annual report 2004

DORO

annual general meeting

The Annual General Meeting will be held at 5 p.m. on Tuesday 15 March 2005, 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 4 March 2005 (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 that 10 days before the AGM. This should be done in good time as it takes some time for nominees to make this re-registration.

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

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

Dividend. It is proposed that no dividend (SEK 0.00 last year) be paid for the 2004 financial year. A redemption of shares is not proposed.

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

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

Doro will publish financial reports for the 2005 financial year on the following dates:

- Q1 report 19 April, Q2 report 20 July, Q3 report 19 October.
- The unaudited financial statement, 30 January 2006.
- Annual Report for 2005, February 2006.
- Annual General Meeting, 15 March 2006.

the year in summary

Increased sales. Doro recorded higher net sales of SEK 649 million compared with SEK 648 million in 2003.This is the first time Doro has increased sales since 2000 and shown organic growth since 1998. Sales were particularly strong in Q4 with growth of 19% compared to 2003. Volumes increased over the year by 25% but prices fell dramatically.

Slightly lower profits. Doro showed a drop in profits of SEK 3 million to SEK 25 million in 2004.

The extra sales at the end of the year boosted account receivables. The wider product range and greater volumes led to greater stock value. This has increased the balance sheet by SEK 62 million to SEK 304 million and produced negative cash flow of SEK –30 million.

Greater range and greater market shares. Doro boosted its market shares in 2004. The pace of product development has more than doubled. The range has been strengthened and the first IP telephony products were also introduced during the year. The segmentation strategy launched at the end of 2003 was implemented in 2004.

Doro has further improved its skills in design, sourcing, quality and distribution. This has resulted in Doro being voted the best supplier in France, among other things. Many design awards have been received, but most important is the strong, wide, customer acceptance for the new models launched.

Further investment in broadband. The wireless broadband activities at UpGrade have continued installations of the major contracts won last year. The first installation of the new wireless WiMax standard was carried out during the year.

IAS / IFRS. Doro's income statement and balance sheet were marginally affected by the new accounting principles introduced on 1 January 2005. Goodwill will no longer be written off, which will affect profits by SEK 2.7 million for 2004.

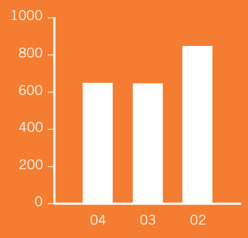
Falling US dollar. The US dollar continued to fall during the year. This has had a very positive affect on Doro's profits, but also driven product prices down. Doro's way of protecting itself from currency fluctuations has been successful.

Financial summary

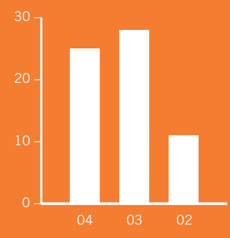
Profit before tax	SEK 25 million
Earnings per share after tax	SEK 1.11 per share

The Board proposes that no dividend be paid and no redemption of B shares occurs.

Sales (SEK m)



Profit before tax (SEK m)



2004 – new doro begins to make its mark

Rune Torbjörnsen, Doro's President and CEO, comments:
The Group has significantly stepped up the pace of development and launch of new products, and has increased its volumes while taking market shares. Our sights are set for a sales boost in 2005 as we launch new telephony and consumer electronics products.

What were the most important results that Doro achieved in 2004? 2004 was a year of great change for Doro, where we went from the old Doro to become a more market-oriented company with greater customer and consumer awareness. I believe that we have mainly achieved three things. Firstly the implementation of our customer segmentation model, which is now a natural and integral part of our work with our customers. Likewise, the segmentation model also affects product development, which has already given us positive results. Secondly that we've broadened our product range, which in turn made it possible to make a number of major deals. And thirdly we regained market shares, primarily in the low and mid-priced segments.

What are your views on the financial performance? I am very pleased that we managed to raise volumes by 25 per cent, even though I would have liked sales to have increased more. We succeeded in more than doubling the number of DECT telephones sold compared to 2003 from an already significant level. This is proof of the strength of our organisation. That it didn't affect sales is because of the stiff competition, which led to price cuts throughout the market.

The SEK 25 million profit is acceptable considering that 2004 was a year of heavy investment in developing new products. Many of the new models only first made a breakthrough in sales and results in Q4.

What are you most pleased with? In terms of sales I am most pleased with gaining market shares on all markets. Sweden, Poland and France all developed positively. I am also very pleased about our first order of IP telephony – an important breakthrough for us. We also received acknowledgement in France when we were chosen as the best supplier in the industry and in the UK where we were named best new supplier by one of the largest retailers.

I am also very pleased with the way our staff have taken to our new work methods. I feel assured and pleased in saying that we are now seeing the beginnings of a new Doro. We currently have an inspired organisation that are proud of the products and the Doro brand. I would like to thank all our employees for their wonderful commitment during 2004.

What aren't you pleased with? Sales on certain markets have not developed according to plan. We implemented measures on these markets during the year to streamline the business further and cut costs. I hope that we will achieve our goals on these markets in 2005. The drastic price cuts experienced on a number of markets are also still holding our profits at a level too low for long-term prosperity.

How have the new products been received in 2004? We considerably stepped up the pace in accordance with our new growth strategy for the development and launch of new products. Our 500 series turned out to be a big seller in 2004. The design of the phone has been well received by all markets, which is in itself unusual.

Our modular E-range telephones, which represent a new mindset in domestic telephony, received a prestigious design award in France before its launch. We are also noticing greater interest from our retailers for our future products and our strategy of launching products in other new areas.

Doro is extending its IP telephony portfolio – what are your goals? The IP telephony market began to take off in 2004, especially in France. We receive our first order in November, as a result of the agreement with the French IP telephony company Bloophone. The agreement means that we will cooperate in technology development and distribution.

I see this as a natural step in the progression of Doro and an attempt to take the lead in IP telephony. We are a well-established consumer brand with well designed and simple products. The aim is for IP telephony products to represent 2–5 per cent of turnover by 2005.

How has the UpGrade subsidiary performed over the year? 2004 was an intermediary year for UpGrade. We focused on carrying out major projects such as expanding wireless broadband on the island of Gotland. UpGrade is very skilled and is increasingly focused on providing total solutions in wireless broadband. We were the first company in Sweden during the year to introduce the new WiMAX standard. We also entered the 5.4 GHz frequency market. UpGrade is now investing in new tools such as radio planning, network design, project management and financial solutions for our customers. Our recently developed strategy includes providing the 5.4 GHz area with the same professionalism as we do for the 3.5 GHz area.

What trends are you seeing on today's telephony market? A clear trend is that we are seeing the same content in fixed telephony as in mobile telephony. This includes SMS, colour screen, etc. Another trend is that customers are offered more handsets to the same base unit. Prices today mean that consumers can now have three handsets for what one telephone cost in the past.

Another development is our customers. They are becoming more professional and as such are increasing their requirements on preferred suppliers. This is a development that has benefited Doro as we have high quality controls, can provide more functions and have become more style conscious. Our new product portfolio has therefore received excellent feedback from the major retailers.

What is clearly visible is that consumers buy telephones on impulse more now than in the past, partly because of the low prices, but also because consumers are more interested in the design of their domestic telephones and we see them as a stylish part of the home. It is therefore important for us to continue investing in design in order to inspire and encourage this demand.

Can you describe your growth strategy and how you follow it? Our growth strategy builds on segmentation where we adapt our product range according to different consumers' needs and preferences. The breadth of our product portfolio is an important component of the strategy. This is done through product development in the core activities (telephones and telephone accessories), but also in other areas of consumer electronics such as walkie-talkies. We will continue extending our product portfolio in 2005. We will launch an accessory range for portable electronics products. The range will primarily be for mobile telephones. After launching around 10 products a year we will step this up to launching between 30–40 products a year in future. We will extend our portfolio where profitability is good and where we consider our skills can provide the consumer with a better alternative.

As an addition to the strategy we will work to create partnerships with selected customers and suppliers. In 2004 we established many long-term agreements and we are convinced that this is the right way to create growth for the Group.

How will you realise your vision of becoming a consumer electronics company? We are currently honing our skills in consumer electronics. We have already recruited a number of people from this field into sales and product development. We are also working a lot with joint ventures and alliances. This is a good way for us to hone our skills and ensure a flow of new products.

Our core skills are sourcing products, quality assurance and distribution, but we are also skilled at developing the right kind of products, which are really appreciated by consumers. The combination of today's improved quality, putting us at the top in terms of quality, with products that customers consider have an attractive appearance and content, mean that our customers trust us and the products that we provide, even in other areas. These skills allow us to work with any consumer products we want. Our mindset is to focus more on customer and market orientation.

What are your objectives for 2005? I expect continued growth in 2005 as new products are launched. We are investigating the possibility of new product areas and different forms of partnership along with organic growth. Another important objective is to improve profitability compared to the profits reported for 2004. The US dollar has helped us greatly in recent years. We have good opportunities to boost volumes without increasing costs to the same degree for administration. We will invest further in sales and product development in order to steer the company in the right direction.

The new Doro is now entering a new year where we are better prepared than ever before to create added value for consumers, customers and shareholders. I am convinced that we will succeed.

RUNE TORBJÖRNSEN, CEO

doro in a minute

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

Aims. Doro's aims for 2005 are to:

Continue increasing market shares.
Continue a high launch tempo for telephony products.
Launch new IP telephony products and accessories.
Achieve increased sales and profits.

