years
Computers, cars, furniture etc. max.	2 - 5 years

STOCKS

Stocks are valued at whatever is the lower of the acquisition value (FIFO) and the actual value. The acquisition value is calculated for each delivery. Intra-group profit calculations are made for sales between Group companies.

Technological development is rapid and prices fall regularly. Writing-down of stocks has been carried out in line with a model where different sales trends give different write-down requirements.

In addition to this, individual assessment can be carried out.

Provisions are made for the cost of repairing goods that are returned within the guarantee period (normally one year).

RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCIES

Receivables and liabilities in foreign currencies are valued at the closing day rates. When these arise, futures contracts are used to hedge the values.

RESEARCH AND DEVELOPMENT

Research and development is carried out by the parent company, in England and at UpGrade Communications. All costs are charged to the profits in the year they arise. Larger projects (over SEK 5 million) can be capitalized on an individual basis. No costs had been capitalized at the end of 2000.

MINORITIES

In companies that have minority owners, minority accounting is not reported where the minority shareholding is limited to less than three years. Handling of dividends and redemption of minority holdings will also be regulated by contract, as well as taking goodwill into the calculation.

PENSIONS

Provisions for and payments of pensions have been made according to different pension plans.

TAXES

The Group's taxes consist partly of current tax on the taxable profits for the period and partly of deferred tax. The deferred tax mainly consists of tax calculated on the year's changes in transitional reserves, group adjustments and tax according to unutilised losses. Deferred taxes are calculated according to taxation in individual countries.

Tax legislation in certain countries allows for the 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's balance sheet shows the individual company's untaxed reserves divided into shareholders' equity and deferred tax. The income statement shows deferred tax as tax relating to the annual change in untaxed reserves.

Deferred tax assets are reported for the unutilised losses carried forward to the extent that they can be met by dissolving untaxed reserves, or to the extent that they are most likely to be used within the foreseeable future.

Unutilised losses carried forward that are received in conjunction with acquisitions, are converted to deferred tax assets if they are expected to be recoverable within three years.

EXCHANGE RATES

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

Country	Currency	Average rate		Closing day rate	
		2000	1999	2000	1999
Australia	AUD	5.35	5.32	5.27	5.55
Denmark	DKK	1.14	1.19	1.19	1.15
Finland	FIM	1.43	1.49	1.49	1.44
France	FRF	1.29	1.35	1.35	1.31
Europe	EUR	8.49	8.83	8.87	8.56
Hong Kong	HKD	1.18	1.07	1.21	1.10
Norway	NOK	1.05	1.06	1.07	1.06
Poland	PLN	2.12		2.28	
Switzerland	CHF	5.45	5.52	5.85	5.34
United Kingdom	GBP	13.95	13.39	14.06	13.79
USA	USD	9.19	8.28	9.42	8.53

NOTE 1 INTRA-GROUP TRANSACTIONS

Of the parent company's invoicing, SEK 15 million (12) relates to subsidiaries. Invoicing from subsidiaries to the parent company amounted to SEK 7 million (10).

NOTE 2 RESEARCH AND DEVELOPMENT

DORO carries out R&D to develop, or adapt, products for those markets where it is active and to continually work towards better quality. Design is also a major factor. All research and development costs are taken as cost.

NOTE 3 LEASING COSTS

Costs for operational leasing charges during the year totalled SEK 3.0 million (1.8). Agreed future leasing costs amount to SEK 4.5 million (2.1) and fall due for payment over the next four years.

NOTE 4 AVERAGE NUMBER OF EMPLOYEES

	2000	of which male	1999	of which male
Parent company	20	85%	16	81%
Other, Sweden	87	78%	81	76%
Norway	22	82%	29	69%
Denmark	19	68%	23	76%
Finland	10	60%	12	66%
United Kingdom	29	69%	30	66%
Switzerland	17	70%	10	70%
Australia	29	55%	29	59%
Hong Kong	11	45%	11	45%
France	50	60%	1	50%
Poland	18	78%		
Total	312	70%	242	70%

NOTE 5 SALARIES AND OTHER REMUNERATION

	2000	1999
<i>Salaries and other remuneration</i>		
Parent company	9.3	7.9
Subsidiaries	103.3	75.1
Group, total	112.6	83.0
<i>Payroll overheads (of which pension costs)</i>		
Parent company	4.0 (1.2)	3.7 (0.8)
Subsidiaries	21.8 (2.5)	12.9 (2.3)
Group, total	25.8 (3.7)	16.6 (3.1)

Pension costs for the managing directors of the subsidiaries amounted to SEK 1.1 million (700,000).

NOTE 6 BREAK-DOWN OF SALARIES AND REMUNERATION

	2000 Board and CEO	Other staff	1999 Board and CEO	Other staff
Sweden	3.2	33.1	4.3	22.2
Norway	1.4	7.4	1.5	8.8
Denmark	1.2	7.2	1.3	5.8
Finland	0.5	2.5	0.6	2.5
United Kingdom	1.7	10.4	1.3	13.2
Switzerland	2.2	6.8	2.7	6.3
Australia	3.3	10.9	3.0	6.0
Hong Kong	0.0	3.4	0.0	3.0
France	1.4	13.7	0.0	0.4
Poland	1.2	1.4		
Total	16.1	96.5	14.7	68.3

NOTE 7 MANAGEMENT'S REMUNERATION

Remuneration to the company's Board, in line with the AGM's decision, amounted to SEK 480,000 (415,000) of which SEK 200,000 (175,000) was paid to the Chairman. In addition to this the Chairman's remuneration for board assignments at subsidiary companies was SEK 43,000 (58,000), plus SEK 195,000 (0) (via company), for other work connected with the change of CEO. Other board members who sit on the subsidiaries' boards or who have performed investigatory work, have received SEK 75,000 (50,000) in remuneration. The board's pension costs totalled SEK 0 (0).

The outgoing CEO received remuneration of SEK 720,000 (1,668,000) up to and including 30 September, which includes no bonus payment (750,000). He also received a pension allocation of SEK 216,000 (315,000) and the benefit of a free car. All costs associated with the CEO's departure have been charged to the annual accounts for 2000. With effect from October the acting CEO has received remuneration of SEK 270,000, pension allocation of SEK 68,000 and the benefit of a free car.

The period of notice given by the company is one year and by the CEO, 6 months. The CEO is entitled to a salary for a maximum of 24 months if the company terminates his employment. However, the amount will be reduced in the event of any subsequent new employment. The CEO has a pension benefit corresponding to 70% of his salary and his retirement age is 65.

Retirement age for other members of corporate management in the Group is 65 and pensions are usually paid in accordance with the general pension plan. The period of notice for senior executives is in line with LAS (the Employment Protection Act).

NOTE 8 DEPRECIATION

Depreciation is calculated in line with generally accepted accounting principles. Group-wise goodwill is depreciated over the expected economic life of 10 years.

NOTE 9 APPROPRIATIONS

	2000	1999
Parent company		
Difference between booked depreciation and depreciation according to plan	0.1	0.6
Transfers to tax allocation reserve	6.3	0.0
Total	6.4	0.6

NOTES

NOTE 10 TAX

The Group	2000	1999
Paid	4.5	6.4
Deferred	-0.3	12.7
Total	4.2	19.1

NOTE 11 INTANGIBLE ASSETS

The Group	2000	1999
Acquisition value brought forward	63.7	13.2
Acquisitions during the year	25.6	50.5
Sales/Disposals	0.0	0.0
Total accumulated acquisition value	89.3	63.7
Depreciation brought forward	7.8	4.5
Depreciation during the year	11.9	3.2
Depreciation on sales/disposals	0.0	0.0
Total	19.8	7.8
Closing residual balance according to plan	69.6	55.8

NOTE 12 TANGIBLE ASSETS

	The Group		Parent company	
	2000	1999	2000	1999
Acquisition value brought forward	68.3	27.0	10.5	9.3
Acquisitions during the year	11.3	10.5	7.1	4.3
Purchases		15.9	-	-
Sales/Disposals	-3.9	14.9	-0.3	-3.0
Total	75.7	68.3	17.4	10.5
Depreciation brought forward	24.5	16.9	5.6	4.7
Depreciation during the year	13.1	11.4	4.9	2.6
Purchases	-	9.1	-	-
Sales/Disposals	14.8	6.5	0.0	-1.7
Total	52.4	43.9	10.5	5.6
Closing residual balance according to plan	23.4	24.5	6.8	4.9