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

- Boost sales of new and existing products to new and existing customers by focusing on design and customer segmentation.
- Introduce new products via existing and new sales channels.
- Expand the range with additional product categories.
- Doro's award-winning design characterises everything Doro does. Doro's design strategy was therefore developed further in 2004. It will govern the shape of Doro in the years to come and ensure that the Doro brand receives a greater recognisable character, with the same favourable customer acceptance.

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

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

Market. Doro still mainly operates on the European and Australian corded and cordless telephone markets. The European telephony product market is estimated to be worth around SEK 24 billion (same value as for 2003 – rising for cordless telephones and falling for corded).

Doro launched new products in the IP telephony sector during 2004, a sector that is still in its development stage but which is growing strongly. Doro expects this market to quickly reach a growth rate of up to 100 per cent per year. The IP telephony sector is expected to take around 2–5 per cent of the overall value of the fixed telephony market in 2005.

As technical development within consumer electronics continues to flourish Doro has begun producing new types of products for this sector in order to exploit opportunities as different products converge. Doro has a strong position among retailers and there is room in the product portfolio to add various attractive consumer products.

The Doro Group has subsidiaries in Sweden, Norway, Denmark, Finland, France, the UK, Australia and Poland. Sales of Doro's products also take place in Turkey, Switzerland, Hungary and the Czech Republic. Market share in the markets where Doro has sales companies is 7 per cent for cordless telephones and 9 per cent for corded telephones.

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

Within corded telephony competitors include AT-links, Binatone and the national operators.

The still developing IP telephony market is fragmented. Doro competes mainly with Cisco and other smaller firms.

Customers. Doro's largest customers for products aimed at private consumers are the electronics chains, supermarkets and telecom operators. Customers in the Nordic region include Elkjöp/El-Giganten, OnOff, TeliaSonera and Coop. In the rest of Europe Doro sells via Carrefour and Darty (France), Comet (UK), Media-Markt (Poland) and Retravision and Harvey Norman (Australia). Products designed for small workplaces are primarily sold via chains that offer telephony products and also via chains selling office materials.

Products. In addition to corded and cordless telephones for private users and businesses, Doro also provides products such as headsets, answering machines, caller identity products and walkie-talkies. In 2005 Doro will step up the pace of product launches and introduce products in new and related segments.

Through its subsidiary UPGrade Communication, Doro markets advanced solutions for cordless broadband such as the latest technology in this field, WiMax.

Employees and organisation. Doro employs 171 people. The head office is in Lund, Sweden. Most development work is carried out at the head office, which also houses the central marketing department. Doro also has local marketing offices in eight countries. All manufacturing is subcontracted to a group of specially chosen companies in China and Taiwan.

Shares. Doro's shares are quoted on the Stockholm Stock Exchange's O-list as Doro A. At the end of 2004 the total number of shares in the company was 21.5 million and Doro's market value was SEK 236 million.

History. Claes Bühler founded Doro 30 years ago in 1974. The first product was a telephone answering machine called Doro. The Doro name originates from the initial two letters of the manufacturer's sons names, Donald and Robin. In 1993 Doro was introduced onto the Stockholm Stock Exchange and the following year the company acquired companies in Norway, Denmark and Finland. In the late 1990s Doro continued to acquire companies in Europe and Australia. Rune Torbjörnsen took over as CEO in 2003.

Vision

We see a world where consumers want more from conventional products. Products that through style and design extend personalities, by expressing priorities, views and values. People want products that provide an experience, a tiny “wow” that enlightens everyday life.

To inspire people by improving everyday life through styled and well-designed electronic products.

Mission

growth strategy to change and develop

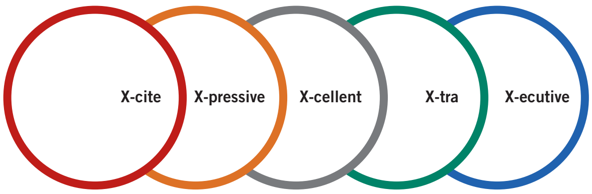
Doro began to change strategy in 2003 and the effects were felt both internally and on the market in 2004. The background to the new growth strategy is Doro's belief that the best results can be achieved with products that utilise technology based upon an understanding of customer behaviour and customer benefits. Most products, including telephones, are changing and becoming more complex as technological development continually throws up opportunities for new features. Meanwhile demands grow upon producers to ensure that products are easy to use so that technology is put to good use.

The strategy is based on the perceived needs of the consumer. These needs have a large influence on products development. During 2004 Doro established efficient processes and in-depth knowledge of both the market and the behaviour of various customer segments. The strategy is also based upon Doro having good opportunities to utilise its market position to develop and sell more products within various areas.

Doro has a very effective retail network in Europe and Australia. This was utilised in 2004 and will be also very important in 2005. Meanwhile efforts are being made to find new sales channels for Doro's products. A wider product range requires a wider range of retail outlets in order to reach the right groups. Together with specially targeted and cost-effective marketing, the right type of consumers will learn about Doro's products.

Segmentation model implemented. Doro worked hard in 2004 to implement the segmentation model that was established in 2003.

This model is not only a way of putting target groups in segments, it represents an attitude that is held throughout the organisation. When a new product idea is developed the starting point is to meet a real or perceived need of the consumer. In all the stages that take place up to the final product, a sharp focus is maintained on the intended consumer according to the segmentation model. This secures quality assurance for each product that is launched because it is specially designed from a consumer perspective.



Doro's new segmentation model is based on five target groups

New core values shaping Doro. To keep abreast of swift technological advances in consumer electronics, continuous improvement is necessary internally and in co-operation with external partners. In order to increase the impact of common values and thus boost performance, Doro has formulated a series of core values that underpin its business:

Quality. Through insight and understanding we meet and exceed expectations in our relations and processes.
Dynamic. We see solutions and grasp opportunities, by sensing, understanding and actively responding to changes in our environment.
Ethics. We follow laws and regulations. We strive for honesty and openness in everything we do.
Speed. We act with speed in everything we do.
Professionalism. Using our knowledge and experience, we do the right things at the right time.

Cornerstones of product development. In addition to these core values Doro has also established four cornerstones that guide the development of new products. All Doro's products shall have a design of a clear character and attitude, consumer-adapted features, good quality and reasonable prices.

Expansion in new markets. Doro has its own sales companies on eight markets in Europe and Australia. This market will continue to develop as Doro launches new products and new product categories. Entering new markets requires considerable resources and takes time. One way of simplifying this is to enter new markets together with customers. Doro began following this strategy in 2004 when the Elkjöp/El-Giganten chain signed an agreement with Doro for the Nordic region. As a result Doro began supplying products to two new markets in central Europe. The agreement means Doro is supplying products to Elkjöp/El-Giganten's group company, Electro World in Hungary and the Czech Republic, two fast-growing markets where Doro has ambitious plans. Doro's Polish market company will co-ordinate products for markets in central Europe.

New telephony offer. IP telephony was a new addition to the product range for Doro in 2004. For a number of years the subsidiary, UpGrade Communication, has supplied technical solutions for IP telephony to customers in the Nordic region. As a natural progression Doro has decided to complement its telephony range with more consumer-oriented products within IP telephony This should mean positive synergies for sales of IP telephones and conventional telephones. Doro's range comprises:

- Streamlined IP telephones for businesses and consumers.
- Telephones with software and hardware adapted for IP telephony.
- USB telephones. Telephones with only hardware, designed for connection to a computer with the necessary software installed.
- ATA boxes. A box that converts normal telephone signals so they can be used for IP telephony.

Doro has already launched its first ATA box on the market, but the choice so far is limited as Doro adjusts the roll-out to market development.

Doro is also reinforcing its range within IP telephony by co-operating with other companies. In 2004 a venture was started with the French IP company, Bloophone. This agreement gives Doro the opportunity to utilise Bloophone's know-how of IP telephony software. Specific customer adaptations are carried out by Bloophone.

doro 212IPC, USB-telefon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new technology changes the way of communicating

Technical development continues to drive Doro's markets. A lot is happening within telephony and connected areas. Doro monitors these developments with great interest as it investigates opportunities for launching products outside the telephony area. A major focus is on the development of IP telephony. Not that this technology is especially new. The fact is that many people already use IP telephony for part of their telephone call without realising it, because many calls are connected using the IP telephony network. But this is just one example of how new technology creates opportunities for new products and services. More established technologies such as DECT technology are also making strong progress and cordless telephones are regularly gaining new features, often influenced by the development of mobile telephony. Today, on a fixed telephone in the home, you can have SMS, a colour screen and the option to transfer an address book using a SIM card. But it would be wrong to assume that telephony and connected areas merely follow after development in mobile technology. It is more probable that you need to have a longer time perspective and to look outside technological development to identify the larger trends that will shape how people communicate in the future. Technology is now so extensive and integrated in our everyday lives that we cannot just look to technology to foresee which products and services we will be using in the future at home and at work.

Convergence is decisive for success. Consumer electronics and computer technology are becoming integrated at a fast pace and the opportunities this presents are endless. We can expect to see products that in different ways integrate telephony, internet, TV, stereo and cameras, both for work and play. We can already see cross-fertilisation of products on the market that are highly complex. We can also see that these products are not being used to their full potential. This is where an understanding of user behaviour and the value of convergence will be decisive for the successful business of tomorrow. The winners of the future will be products that have the right content for the right user, and a complexity adapted for that specific user.