NOTE 13 PARTICIPATIONS IN GROUP COMPANIES

					(SEK m)
Subsidiary	No. of shares	%		Nom. value	Book value
DORO A/S	3,000	100	NOK	1.5 m	14.0
DORO Danmark A/S	2,500	100	DKK	2.5 m	2.9
DORO Tele OY	29,600	100	FIM	3.7 m	5.9
DORO Protech AB	8,000	100	SEK	0.8 m	0.8
DORO Finans AB	1,000	100	SEK	0.1 m	4.8
DORO Sverige AB	200,000	100	SEK	20.0 m	20.0
DORO UK Ltd.	3,013,400	100	GBP	3.0 m	81.4
DORO Audioline AG	3,000	100	CHF	1.5 m	8.5
DORO Australia Ltd. Pty.	7	100	AUD	2.5 m	16.5
DORO Hong Kong Ltd.	4,500	100	HKD	4.5 m	4.7
UpGrade Communications AB	110,000	100	SEK	11.0 m	31.4
UpGrade Communications A/S	500	100	DKK	0.5 m	0.0
DORO Matra Telecom SA	30,000	80	FRF	30.0 m	55.6
DORO Atlantel Sp.Zo.o.	1,400	75	PLN	14.0 m	45.2
Total					292.0

Subsidiary - Company reg. no.	Registered office
DORO A/S - 934210719	Fredrikstad, Norway
DORO Danmark A/S - 180130	Birkerød, Denmark
DORO Tele OY - 0994069-9	Helsinki, Finland
DORO Protech AB - 556542-2556	Lund, Sweden
DORO Finans AB - 556450-7282	Lund, Sweden
DORO Sverige AB - 556558-0221	Lund, Sweden
DORO UK Ltd. - 1180330	Redditch, UK
DORO Audioline AG - 122237	Köniz, Switzerland
DORO Australia Ltd. Pty. - ACN 003680528	NSW, Australia
DORO Hong Kong Ltd. - 08194263-000-12-98-6	Kowloon, Hong Kong
UpGrade Communications AB - 556280-7338	Limhamn, Sweden
UpGrade Communications A/S - 240210	Brøndby, Denmark
DORO Matra Telecom SA - 309 662 195	Versailles, France
DORO Atlantel Sp.zo.o. - H/B 9346	Krakow, Poland

NOTE 14 PREPAID EXPENSES AND ACCRUED INCOME

	The Group		Parent company	
	2000	1999	2000	1999
Prepaid rents	0.7	1.1	0.1	0.0
Accrued interest income	0.0	0.0	0.0	0.0
Other items	25.5	7.7	4.6	0.4
Total	26.2	8.9	4.8	0.4

NOTE 15 CHANGE IN SHAREHOLDERS' EQUITY

The Group	Share capital	Restricted reserves	Non-restricted reserves	Net profit/loss for the year
Opening balance	9.7	101.9	54.8	45.6
Transfers			45.6	-45.6
Dividend			-19.4	
Change between restricted and non-restricted equity		3.9	-3.9	
Translation difference			-1.3	
Profit for the year 2000				-48.6
Closing balance	9.7	105.8	78.4	-48.6

Parent company	Share capital	Restricted reserves	Non-restricted reserves	Net profit/loss for the year
Opening balance	9.7	94.0	33.5	34.6
Transfers			34.6	-34.6
Dividend			-19.4	
Group contribution			-10.7	
Profit for the year 2000				-5.4
Closing balance	9.7	94.0	38.0	-5.4

NOTE 16 UNTAXED RESERVES

Parent company	2000	1999
Difference between booked depreciation and depreciation according to plan	0.0	0.1
Transfers to tax allocation reserve		
1994	0.0	6.3
1995	0.2	0.2
1996	0.0	0.0
1997	0.7	0.7
1998	0.5	0.5
1999	0.0	0.0
2000	0.0	-
Total	1.4	7.9

The deferred tax liability in the untaxed reserves totals SEK 0.4 million (2.2).

NOTE 17 OTHER PROVISIONS

	The Group		Parent company	
	2000	1999	2000	1999
Guarantee provisions	18.4	2.7	0.0	0.0
Other provisions	68.3	19.2	43.0	0.0
Total	86.7	21.9	43.0	0.0

NOTE 18 BANK OVERDRAFT FACILITIES

	The Group		Parent company	
	2000	1999	2000	1999
Approved credit	356.4	351.3	300.0	300.0

NOTE 19 ACCRUED EXPENSES AND PREPAID INCOME

	The Group		Parent company	
	2000	1999	2000	1999
Holiday pay liability	7.5	5.2	0.9	0.7
Payroll overheads	2.1	2.6	0.6	1.3
Other staff liabilities	2.1	3.7	0.3	0.9
Accrued interest	0.0	0.0	0.0	0.0
Other items	34.7	34.3	8.2	11.6
Total	46.4	45.7	10.1	14.5

NOTE 20 PLEDGED ASSETS TO CREDIT INSTITUTIONS

	The Group		Parent company	
	2000	1999	2000	1999
Chattel mortgages	170.0	220.5	170.0	170.0
Trade debtors and stock	138.5	136.6	38.5	44.3
Shares in subsidiaries	303.0	262.3	292.0	156.7
Total	611.5	619.4	500.5	371.0

NOTE 21 CONTINGENT LIABILITIES

	The Group		Parent company	
	2000	1999	2000	1999
Repurchase guarantee	0.1	0.3	0.0	0.0
Guarantee to subsidiary	19.9	0.0	19.9	0.0
Other	37.7	0.0	0.0	0.0
Total	57.7	0.3	19.9	0.0

NOTE 22 DISPUTES

DORO works in an environment with different forms of responsibility for product functionality. The Group's companies have all made various provisions for the risks that exist. Disputes can also arise with suppliers because they do not deliver products that have the agreed functionality. DORO normally only has a small amount of these disputes.

DORO reported a major dispute with a supplier in last year's annual report, for which SEK 10 million was set aside in the accounts for 1999 and the remaining risk was estimated to be SEK 20–25 million. Several attempts have been made during the year to solve this dispute, without success. As nothing has been achieved in this matter, Nissho Iwai has been taken to court in Osaka, Japan. Preliminary legal proceedings have started and could take several years to settle. The year's results have been charged with SEK 21 million (last year SEK 10 m). This means that there is no remaining risk. The whole amount is paid to the supplier and a successful outcome in this dispute will give the same result and cash flow effect.

NOTE 23 AUDITORS

Arthur Andersen carries out the auditing at all units.

	The Group		Parent company	
	2000	1999	2000	1999
Fees and costs				
Auditing assignments	1.4	1.0	0.2	0.1
Other assignments	0.7	2.5	0.3	2.4

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 24 RISKS

The Board of Directors has established various frameworks for risk and indicated which risks may be taken. Risk management aims to identify, quantify and reduce or eliminate risk.

DORO AB (the parent company) has overall responsibility for the Group's financial issues. Through centralisation and co-ordination, 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.

Foreign currency management is concentrated within DORO AB.

DORO AB sells and buys currencies within the framework for established risk limits. Changes in exchange rates for foreign currencies affect the Group's profit/loss in various ways:

Transaction exposure

This arises when income from sales and costs is in different currencies. DORO has large exposure because a large share of production services is 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 income and costs are mainly in USD.

DORO's currency policy entails a limited amount of currency hedging. Exceptions are made for transactions in which prices cannot be changed and the period of commitment is greater than six months (this corresponds to around 25% of purchases in 1999 and around 20% of purchases for 2000).

Most products fall in price. Price reductions are counterbalanced by increases in the value of USD, and compensation can thus be obtained for rising exchange rates, although there is a time delay. All competitors buy their products in the same currency region, so the effects of currency changes are neutral.