Integration between telephony, internet and TV continues. A clear trend on today's markets is called Triple Play. This means that operators offer their customers telephony, internet and TV in the same network. Today there are estimated to be 300,000 broadband users in Europe. However there are 180 million TV subscribers. One way of winning over subscribers will be to offer them the opportunity to surf the internet, check email and chat with people from the sofa in front of the TV or other single point in the home. Supplying all these services in the same network requires a very fast link, up to 10–15 Mbits per second. The next generation of broadband technology, adsl2+, is on the verge of becoming a world standard and this will provide the speeds necessary. Those businesses now positioning themselves with Triple Play are mainly companies that offer services of some kind – telephone subscriptions, cable TV or similar. Doro aims to be an important partner for these players by supplying telephones and other relevant consumer products. Development around Triple Play is still in an early phase and Doro will continue with its many discussions with various players. Doro's experience of cordless broadband solutions via its subsidiary, UpGrade Communication, is a very valuable asset in this regard.

More handsets for your telephone. Consumer trends within telephony show that users want more handsets when they buy a new telephone. Many young people are used to always having their mobile phone close at hand and they also want their own handset at home so they can talk to their friends. A base unit with several handsets is thus an increasingly popular product and has meant that more homes are being filled with more telephones. Having more handsets does not need that you need more wall sockets. You only need one because the base unit communicates with all the handsets.

Telephones are increasingly being bought on impulse, partly because prices are falling but also because telephones are now a part of interior design. That in turn means that they must be stylish. In recent years, therefore, Doro has focused hard on form, which has resulted in a recognised high level of competence in the field of design.

To enhance the appeal of its products even further, Doro has had extensive co-operation with leading design agencies inside and outside Europe. These agencies work according to frameworks established by Doro. In addition to boosting sales, partnerships with design agencies have resulted in Doro winning several design prizes in national and international competitions.

design

with

attitude

Design is the focus of every product Doro produces. A design that stands out and that has a clear identity of its own. Design is a critical competitive factor for Doro and increased investment has therefore been a simple decision to make. Design should on the other hand not just be seen purely from the perspective of form. It is also a process and in certain cases a tool for controlling and developing the business. A way of thinking and living with design on consumers' terms that permeates the entire organisation.

Most of the products that Doro launches are uniquely designed by or for Doro. Doro's design attempts to be modern and even a little cutting-edge. This is important for keeping in touch with the consumer and the reality of everyday lives. Futuristic concepts are important because they inspire, but rarely sell well.

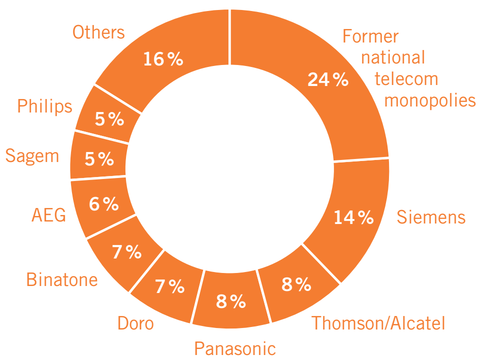
It should be simple to give a Doro product a natural place at home or in the workplace. However products must also give an impression of self-esteem – but one should also like Doro's products. User-friendliness is also a priority in any Doro design. It should simply be easier to use and live with Doro products.

For Doro's products to have a clear, distinct identity, Doro has well-established partnerships with many different design firms and designers globally. Their task is to interpret Doro's design strategy and give each product its own identity within the framework that Doro's demands place on looks and user-friendliness. It requires experience and skill to identify what the consumer desires. It's not just about giving people what they want. Doro's aim is to fill the products with things that are not expected and to give the consumer a daily experience.

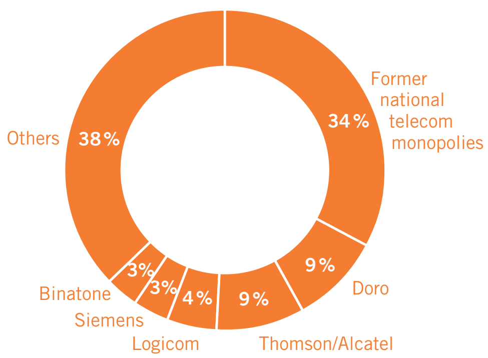
market growth continues, but price pressure increases

In terms of volumes 2004 was a successful year for Doro. The number of products sold was up 25 per cent. However, there is strong pressure on prices, especially for telephony products, which means that the market has not grown much in value. In 2004 the overall value of the European market for fixed telephony was around SEK 24 billion. However, the market value has now stabilised at around the same level as last year after a number of years of declining value. The market for cordless telephones continues to expand while the market for corded telephones continues to decline. The value of the markets where Doro is active is around SEK 9 billion.

Cordless telephones (market shares)



Corded telephones (market shares)



Doro's market share for telephony products on the markets where it has sales companies is 7 per cent on average (6 per cent in 2003) for cordless telephones and 9 per cent on average (7 per cent in 2003) for corded telephones.

DECT telephones are the driving force. DECT technology continues to be the main driving force within fixed telephony. The number of cordless DECT telephones sold continues to rise and the official figures indicate that sales growth will continue in 2005. By 2008 it is estimated that 50 million units will be sold world-wide, with the main market in Western Europe. In 2004 it is estimated that the market for cordless telephones in Europe grew by around 9 per cent and was worth around SEK 18.4 billion. Doro estimates that around 48.5 million cordless telephones were sold in Europe (more handsets are counted as more telephones), of which the majority were DECT telephones. Doro sold around 2 million cordless telephones (number of handset units) in 2004.

Doro began phasing out analogue cordless technology during 2004. The decisions by CEPT, the European organisation for post and telephones boards, to forbid CT-1 technology from 2008 has speeded up the phasing out process, and demand has continued to fall. Doro will continue to offer this technology in a few markets in 2005 but no new launches will be made.

The market for corded telephones continues to decline. The total value in 2004 was estimated at SEK 6.1 billion for Europe, down around 12 per cent. The volume of corded telephones sold is estimated at around 41 million units, with Doro selling around 1 million.

Stabilisation of the total market value for fixed telephony can be explained by the rising sales volumes for DECT telephones. This rise is counterbalanced, however, by the adjustment of prices to match the value of the falling US dollar and lower production prices (which has also resulted in lower consumer prices).

Growth expected in IP telephony. During 2004 Doro took a further step into the market for IP telephony. Its subsidiary, UpGrade Communication, has been selling technical solutions for IP telephony in Scandinavia for some time. Doro has now decided with UpGrade and other specially selected partners to become more ambitious and become a leading player within hardware for IP telephony. This will involve services and products for both consumers and businesses. The market is still under development and it is hard to predict the actual value of the market in total and in terms of each user category and to predict growth levels. The technology is now being sold more widely to consumers and when they realise the cost savings involved in using IP technology, growth is likely to take off. There are currently no reliable statistics for this type of telephony (for telephones and ATA boxes). A rough estimate suggests that IP technology will take around 2–5 per cent of the total market for fixed telephony in 2005.

Doro focusing on the private market. The private consumer market is the key market for Doro. Around 80 per cent of sales go to the consumer segment. One of the main reasons for this is the excellent relations that Doro has with retailers. Doro also has good, long-term relations with the former state telecom monopolies in Europe and Australia. These are mainly used for the business segment where Doro has decided to focus primarily on small businesses and workplaces (X-ecutive segment). The reason is that small businesses behave more like consumers than larger companies and multinationals.

Summary of Doro's position on different markets

	Scandinavia	France	UK	Poland	Australia
Market size (SEK billion)	1.2	2.9	3.6	0.5	1.1
Brands	Doro Audioline	Doro Matra Audioline	Doro	Doro Audioline Atlantel	Doro Audioline
Market shares					
Cordless telephones	High	Medium	Low	Medium	High
Corded telephones	High	High	Low	High	High
"PTT" (former national telecom monopoly)	Customer	Customer	Competitor	Customer	Customer/ Competitor
Market leaders					
Cordless	Siemens	Siemens	BT	Siemens	Uniden
Corded	Doro	Doro	BT	Doro	Telstra
Other large competitors	Panasonic Philips Topcom	Alcatel Philips Sagem Logicom	Binatone Philips Alba	Panasonic Philips	Panasonic

products with customer-adapted features and design

The consumer comes first in everything Doro does. When the first ideas are being hatched for new products, Doro identifies what features the product must have. It is important that the features are adapted to the intended user so that the first impression given by the product in the store is the right one. Functionality is therefore specified at an early stage.

In addition to stylish design, Doro's products should have good, intelligent features that are relevant for the intended users. Through strong, clear and distinctive design Doro strives to stand out on the store shelf and quickly grab the attention of the buyer.

Doro brand is a key building block. Having a strong brand is an increasingly important weapon in the battle for consumers. Building a strong brand requires clear and consistent exposure of the brand and products in order to build up an understanding. The wider product portfolio places greater demands on the brand and its exposure.

During the year Doro has extended resources to the marketing department in order to ensure that all the markets get the support they need in a cost-effective way as the pace of new product launches increases significantly. Doro works pro-actively with marketing both inside and outside sales outlets through a cost-effective mix of advertising, PR and support for retailers.