Currency exposure

(2000 and pro forma for the new Group structure flows in 1999)

	2000	2000	1999	1999
	Before	After	Before	After
Currency (SEK m)	hedging	hedging	hedging	hedging
SEK	+220	+220	+225	+225
DKK	+90	+90	+75	+75
NOK	+90	+90	+125	+125
EUR	+210	+210	+325	+325
GBP	+110	+110	+200	+200
CHF	+50	+50	+50	+50
AUD	+140	+140	+125	+125
USD	–950	–750	–1050	–900
PLN	+30	+30	+25	+25

Conversion exposure of foreign assets

DORO owns assets in foreign currency. Equity in the foreign subsidiaries is partly hedged by loans in the same currency.

At the year-end the value of foreign net assets was SEK 196 million (187 m), of which SEK 127 million (126 m) was hedged in the form of loans in the same currency.

Value of foreign assets

(2000 and pro forma for the Group structure 1999 in SEK m)

	2000 Value	2000 Of which hedged	1999 Value	1999 Of which hedged
DKK	8	11	10	14
NOK	21	14	23	14
EUR	39	22	39	0
GBP	42	49	69	68
CHF	13	15	17	13
AUD	36	16	25	17
HKD	5	0	4	0
PLN	32	0	–	–
Total	196	127	187	126

Financial exposure

DORO has concentrated a large part of its loans in DORO AB. All loans have variable interest rates. The reason for this is the large variation in loaning requirements and the fact that variable rates produce lower annual costs for interest rates.

Net debt/currency 31 Dec. 2000 and 31 Dec. 1999

(SEK m)	2000	1999
SEK	49	43
EUR	18	–19
GBP	75	71
DKK	13	10
NOK	14	11
CHF	15	14
AUD	31	20
HKD	–1	0
USD	–12	–10
PLN	–2	–
Total	–200	140

Other risk management

DORO has traditionally had low levels of credit losses and this also applied in 2000. By working with well-established customers who have good credit ratings, credit risks can be reduced. DORO operates in most countries without credit insurance.

During 2000, DORO finalised co-ordinating its 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. Solutions were implemented during 2000.

NOTE 25 SENSITIVITY ANALYSIS

DORO is affected by different factors and the following effects arise following a 1% change in different variables (calculated on 1999's pro forma structure)

	2000	1999
• Price change	+/- 14	+/- 12
• Volume change	+/- 3	+/- 3
• USD	+/- 9	+/- 7
• Interest rate change	+/- 2	+/- 1

The calculation is made in a statistical environment. In reality, a rise in USD for example can be compensated for with higher prices although there will be a time delay.

NOTE 26 DEFERRED TAXES

DORO is applying in advance the Swedish Financial Accounting Standards Council's new recommendation 9 (RR:9) concerning deferred tax.

	The Group		Parent company	
	2000	1999	2000	1999
Components in tax for the period				
Current tax cost	12	19	0	0
Other	–8	0	0	0
Tax accounted for	4	19	0	0

During 2000 Australia reduced its tax rate from 36% to 34% with effect from 2001.

Temporary differences arise in those cases where accounted values of assets or liabilities and their taxable value are different. Temporary differences, unutilised losses carried forward (and other future tax deductions) have led to deferred tax liabilities and income tax recoverables for the following:

Deferred tax liabilities				
Tax allocation reserve	0	0	0	2
Accounted deferred tax liability	0	0	0	2
Deferred income tax recoverables				
Unutilised losses carried forward	23	16	7	0
Allocation to restructuring reserve	2	3	0	0
Accounted deferred tax recoverables	25	19	7	0
Deferred income tax recoverables, net	25	19	7	–2

Deferred income tax recoverables are shown for unutilised losses carried forward when they can be met by resolving untaxed reserves or those that in all probability are calculated to be used in the near future. Of the consolidated losses carried forward, SEK 79 million (25 m) can be used without a time limit being imposed.