Enhanced profiling among retailers. In 2004 Doro worked hard to create better conditions for profiling products in retailers' stores. Through better store materials and packaging Doro's products will be more attractive and create greater purchasing interest among consumers in stores. The results of this work will be seen in 2005. It is also important to have a design that attracts the customer to come closer and look at the product. Often a strong colour will attract a potential buyer even if he or she ends up buying a more neutral colour for the home. The consumer might not have looked at the product in the first place if it wasn't for the strong colour. Initially, choosing a product is guided by feelings and rarely by demands for features. This kind of insight is vital and requires careful analysis. Doro often carries out tests of products in focus groups. Together with the designers who style Doro's products, a lot of time is also devoted to finding the right mix of materials and colours to appeal to the target group the product is aimed at.

Attitudes changing towards telephones. More consumers are now buying telephones and telephony products spontaneously when buying other items. This development is mainly due to the falling price of telephones in recent years and to the fact that telephones are just another consumer item among many others. Spontaneous buying is mainly done by the 15–29 age group and most often concerns cordless telephones. This trend affects Doro and the way it markets its products.

an attractive partner for retailers

Doro's new segmentation strategy has meant that its business offer to customers has gained a sharper focus. It has become easier for retailers to profile Doro's products from a customer perspective and thus the products have become more relevant for retailers. Retailers can now in a much clearer way than before see how they can position Doro's products in their stores. It has become easier to communicate the benefits of the products to consumers. Through regular dialogue and continuous monitoring of demands and expectations Doro has continued to develop close relations over the years with many retailers.

The comments and wishes of customers are also a very important part of product development. Customers appreciate seeing their input being used and in some cases it results in satisfying retailer demands to a very large extent. One example of close co-operation in 2004 was when a customer wished to develop its own version of a Doro model. After hard work by Doro's suppliers and the Doro quality assurance department, a version was presented to the customer that was based on an existing platform but had a shell adapted to meet the customer's demands.

Well-established network of retailers. Doro has now established a retail network that comprises over 15,000 sales outlets on eight markets, which represents a coverage rate of 75 to 90 per cent. A large majority of sales outlets consist of large international chains such as Carrefour of France, Elkjöp/El-Giganten of Scandinavia, Media Markt in Poland, Comet of the UK and Harvey Norman of Australia. But it's not only the large chains that are important for Doro. Many consumers continue to buy their telephones from the traditional telecom operators such as TeliaSonera in Sweden, TeleDanmark (TDC) in Denmark, Finnet in Finland, Telenor in Norway, France Telecom in France, TPSA in Poland or Telstra in Australia. In addition sales are now rising at less traditional sales outlets such as cut-price stores and petrol stations. In these latter instances Doro competes with a separate brand, the Doro Group's low-end products called Audioline. Audioline has its own product range of telephony products that have high quality but where design has low priority. In 2004 Doro signed a licence agreement with East Central of the UK whereby East Central will have exclusive rights for sales of the Audioline and Atlantel brands in the UK market.

In its X-ecutive segment Doro supplies products for primarily small workplaces. Many of these products are sold via traditional channels but also via telecom operators and retailers of office materials and in some cases larger electrical installation businesses.

As Doro launches IP telephony products it becomes more important to have close contacts with the operators who will continue to represent an important channel for Doro's products. During the past year, therefore, Doro held discussions with a series of players on all of Doro's markets about how to meet consumer expectations regarding services and products based on IP telephony.

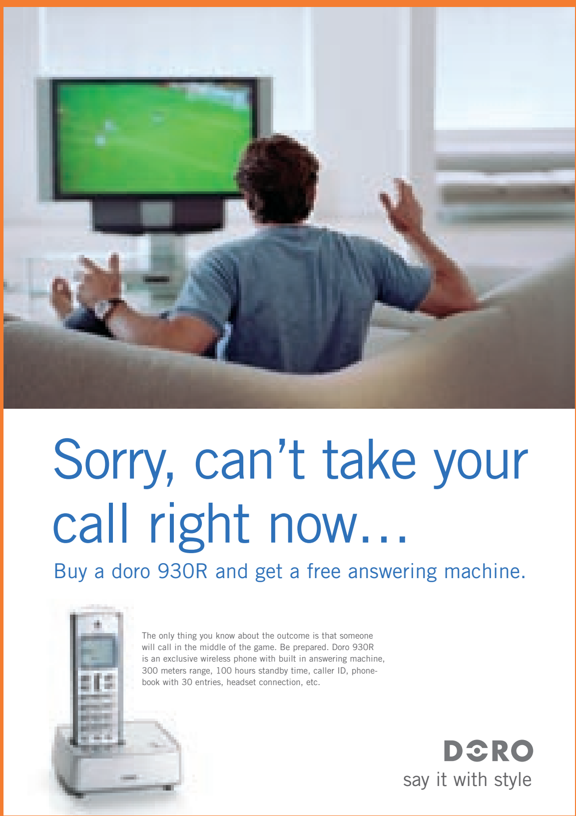
A larger product portfolio requires more sales outlets. As its product range grows, Doro works very actively to find alternative sales channels that can complement existing ones. For example, as telephones are designed to be stylish ornaments in the home it becomes likely that consumers can be inspired to buy a telephone where they buy furniture. Many consumers also now buy a telephone spontaneously, which makes Doro determined to sell its products where consumers expect to see them.

Design with simpler features for special needs is also important. Part of Doro's product range is aimed at consumers with special needs, such as the elderly and the disabled (X-tra segment). These are products not normally found in stores for electronic items. During the past year Doro continued its efforts aimed at strengthening its retail network for this segment.

A selection of Doro's customers: Scandinavia Elkjöp/El-Giganten, Coop, Expert, Clas Ohlson and Siba. **Sweden** TeliaSonera, RKV, AudioVideo, OnOff. **Norway** Telenor, Kjedehuset, Telehuset, Euronics, Telebutikken. **Denmark** TeleDanmark (TDC), Fona, Merlin. **Finland** Finnet, Stockmann, Mustapörssi. **United Kingdom** Comet, Rocom, Nimans, Grattans. **Poland** TPSA, Media Markt, Euro RTV, Avans. **France** France Telecom, Carrefour, E.Leclerc, Darty, Fnac. **Australia** Telstra, Harvey Norman, Retravision, Target.


Säg farväl till
svartvita samtal
nya doro 850 colour
Belyst färgdisplay gör dina samtal färgstarkare. Menystyrd trådlös hemtelefon. Ergonomisk och laddad med finesser som polyfoniska ringsignaler, SMS-stöd, tvåvägs högtalare och headsetuttag. Allt i läcker design av Propeller, Stockholm. Nam-nam.
DORO
say it with style


Prata hemligt
under täcket
doro 530 med belyst display
Ring när ingen annan ser på. Skaffa en cool trådlös Doro 540 med belyst display, tvåvägs högtalare och telefonsvarare. Snygg, funktionell och designad av prisbelönta Absolut Reality i Paris. Klicka in dig på www.doro.se och se ljuset i mörkret.
DORO
say it with style


Sorry, can't take your
call right now…
Buy a doro 930R and get a free answering machine.
The only thing you know about the outcome is that someone will call in the middle of the game. Be prepared. Doro 930R is an exclusive wireless phone with built in answering machine, 300 meters range, 100 hours standby time, caller ID, phone-book with 30 entries, headset connection, etc.
DORO
say it with style


Tomorrow's gonna be a blue day
Buy a Doro 820 and get five covers in different colours
Add some colour to your calls. Doro 820 is a compact wireless phone with five covers in red, black, white, light blue metallic and silver metallic. 300 meters range, two-way speaker, caller ID, intercom, 140 hours standby time, etc.
DORO
say it with style

doro 520+1 · doro 530+1 · doro 540R · doro 550S

doro wt81 · doro wt84 · doro wt87 · doro bm35 · doro 212IPC

In 2004 Doro more than doubled the number of product launches compared with previous years. Most of these products are telephones for private consumers but as Doro's new strategy comes into effect, more and more products will not be telephones. New products, such as mobile telephone accessories, will be added to today's range of headsets, IP telephony products, answering machines, caller identity products and walkie-talkies.

Doro will also probably launch products within areas where Doro's competence within design, technology and consumer know-how can create exciting products for consumers and smaller workplaces.

In recent years Doro has succeeded with its product launches and has become the first choice for people who want smart features and good design. Doro's segmentation model has been a key factor in this success. All product development is based on Doro's five segments:

X-cite: A basic range of well-designed telephony products for the family.

X-pressive: A more trendy range of stylish products for younger people.

X-cellent: Products for the design conscious.

X-tra: For consumers with special requirements (such as the elderly and disabled)

X-ecutive: For the smaller, smarter workplace.

doro 850C | doro 1015CS (E-range) | doro 1010C | doro 840+1

doro gw7001 | doro 216IPC | doro hs1008 | doro hs1210 | doro rp2001X

product range continues to develop and widen

Product launches in 2004. Some of the more recent product launches include:

doro 500 series. The Doro 500 series was a big sales success in 2004. Women were the main influence in the development of the product. The design is based on user-friendliness combined with characteristic form and new colours for telephones. The 500 series currently comprises the 520, 530, 540R and 550S. Several new models are planned and will be launched in 2005. The successful design will also be used for a series of corded telephones.

doro 850 colour. Doro 850 colour was launched towards the end of 2004. It is a small, highly advanced telephone with a colour screen and a series of other technical finesses. Doro 850 colour supports SMS on markets where operators offer this service in the fixed network.

doro E-range. The Doro E-range is evidence that Doro is at the cutting edge of design. The aim is to reflect new thinking in home telephony. The E-range is a module-based home telephone that can be expanded as required by adding, for example, a Bluetooth™ module, radio and loudspeaker.

doro 840. The Doro 840 is an example of how Doro develops telephones for specific user groups. The telephone is primarily aimed at younger people who want a smartly designed and modern telephone that fits neatly in the home and is not too expensive. The series is available in eight different colours.

doro wt84 and wt87. The Doro wt84 and wt87 are examples of Doro's strategy of developing products other than telephones. Both are walkie-talkies in a completely new guise. The Doro wt87 is a wristwatch that is also a walkie-talkie. Both products are licence-free and work with other walkie-talkies on 446MHz. They work within a radius of 3 km, which makes them perfect for all recreation activities or at work, indoors and outdoors.

IP telephony. Via its subsidiary UpGrade Communication, Doro has supplied solutions for IP telephony for several years. The product range includes ATA boxes and two IP telephones, while a USB telephone is under development.


say it with style

quality that can be seen and felt

Doro has continued to dedicate a great deal of time and resources to quality assurance during the year. Not that quality has in any way become worse, quite the opposite. The reason is rather that quality assurance is such an important part of Doro's success and all employees feel a great sense of responsibility in upholding the high standards. Without this feeling of responsibility it would not have been possible to more than double the number of launches performed by Doro in 2004.

Doro has a renowned quality system and a number of Doro's partners have also chosen to use Doro systems. That Doro's culture is permeated by quality awareness throughout also has an effect on lead times. It is now very rare that a product becomes delayed because of poor quality in the production line. This means that Doro has fewer delays and disruption to deliveries. Timing is often critical in launching the types of product Doro expects to offer the market. Modern trends come and go very quickly, which means being able to quickly produce products in the shortest possible timeframe. A proactive quality assurance system obviously contributes in being able to counter the market's demands for new products.

Doro's dedicated quality assurance is recognised by almost every market. It's not just Doro that places demands on manufacturers. Doro's customers and consumers also make sure that products keep to a high standard. Many customers and suppliers mention the precision placed in quality assurance, throughout the product chain – from the product development stage, through manufacturing and through to retailers and end users. An example of Doro's successful work is the recognition received from retailers on the French and UK markets, where quality aspects have been important assessment factors. Doro was chosen as the best French supplier in a vote in 'Journal des Télécoms' and the UK retailer Comet voted Doro its best new supplier 2004. Quality was one of the criteria that lay the foundation for the awards. Furthermore, Doro conducted a survey among twenty of its largest customers on each market. More than fifty per cent saw a clear improvement in the quality of Doro products.

Around twenty five people currently work with quality control at Doro. There are seven Doro inspectors working in Asia who are in constant contact with manufacturers, who can react quickly if required. If there is a need, Doro also encourages suppliers to send personnel to the country so that Doro's product managers can solve problems quickly and efficiently.

Continued close cooperation with suppliers. In recent years Doro has become more closely tied to the important suppliers in Asia. Through close contact, with many visits on site at the factories, and clear demands on quality levels, suppliers have been able to improve quality in 2004. Awareness about what Doro and its customers expect today is a priority among manufacturers and this has meant that Doro has been able to develop a range of planning tools for forecasting and orders.

Despite Doro's success during the year with more product launches than in previous years the company managed to stick to its delivery times. This would not be possible without well-organised cooperation. To maintain high standards Doro also makes comprehensive checks every quarter on the quality levels at all of its suppliers. By meeting with the manufacturers' management, project managers and quality assurance managers, processes and possible problems can be discussed and solved quickly and efficiently.

All suppliers are currently measured against the following criteria:

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

All suppliers that Doro uses are evaluated and ranked each quarter by Doro. In this way Doro and the supplier can see how they rank in quality control. The manufacturers that are ranked low are then encouraged to improve details that don't work optimally. Because Doro is so dedicated to quality control among its suppliers Doro often helps to identify faults in manufacturing processes in Asia. This provides an insight into the opportunities that exist to produce new products, but also to improve manufacture of existing products.

New suppliers are very closely evaluated by Doro before any decisions about partnerships or agreements are signed. It is however far from just the product that must uphold high levels of quality for Doro to approve the supplier. Doro goes through a number of factors such as financial standing, delivery assurance, quality processes and social responsibility. Doro's quality assurance managers always make a personal visit. No in-depth project work begins without Doro first giving its approval to the new supplier.

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

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

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

Doro began working with new suppliers during the year. Doro's IP telephony investment and other products has meant that a number of new suppliers have been added in 2004. Cooperation with the new suppliers has worked very well. By giving the new suppliers the same information as other suppliers about what expectations, Doro aims to safeguard an even, high level of quality from all its suppliers – new and existing.

Quality work does not however come to an end just because the product has been bought by the customer. An important part of the quality work also includes taking care of the ever-decreasing number of returns. A person who has bought a Doro product should always feel that it's simple to get help in fixing any problems that have arisen. Doro has a telephone support team on all markets to help its customers. This is often all it needs to solve problems and avoid returns. The fact that both the number of returns for the year and guarantee costs have fallen to an all-time low indicates that Doro's products are of a high standard.

Doro has continued to work internally to develop the already high level of skill in telephony and associated areas. Staff are trained through external training and via internal skill sharing. As Doro is investing in new product areas the need is naturally growing for new skills. Doro has set out the resources needed and will constantly add further skills where it necessary. New skills in the form of new staff have been added in 2004. To continue being quick in launching new products to the market skills will also be provided by external business partners.

New legislation affects Doro's environmental activities. Doro has a well-developed environmental scheme. All of Doro's marketing companies have one person responsible for the environment who reports directly to Doro's environmental manager in Lund. The most senior environmental manager ensures that Doro always adheres to current legislation and is prepared to handle forthcoming regulation in the area. The responsibility also includes following up the customers' environmental work. Each supplier must be able to show that they follow Doro's demands and fill in a special environmental declaration showing that the EU norms are being followed. Suppliers guarantee that no harmful substances are used during manufacturing.

New laws and regulations continue to affect Doro's quality assurance. Doro focuses sharply on EU legislation and the new directives being introduced over the coming years. An important directive that will come into force on 1 July 2006 is the EU's Reduction of Hazardous Substances (RoHS) directive, which limits the use of certain hazardous substances in electrical and electronic products. As far as Doro is concerned the directive will mean that all suppliers must be able to guarantee that the solder used when making Doro's products is lead free. Thought the directive will not become law for another couple of years

Doro still wants to safeguard that the suppliers are already realigning their manufacturing processes so that delays won't affect Doro in the future.

Another important legislation to be introduced is the EU directive to regulate handling of electrical and electronic waste – Waste Electrical and Electronic Equipment (WEE). Similar regulations have existed in Sweden for some time and Doro has well-established routines. The EU's directive will come into force in August 2005 and will mean that Doro will mark all products with a symbol indicating to the consumer that the product must not be disposed of with household waste. Unwanted products should be sorted at source as electronic waste.

Doro mainly works with the following processes:

Concept to product. This process develops different product concepts and concludes with a decision on product development.

Time to market. This process develops a product and assures quality from the first decision to produce to the first product being made.

Delivery and quality assurance process. This process includes the products being made according to a range of predictions. The flow of material is managed from manufactured unit via the transport company to the warehouse. This process measures and ranks Doro's manufacturers and their performance in terms of lead times, delivery precision, fault deviation upon inspection and predicted fault frequency.

Sales and marketing process. This process produces marketing material to support the sales companies.

The financing and reporting process is a collection for a range of support processes that create financial resources and reports to the interested parties.

Quantifying the processes measured by:

Concept to product: number of concepts, time from concept to finished project

Time to market: project time

Delivery and quality assurance process: deliver precision, deviation production control, returns

Sales and marketing process: measuring customer attitudes, market shares, new customers, volumes and sales and different measurements from customers

Financing and reporting process: meeting a budget for results and cash flow, share of administration costs and report times

Doro has a well-established quality assurance process and different customers have inspected it throughout the year. The process has been approved even if all formal requirements have not been met for the ISO9000 certificate (a number of units have been approved).

An IT project has been running in the Doro Group since 2002 to further utilise the Group's common skills. The different units systems are altered over time to a common system based on Navision's Attain and the processes in the Group. At the end of the financial year around half of the Group's sales concerned companies that use the same computer system. More units will be added during 2005. The project is expected to end in 2006. Investments in this system including internal resources amounted to around SEK 3 million in 2004.

upgrade communication

– a leading player on the nordic broadband market

As wireless technology creeps into more and more areas, UpGrade Communication is developing its business model. Since 1995 the company has developed and sold mainly wireless broadband products on the Nordic market. The company is currently the lead player in this area. In 2004 UpGrade Communication took a further step towards enhancing its range in order to provide complete high-speed wireless solutions and be a natural partner through a complete broadband project. UpGrade Communication's extensive experience and skills mean that the company can now take care of projects from the beginning, through planning and construction to the final start-up and then monitor operation.

UpGrade Communication's customers are mainly retailers, energy companies and internet service providers (ISP) that build and operate the broadband networks.

Through an extensive network of around 600 specialist retailers UpGrade Communication also distributes single products. UpGrade Communication's organisation covers the entire Nordic region via its own offices in Lund, Copenhagen and Oslo.

UpGrade Communication mainly operates in four areas:

1. High-speed infrastructure solution. UpGrade Communication sells high-speed infrastructure to all types of broadband network through solutions for wireless and fibre-optic networks. By providing the combination of radio and fibre-optic solutions the customer gets the flexibility of radio with fast installation and long-term investments in fibre can be used rationally. UpGrade Communication can meet customers' highly varying demands using the latest products in the field and a complete solution. Deciding to invest in infrastructure is often expensive, but UpGrade Communication can assure its customers that they are receiving the latest technology.