Non-accounted deferred income tax recoverables for unutilised taxable losses carried forward:

7	0	0	0
---	---	---	---

NOTE 27 PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

	The Group		Parent company	
	2000	1999	2000	1999
Dividends	–	–	31.8	51.2
Write-down of shares	–	–	–2.0	–
Write-down of claims	–	–	–21.4	–
	–	–	8.4	51.2

To the Annual General Meeting of DORO AB (Publ)
Company Reg. No. 556161-9429

We 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 2000. These accounts and the administration of the Company are the responsibility of the Board of Directors and the CEO. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts, and the administration, based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Sweden. Those Standards require that we 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 our opinion concerning discharge from liability, we 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. We 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. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and, thereby, give a true and fair view of the company's and the Group's financial position and results of operations, in accordance with generally accepted accounting principles in Sweden.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the parent company and the Group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Lund, 3 February 2001

Mats Fredricson
Authorized Public Accountant

Torbjörn Svensson
Authorized Public Accountant

DEFINITIONS

Average return on capital employed

Profit/loss after net financial items plus financial expenses divided by average capital employed.

Average return on shareholders' equity

Profit/loss after net financial items plus financial expenses divided by average shareholders' equity.

Average return on total capital employed

Profit/loss after net financial items plus financial expenses divided by average total capital employed.

Gross margin

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

Operating margin

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

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.

Debt/equity ratio

Interest bearing liabilities 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

Profit/loss after tax plus depreciation and changes in untaxed reserves.

Investments

Net investments excluding acquisitions.

Internal financing rate

Cash flow before investments divided by investments.

Earnings per share

Profit/loss after net financial items less tax divided by the number of shares. An average number of shares has been used for 1998's calculation

Cash flow per share

Profit/loss after tax plus depreciation and changes in untaxed reserves divided by the average number of shares.





Per Carlenhag

Ulrik Nilsson

Anders Barring

Ingvar Karlsson

Ingvar Karlsson, born 1956.

Acting CEO since 2000 and Deputy CEO and CFO since 1998, as well as Secretary to the Board of DORO AB from 1999. Employed since 1998. Other positions: Chairman of the Board of DORO companies, Sweden, Denmark, Switzerland and France. Board Member of DORO UK. Shareholding: 4,050 shares. Options: 25,000.

Anders Barring, born 1958.

International Product Manager. Employed since 2000. Other positions: Chairman of the Board of DORO, Hong Kong. Board Member of DORO UK and Poland. Shareholding: 0. Options: 0.

Per Carlenhag, born 1954.

Quality and Environmental Manager. Employed since 1999. Shareholding: 0. Options: 0.

Ulrik Nilsson, born 1971.

Business integration Manager. Employed since 1989. Shareholding: 1,160 shares. Options: 5,000.

Peter Cullin, born 1961.

Development Manager. Employed since 1983. Shareholding: 3,000 shares. Options: 7,500.

Thomas Larsson, born 1964.

Group Controller. Employed since 1999. Other positions: Board member in Sweden, Norway, Denmark, Finland, Poland, Australia and Hong Kong. Shareholding: 0. Options: 0.

Allan Mårtensson, born 1953.

Business Development Manager. Employed since 1976. Other positions: Chairman of the Board in Norway, Finland and Poland. Board Member in Denmark. Shareholding: 10,774 shares. Options: 15,000.

Shares and options holdings also include shares and options held via personal companies and family holdings.

Options issued by RunDor (a wholly owned company by Rune Andersson)



Peter Cullin

Thomas Larsson

Allan Mårtensson

THE BOARD OF DIRECTORS AND AUDITORS

Members



Lars-Olof Hjalmar, born 1939.
CEO of Punt Invest AB.
Chairman of the Board since 1996.
Other positions: Chairman of Svenska Trygghetstelefoner AB and DORO UK. Board member of Bulten AB, KonfTel AB and DORO Matra Telecom SA.
Shareholding: 5,028 shares.
Options: o.



Rune Andersson, born 1944.
Board member since 1998.
Other positions: Chairman of Electrolux, Trelleborg and Svedala.
Shareholding: 3,012,116 shares.
Options: Issued 300,000 options via wholly-owned company, RunDor.
Options held: o



Ulf Körner, born 1946.
Professor of teletraffic systems at Lund University. Board member since 1993.
Other positions: Board member of Consafe Infotech, Post- och Telestyrelsen and Chairman of UpGrade Communications AB.
Shareholding: 300 shares.
Options: o.