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

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

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

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

Growing interest in IP telephony. UpGrade Communication has provided IP telephony solutions for many years. Interest in IP telephony has grown considerably over the past year and in 2004 UpGrade Communication developed a joint concept with Doro. UpGrade Communication's extensive experience and expertise of technical IP telephony solutions and Doro's expertise of telephony and design allows both companies the ability to provide the market a package of IP telephony services and products.

First in Sweden with new technology. UpGrade Communication launched a completely new range of products adapted for Worldwide Interoperability for Microwave Access (WiMax) during the year. WiMax is a new global standard for wireless outdoor communication. The new standard provides longer range and improved bandwidth for the same investment as the old technology. WiMax allows data transfer rate of 70 megabit per second with a range of 50 kilometres. This provides entirely new opportunities to introduce wireless technology to places that weren't possible in the past, such as sparsely-populated areas. In practice WiMax means that broadband cables don't need to be buried in the ground and that data is transferred instead wirelessly through the air. The new product is known as BreezeMax and operates chiefly on 3.5 GHz but will also be available for the license-free 5.4 GHz. All products have been design with the operators in mind and are known as Carrier Class. That UpGrade Communication was first in Sweden to launch the products paves the way for new business opportunities as the market begins to demand the technology.

UpGrade Communication also launched BreezeNET B (point-to-point link) and BreezeACESS VL (point-to-multipoint wireless access) in 2004. The products have been adapted to 5.4 GHz and are ideal for connecting large and medium-sized companies as well as domestic users.

The first 5.4 GHz frequency order. UpGrade Communication sold a network via IBM Denmark in 2004 based on the new 5.4 GHz frequency. It was installed at Djurs Sommarland theme park on Jutland, Denmark. The wireless system now links the restaurant and ice cream kiosks to a central server that constantly registers sales volumes. This means that the theme park avoids running out of certain products during busy periods during the summer when the park receives thousands of visitors every day.

Many exciting projects during the year. The Swedish National Post and Telecom Agency (PTS) issued a range of licenses to different regional operators in autumn 2002. UpGrade Communication won negotiations in 2003 to develop wireless broadband on the island of Gotland, in association with GEAB (Gotlands Energi). Work continued in 2004 with DSL solutions for almost 1,500 users. One of the other major agreements that UpGrade Communication signed was the expansion of wireless broadband in Halland, southern Sweden. The municipalities of Hylte, Laholm and Halmstad have utilised the framework agreement and begun their expansion of broadband. The expansion within the framework of the agreement with Norrsken (for Gävleborg County) has continued. UpGrade Communication has won a total of three out of three negotiations. The market is waiting however to see what state funding will be provided to extend broadband to the whole of Sweden. It is estimated that the Swedish broadband marker is valued at around SEK 20 billion, of which 20 per cent must be covered by wireless broadband solutions. UpGrade Communication has been assigned by Selbu and Tydal Energi in Norway to supply two complete solutions including infrastructure and access products. Nord Vest Själlands Energi of Denmark has bought UpGrade Communication's wireless solution to complete its "Fiber To the Home" strategy. On the other hand there weren't as many new negotiations for the Swedish market as expected in 2004. The majority of the state funding is still unutilised.

Close cooperation with world-leading companies. UpGrade Communication cooperates closely with Nasdaq-listed Alvarion, which is the world's largest wireless broadband product company. Alvarion has sold more than 2 million wireless broadband products in 130 countries. UpGrade Communication's long-running, successful use of Alvarion's products led to Alvarion giving UpGrade Communication its Outstanding Achievement Award in 2004. At the end of the year UpGrade Communication also received the distribution rights to RAD's products on the Swedish market. These products are aimed specifically at energy companies.

doro's shares

Doro has been listed on the Stockholm Stock Exchange since 1993. There are 9,703,154 A shares. Following the new share issue in November 2001 of 11,764,705 B shares, of which 30 per cent was subscribed for by Mellby Gård Industri AB and 70 per cent by Nordea, there are now 21,467,859 in total. The new shares represent 1/10 of a voting right each and are redeemable until the Annual General Meeting in 2005 against an annual indexation of 10 per cent. Doro will not pay any dividends on class A shares until all the class B shares have been redeemed.

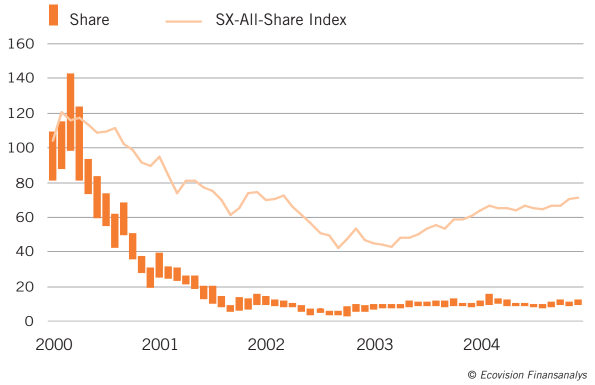
There are no outstanding convertibles or synthetic options.

In September Doro made a special offer to shareholders who did not hold a round lot. These shareholders were invited to buy up to a round lot or sell their lot without commission charges. The offer was very successful and around 1,100 shareholders sold their lots and around 450 bought up to a round lot. A total of 141,000 shares were bought. The reason for the offer was mainly to boost liquidity in shares. Many smaller shareholders do not sell their shares because of the high commission charges compared to the revenue.

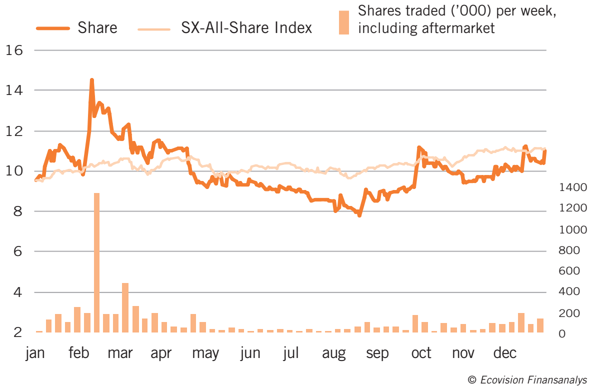
Doro's share price rose by 20 per cent in 2004 (33). Doro's market value on 31 December 2004 was SEK 236 million (196).

A well-attended AGM was held in Lund on 15 March 2004. Senior managers have held a number of meetings with market analysts.

Share performance 1998-2004



Share performance and sales 2004



Share data

	2004	2003	2002	2001	2000
No. of shares, (thousands)[1]	21,468	21,468	21,468	10,508	9,703
Nominal value, (SEK)	1.00	1.00	1.00	1.00	1.00
EPS after tax, (SEK)[1]	1.11	0.73	0.03	–18.51	–5.01
Cash flow per share	–1.34	1.90	0.93	5.77	–0.61
Reported shareholders' equity, (SEK)	4.36	3.28	2.47	5.71	14.97
Market price at 31 Dec, (SEK)	11.00	9.15	6.9	11.5	26.5
Dividend, (SEK)	0.0	0.0	0.00	0.00	0.00
P/E ratio[2]	10.0	12.5	N/A	N/A	N/A
Dividend yield (%)[3]	N/A	N/A	N/A	N/A	N/A

[1] The average number of shares in 2001 was 10,508,956
[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
2001	Directed issue	11,764,705	8.50	11.8	100.0

Major shareholdings as at 31 December 2004

The 10 largest shareholders	No. of shares	% of shares	No. of votes	% of voting rights
Mellby Gård Industri AB (Rune Andersson)	6,541,527	30.5%	3,365,057	30.9%
Nordea Sweden	8,235,294	38.4%	823,529	7.6%
Nordea Small cap funds, Finland	297,400	1.4%	297,400	2.7%
Hans Björstrand	265,000	1.2%	265,000	2.2%
Kenneth Walter and family	126,000	0.6%	126,000	1.1%
Lloyds Bank International Ltd, Switzerland	110,000	0.5%	110,000	0.9%
SIF	108,571	0.5%	108,571	0.9%
Mats Ljunggren	100,000	0.5%	100,000	0.9%
Eskil Johannesson	100,000	0.5%	100,000	0.9%
Nordea small cap funds, Denmark	82,000	0.4%	82,000	0.8%
Sub-total	**15,965,792**	**74.4%**	**5,377,557**	**48.1%**

Ownership structure as at 31 December 2004

	Number of shareholders	As % of all shareholders	No. of shares held	As % of all shares
Under 501 shares	2,739	55.0%	441,582	2.0%
501-1000 shares	1,293	26.0%	1,169,810	5.4%
1001-5000 shares	772	15.5%	1,838,172	8.5%
5001-10,000 shares	105	2.1%	796,768	3.7%
10,001-20,000 shares	38	0.7%	571,950	2.7%
20,001-50,000 shares	14	0.3%	444,600	2.0%
50,001-100,000 shares	8	0.2%	647,185	3.0%
Över 100,000 aktier	7	0.1%	15,557,792	72.5%
Total	**4,976**	**100.0%**	**21,467,859**	**100.0%**

The number of shareholders has fallen from 6,457 to 4,976. Of the total shares held, about 3% (7) are held by foreign shareholders and about 5% (14) by institutional holders.

directors' report

for Doro AB, corporate identity number 556161-9429

Doro AB is a publicly owned limited company. The company's registered office is in Lund, Sweden. The company is registered in Sweden under the corporate identity number 556161-9429. The address of the head office is Skiffervägen 80, Lund, (post code 224 78), Sweden. Doro has operations in Australia, Denmark, Finland, France, Hong Kong, Norway, Poland, Sweden and the UK. The structure of the Group is outlined in note 19.

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

Business activities. Doro markets a broad and innovative range of telecom products, primarily for the European market. Doro provides user-friendly products of high quality and modern design for consumers and businesses. Doro's products are divided into four categories: cordless digital telephones, corded telephones, IP telephones and other products. In addition to telephones, Doro also markets answering machines, caller identity products, headsets and walkie-talkies. Through its subsidiary, UpGrade, Doro also provides wireless broadband solutions.

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

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

Past year in summary. The following factors characterised 2004:

- Results at around last year's level
- Increased market shares and renewed product range
- New strategy for growth
- Falling US dollar rate

Results at last year's level. Doro reported sales of SEK 649 million in 2004 (648 m). During Q1 market shares fell in comparison with the same period in 2003 when two large, one-off orders were received. Market shares then picked up during Q2 and Q3. Volumes in the final quarter were strong and a lot of product launches had a positive effect.

The competitive situation meant that sales prices for Doro's products have continued to fall, and this trend gained further momentum in the final quarter. This was compensated for by reduced acquisition costs, partly due to the lower level of the US dollar.

Total expenses were largely unchanged although the composition of overheads has changed, with greater costs for product development and marketing. The total headcount for the Group at the end of the period was 172 (166).

Depreciation and write-downs of fixed assets fell to SEK –8 million (–19 m) mainly due to last year's depreciation of goodwill. Increased investment in product development has to some extent matched the lower depreciation of goodwill. The operating profit climbed to SEK 16 million (15 m). Net financial items were down to SEK 8 million (12 m) because of lower positive currency effects than the previous year and higher liabilities.

The profit after financial items was SEK 25 million (28 m). The tax effect was low, SEK –1 million (–12 m). A detailed individual assessment has been made of the taxable loss carry-forwards, which has reduced the year's tax cost. In addition a tax dispute was won. The net profit for the year climbed to SEK 24 million (16 m).

Greater market shares and renewed product range. The first six months of the year followed the normal seasonal trends with lower sales compared with the second half of 2003. Sales traditionally grow in the second half of the year. Q4 was highly successful with several new product launches and a good Christmas period. The year's sales performances were especially strong in France, Sweden, Poland and for the subsidiary, UpGrade Communication.

Several follow-up products have been launched in the footsteps of the highly successful doro 520, including the cordless doro 530 and doro 540R and several corded telephones. The new telephones are user-friendly and are characterised by simplicity in form and function while suggesting a feeling for luxury in the home. The entire 500 range, which is designed by the Absolut Reality design agency of Paris, has received a highly positive market reception.

The French trade magazine, Journal des Télécoms, selected Doro as the best supplier of fixed telephony in France. The award was chosen by 200 telephony buyers who gave points in areas such as quality, customer satisfaction, price and image.

In the UK Doro was chosen as the best new supplier by Comet, one of the UK's largest consumer electronics chains. For some time now Doro has worked hard in all markets to strengthen customer relations with the larger retailers.

Doro and Elkjöp/El-Giganten reached an agreement on deliveries in Scandinavia and Central Europe. Deliveries in Scandinavia were extensive during the second half of the year. The agreement also means that Doro has started delivering telephones to Elkjöp's subsidiary, ElectroWorld in the Czech Republic and Hungary. Doro has agreements with many large customers in Scandinavia. Elkjöp is the first example of Doro following a customer onto a new market.

New strategy for growth. During the year Doro continued to implement its new strategy, which is described elsewhere in this Annual Report. This is based upon five customer segments: X-cite, X-pressive, X-cellent, X-tra and X-ecutive. In addition there is the low-price brand, Audioline. The strategy means that Doro will gradually increase its range of product for communication in the home and at work.

Development efforts have increased and the pace of product development with suppliers has more than doubled. In addition to new telephones with higher technology content, such as colour screens and SMS, development is also focusing on IP telephony and associated consumer electronics.

The European IP telephony market is growing fast and Doro aims to be an important player on this market. In order to further increase the pace of development work Doro will work more extensively with external partners. Doro's products are currently tested by selected operators and other customers. The product portfolio will initially consist of IP telephones, an analogue adaptor for IP telephony and a USB telephone for PCs that use the USB port.

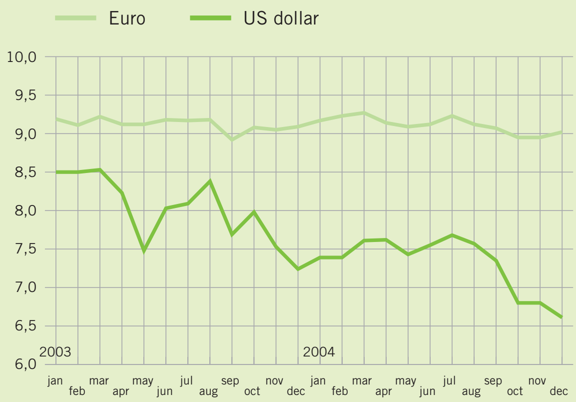
Fredrik Forsell was appointed marketing manager during the year and is now a member of the senior management group. Recruitment is an essential part of Doro's new marketing and consumer-based strategy.

Falling US dollar. The US dollar rate was unstable during the year. The year began with a continued decline of the US dollar. It recovered later, only to fall once more at the end of Q3. The exchange rate now, at the start of 2005, is at the same level as 1996. A lower US dollar rate can mean increased profits for Doro. This is however balanced by different competitors' ability to cut prices and the time it takes to sell existing stock purchased at higher dollar rates.

Most of Doro's products are bought in US dollars and sold in local currencies. In March 2003 Doro's Board decided to change the company's currency policy. Currency hedging was replaced with currency options. 50 per cent of the US dollar flow (net of payments in and out) has been hedged over six months for major upswings in the US dollar rate. During 2003 and 2004 this has been a very successful strategy. Though the US dollar rate has been unstable, Doro has not needed to use currency options.

The debt/equity ratio in the parent company continues to be adjusted to requirements for borrowings by the subsidiaries (mix and volume).

Currency trends 2003-2004



Product development and development costs. Doro carries out various projects with external partners in the fields of design and product development. Costs are mainly borne by production partners. In many cases these costs are included in Doro's acquisition costs for the products. Doro employs design companies in various countries. In some cases these costs are variable, in other cases fixed. Doro also buys technology from external companies such as Bloophone for IP telephony. The Group's development work costs for 2004 were SEK 6 million (4 m). The Group's development work has changed and in 2004 intangible fixed assets of SEK 3 million (0 m) were set up as capitalized expenditure.

Doro also invests in form tools to protect the design of products. They are depreciated over the product's lifespan – two years. The investments amounted to SEK 5 million (3 m) in 2004.

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

Staff. The Group management team was reorganised during 2004 to reflect a sharper focus on sales and marketing. The average number of employees was 171 (172). On 31 December 2004 the headcount was 172 (166).

Disputes. Doro is involved in a number of disputes. A detailed account is given in note 27.

In the most important dispute Doro has made a claim totalling SEK 106 million upon Nissho Iwai in a court in Osaka, Japan. Initial court proceedings started in 2001 and are expected to be completed in 2005.

Doro finalised one dispute during the year and a further dispute is close to being concluded. One new dispute arose.

The environment. Doro has no business activities that require environmental licences. No single unit has an environmental certificate.

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

Special offer to achieve round lot of shares. In August 2004 Doro's Board decided to offer shareholders with an uneven number of shares the opportunity to buy up to a round lot (1,000 shares) or sell their lot without commission charges. The offer took place between 6–29 September. A total of 141,000 shares were bought. Around 1,100 shareholders sold their lots and around 450 bought up to a round lot. The offer was made to around 5,000 shareholders, of whom one third accepted it. The aim was to facilitate share trading and thus boost liquidity in Doro's shares.

Dividend and financial targets. Previously it was Doro's policy to pay a dividend of between one third and one half of the profit after tax. Doro's Board adopted a new policy in conjunction with the new share issue worth SEK 100 million in 2001.This new policy means that when available profits and a financial balance are achieved, B shares will be redeemed.

The Board does not take any initiatives to redeem B shares. They will be converted into A shares at the 2005 AGM. According to articles of association up to and including the AGM in 2005, Doro will redeem B shares at a subscription rate of SEK 8.50 per share plus 10 per cent interest per year. The redeemable amount stood at SEK 130 million (119 m) on 31 December 2004.

Following consultations with its main owners, the Board has formulated a new policy. The Board will propose to the AGM that all shareholders be offered the opportunity to redeem shares when funds are available (business year 2005 at the earliest). This policy will replace the dividend policy until further notice.

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

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

Financial overview. The financial overview provides comments and analysis of the following points:

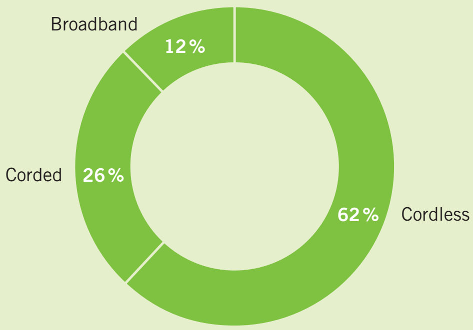
- income statement.
- balance sheet.
- cash flow.
- shareholders' equity.
- five-year summary.