Secretary to the Board



Ingvar Karlsson, born 1956.
Acting CEO and Deputy CEO since 2000.
CFO since 1998.
Other positions: Secretary to the Board of DORO from 1999 and Chairman of DORO companies in Sweden, Denmark, Switzerland, and France. Board Member of DORO UK.
Employed since 1998.
Shareholding: 4,050 shares.
Options: 25,000.
Thomas Larsson has been Secretary to the Board since 16 October.

Auditors



Mats Fredricson, born 1944.
Authorised Accountant.
Auditor for DORO since 1999.



Torbjörn Svensson, born 1953.
Authorised Accountant, Arthur Andersen.
Auditor for DORO since 1999.



Mats Ljunggren, born 1943.
Board member since 1998.
Other positions: Chairman of Senea AB and Board Member of Allgon AB, Kipling Holding AB, Sivers IMA AB, IAR Systems and UpGrade Communications AB.
Shareholding: 135,000 shares.
Options: o.



Joen Magnusson, born 1951.
CEO of G&L Beijer AB.
Board member since 1993.
Other positions: Chairman of Kylma AB, G&L Beijer Electronics AB, G&L Beijer Industri AB and AWA-konsult AB. Board Member of Depenova AB.
Shareholding: 1,000 shares.
Options: o.

Claes Bühler, born 1945.
Board member from 1974 to 28 September 2000.

The Board and its programme

DORO's Board of Directors consists of six members elected at the Annual General Meeting. The members include two people who represent the main shareholder Rune Andersson. The Board also includes the CEO. The Deputy CEO is the secretary and during his time as acting CEO the Group Controller has acted as secretary. Other company executives take part in the Board meetings as reported.

The Board held 8 (9) meetings during the 2000 financial year.

In December, the Board adopted an unchanged programme concerning the division of duties between the Board and the CEO. Furthermore, the CEO has assumed no new instructions.

Documentation will be sent out a week in advance of each meeting. Every month, the previous month's results will be sent out with attached comments. The Board has spent a lot of time during the year dealing with the company's financial position and change of CEO.

At the annual accounts meeting, the Group's auditor reported the results of his audit.

Seven board meetings are planned for 2001.

There are no special committees. The larger shareholders are contacted before the Board's re-election.

3G Third generation mobile telephony that allows the transfer of rapid mobile data, e.g. for the Internet, at a speed of up to 2Mbps.

ADSL Asymmetric Digital Subscriber Line is a new bandwidth technology with which it is possible to transfer data at over 6Mbps, using existing copper wire in one direction.

ATM Asynchronous Transfer Mode is another technology for transferring data at high speeds.

Bluetooth Data packet technology for wireless communication over short distances (< 25m).

Bredband Is the transfer of data and telecommunications of more than 2Mbps/s (more than ISDN).

CTI Computer Telephony Integration is a collective term for services where computers and telephony are integrated.

CT0 / CT1 Is an analogue standard for cordless telephone communication (an alternative to DECT).

DECT Digital Enhanced Cordless Telecommunications is a European standard for digital cordless telephones.

EDGE Enhanced Data rates for GSM Evolution is technology allowing the wireless transfer of multimedia, IP-based services and applications over the existing GSM band. EDGE allows data rates of up to 384 kbps or faster.

GSM Global System for Mobile Communications is a digital mobile telephone network and the largest, most rapidly expanding in Europe.

GPRS General Packet Radio Services is technology for public mobile communications and the first step from GSM to third generation mobile telephony. GPRS offers data rates of 9.6 kbps-115 kbps.

HiperLAN2 Next generation wireless network with data rates of up to 54 Mbps.

ISDN Integrated Services Digital Network is the most widespread digital standard for corded telephony.

IP Internet Protocol is a communications standard for computer and telephony.

IT Information Technology is a broad term basically describing everything that can be programmed.

LAN Local Area Network is a geographically-limited computer or switch network often with high data rates from 4 Mbps/s and above.

LMDS Local Multipoint Distribution Services is technology for fixed (non-mobile) wireless transfer of data and telephony services. Reaching a distance of 3-5km with a clear line of sight and a total distribution capacity of 1.5-2 Gbps. The system can connect tens of thousands of users.

PBX Private Branch Exchange is the English title for company switchboards.

UMTS Universal Mobile Telecommunication System is also known as third generation mobile telephony, 3G. UMTS has the ability to create global services, for mobile telephony, data and multimedia. It has a transfer rate of 2Mbps.

VMS Voice Mail Systems is a voice mail system or an answering machine integrated into a business switchboard.

VoIP Voice over Internet Protocol. Standard for transferring voice in packet based form over data networks.

VPN Virtual Private Network means that users in different geographic locations can still work together as a group.

WAN Wide Area Network is similar to a LAN but with greater or unhindered geographic coverage.

WAP Wireless Application Protocol is a standard for using Internet via mobile telephones.

ADDRESSES



DORO AB

Head Office
Skiffervägen 80
SE-224 78 LUND
SWEDEN
Phone +46 46 280 50 60
Fax +46 46 280 50 02
CEO Ingvar Karlsson

DORO Australia Ltd Pty
13 Columbia Way
Norwest Business Park
Baulkham Hills NSW 2153
AUSTRALIA
Phone +61 2 8853 8488
Fax +61 2 8853 8489
MD, Kevin McDonnell

DORO Danmark A/S
Blokken 21-23
DK-3460 BIRKERÖD
DENMARK
Phone +45 45 940 200
Fax +45 45 825 220
MD, Jens Christian Milo

UpGrade Communications A/S
Park Allé 350 D
DK-2605 BRÖNDBY
DENMARK
Phone +45 43 43 95 90
Fax +45 43 43 95 80
MD, Henrik Mygind

DORO Tele OY
Ruosilantie 18
SF-00390 HELSINKI
FINLAND
Phone +358 9 540 000
Fax +358 9 56 26 522
MD, Kai Seppälä

DORO Matra Telecom SA
BP 446
FR-780 55 SAINT QUENTIN
EN YVELINES
FRANCE
Phone +33 1 30 07 17 00
Fax +33 1 30 07 17 79
MD, Jérôme Arnaud

DORO Hong Kong Ltd
Unit 2, 11/F
China Aerospace Ctr
143 Hoi Bun Rd.
Kwun Tong Kowloon
HONG KONG
Phone +852 2730 2777
Fax +852 2730 2433
MD, Andrew Leung

DORO A/S
Postboks 1404
NO-1602 FREDRIKSTAD
NORWAY
Phone +47 69 358 600
Fax +47 69 358 669
MD, Tom Ringen

DORO Atlantel Sp.zo.o
Ul. Cienista 34
PL-71-867 KRAKOW
POLAND
Phone +48 12 415 4557
Fax +48 12 415 9645
MD, Maciej Nowakowski

DORO Audioline AG
Freiburgstrasse 572
CH-3172 NIEDERWANGEN
SWITZERLAND
Phone +41 31 980 28 28
Fax +41 31 981 08 30
MD, Selim Dusi

DORO UK Ltd
22 Walkers Road
North Moons Moat Industrial Estate
Redditch
Worcs B98 9HE
Great Britain
Phone +44 1527 58 38 00
Fax +44 1527 58 38 01
MD, Helen Anderson

DORO Sverige AB
Skiffervägen 80
SE-224 78 LUND
SWEDEN
Phone +46 46 280 50 00
Fax +46 46 280 50 01
MD, Ronny Söder

DORO Protech AB
Skiffervägen 80
SE-224 78 LUND
SWEDEN
Phone +46 46 280 50 30
Fax +46 46 280 50 07
MD, Ronny Söder

UpGrade Communications AB
Ringugnsgatan 12
SE-216 10 MALMÖ
SWEDEN
Phone +46 40 65 00 100
Fax +46 40 65 00 199
MD, Ronny Johnsson



DORO AB (publ)
Skiffervägen 80, SE-224 78 Lund, Sweden
Phone +46 46 280 50 60 · Fax +46 46 280 50 02
www.doro.com