The comments are included directly after the reports. Finally there is a short paragraph about the parent company, Doro AB.

Sales per product area and segment. Doro operates in the following product areas: cordless telephones, corded telephones (including telephone answering machines, caller-id products), wireless broadband and other activities. Cordless telephones are the largest product area, accounting for 62 per cent (58) of total sales. Corded telephones follow, with more than 26 per cent (32) of sales. Wireless broadband accounts for around 12 per cent (10) of sales.

All product areas reported improved market shares and thus higher sales in 2004.

Performance in the various segments is reported in note 2. In the Nordic region sales turnover and profits rose. In the rest of Europe results were down. Outside Europe results declined.



Investments. Investments mainly consist of those made in different production tools for sub-suppliers manufacturing Doro's products. In addition there is investment in testing equipment, other equipment and computers. Investments amounted to SEK 9 million (5 m).

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

The parent company reported sales of SEK 53 million (42 m). The profit after financial items rose to SEK 15 million (–7 m).

Doro AB is responsible for a majority of the subsidiaries' financing. Net debt has been reduced by SEK 74 million (fell by 47 m) to SEK 84 million (157 m). Dividends from Group companies, write-downs and write-backs of shares in Group companies and other internal transactions have had a positive net impact on results and increased shareholders' equity to SEK 126 million (96 m).

The Board and its work plan. Doro's Board consists of six members and one deputy elected by the AGM on 15 March 2004. Both the main shareholders (Mellby Gård Industri AB and Nordea) are represented by a single Board member.

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

The Board held 6 (7) meetings during the 2004 financial year. The following matters were on the agenda.

January: the annual accounts and approval of the annual report. Treatment of the company management's strategy for growth and a decision on Doro's information policy.

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

August: Quarterly report and focus on new products.

October: Quarterly report and focus on IP telephony.

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

January 2005: Approval of annual accounts, review with auditors and discussion of strategy.

Information is sent out about one week before each meeting. Each month the previous month's results are sent out along with comments. The Board continually addresses subjects such as the business situation, budget, periodical accounts and strategies. During the year the Board has focused on the company's strategic development and growth. Seven Board meetings are planned for 2005. There are no special committees.

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

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

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

Swedish code of corporate governance. A Swedish code for corporate governance was drawn up in 2004. It follows the principle of conform or explain. Parts of the code are expected to be implemented in 2005. At the time of writing it was uncertain what shape the forthcoming stock market contract would take with regard to a code of corporate governance. Doro is listed on the O-List and is not therefore obliged to follow the code. Doro does however intend to gradually implement the parts of the code that are reasonable for a company of its size. The Board will go through the code in detail during 2005. There is a separate review of how Doro currently follows the code.

Risks. A report on Doro's risk management is at page 40.

Expected future developments. During 2004 Doro regained market share on all markets. A significant increase in the pace of the launch of new products has already borne fruit in 2004. The company has started widening its product range in combination with a clear segmentation strategy. This creates good opportunities for continued positive development.

An assessment of the business situation for the current business year will be made in connection with the AGM on 15 March 2005.

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

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

During 2003 and 2004 Doro has initiated the introduction of IFRS. A comprehensive review was started in 2003 and followed up in 2004 to ensure that the new accounting principles will be observed. The Board makes an unconditional assurance that adjustments will be made so that the accounts match IFRS.

The most important differences between the company's current accounting principles and the new IFRS principles to be observed from 2005 and which were known at the time of writing are presented below:

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

– Investment property (IAS 40 /Council recommendation no. 24). Doro does not own property. This rule does not affect the company.

– Forestry and farming (IAS 41). Doro does not own any forestry or farming assets. This rule does not affect the company.

– Deferred tax (IAS 12) concerning discounting of deferred income tax. This rule does not affect the company.

– Earnings per share (IAS 33) concerning the effect of options. Doro has no options and thus calculations of earnings per share are not affected.

– Intangible assets (IAS 38). Goodwill is the only intangible asset Doro has. A review of goodwill has been made and adjustments were made to expected results and cash flow in 2003. This resulted in a write-down as of 31 December 2003 of goodwill in accordance with Council recommendation no. 17 (Write-downs) of SEK 7.3 million. No further adjustment had been made by 1 January 2004 (date of opening balance, see below).

– Goodwill will no longer be depreciated linearly. Instead it will be obligatory to assess each year if there is a need for write-down.

– Financial leasing agreements entered into before 1997 (IAS 17). Doro has no financial leasing agreements entered into before 1997. This principle does not affect the company.

A review has been made of IFRS 1 (First-time Adoption of International Financial Reporting Standards). IFRS 1 was set up to facilitate the adoption of IFRS from 2005. In annual reports from 2005 companies shall observe all standards valid on the report date (balance day). In principle the standards shall be applied with retroactive effect in accordance with IFRS 1. This means that interim regulations for individual standards shall not be used when first using IFRS. Companies making the transition in 2005 shall therefore observe all standards that apply on 31 December 2005. In principle an opening balance account shall be established in accordance with IFRS on the transition date, which for Swedish companies observing the calendar year as their financial year means 1 January 2004. More precisely this is an opening balance account in accordance with IFRS for the start of the earliest financial year with which comparisons are made. Application of IFRS 1 can entail adjustments to pension liabilities and writing down of goodwill on the opening balance on 1 January 2004.

Doro has prepared in advance for the changeover to new rules. A checklist has been used by all companies and key issues have been identified. Doro has certain open areas that will be monitored regularly. The effect of changing accounting principles will have little or no effect on Doro's income statement and balance sheet. The only effect will be depreciation of goodwill. This difference has been reported in note 43 with a pro forma income statement for 2004.

A presentation has been made to the Board. According to a first assessment there is a risk that according to the new rules redeemable shareholders' equity shall be classified as a liability from 2005. Doro's redeemable B shares will be converted to A shares at the AGM in March 2005. In this way this regulation will not affect Doro.

Work aimed at introducing IAS/IFRS was carried out using those rules that were in force when the Annual Report was produced.

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

Profit/loss brought forward	SEK	19,183,000
Group contribution received	SEK	6,731,000
Tax effect due to Group contribution	SEK	–1,883,000
Profit for the year	SEK	25,352,000
	SEK	**49,383,000**
and be dealt with as follows:		
Redemption of B shares	SEK	0
Dividend to shareholders of SEK 0.00 per share	SEK	0
Profit/loss carried forward	SEK	49,383,000
	SEK	**49,383,000**

The Group's unrestricted shareholders' equity on 31 December 2004 was SEK 16.2 million (–7.9 m). SEK 0 million has been allocated to restricted reserves (0 m).

code of corporate governance

Doro has followed the discussion in Sweden about a code of corporate governance. A presentation was made at the end of 2004 and the company has chosen to adopt a majority of the recommendations in advance. The table below shows how the code is implemented and explains why it is not followed in some instances. In general the code is extensive and mainly intended for large companies with uncertain ownership structures.

The Board will discuss the code during 2005 and further reports will be made during the year. Doro is listed on the Stockholm Stock Exchange's O-list and is not formally obliged to follow the code.

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

	Code	Observed	Comments
1. Annual General Meeting			
1. 1.1 Date for AGM	As early as possible, at least six months before	Yes	Information 1 year before in AR and on website
1.1.2 Items at AGM	How item is taken up	Yes	Press release 10 Dec. and on website
1.1.3 Notification methods	Via email	Yes	E-mail, fax, telephone and letter
1.2 Remote participation			
1.2.1 Participate in AGM Follow AGM	Remote connection	No	Too expensive
1.3 Presence of Board, senior executives and auditors			
1.3.1 Board, senior executives and auditors all present	All present	Yes	
1.3.2 Reporting of proposals	Chairman or committee	Yes	
1.4 Implementation			
1.4.1 Proposal to AGM chairman	In notification and at AGM by election committee	Partly	In notification, but no election committee
1.4.2 Minutes checkers	Not on Board	Yes	
1.4.3 AGM language	Interpreters	No	All major owners speak Swedish
1.4.4 Question AGM	Questions may be asked	Yes	
1.4.5 Minutes	On website within 2 weeks	Yes	
2. Appointment of Board and auditors			
2.1 Election committee			
2.1.1 Election committee	Shall be chosen by AGM or criteria for election	No	Election prepared by chairman and main owners
2.1.2 Composition	Three people, Board chairman not chairman	No	See above
2.1.3 Time for names	Publicised in Q3 report at latest	Yes	Procedure is known 6 months before
2.2 Appointment of Board			
2.2.1. Chairman and directors	Election committee makes proposal to chairman and board members and about fees	Yes	Proposal made to Chairman, board members and about their fees in connection with notification
2.2.2 Requirement profile	Election committee makes requirement profile	Yes	
2.2.3 Presentation	Detailed presentation	Yes	Made in notification of new board members and others in AR. Independents added in AR
2.2.4 Reasons	Reasons for re-election and how work is done och hur arbete bedrivits	Yes	

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

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

risk management

FINANCIAL RISK MANAGEMENT

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

Doro AB (the parent company) has overall responsibility for the Group's financial issues. Through centralisation and 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.

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

Doro usually has a very limited currency risk on various receivables because most sales are made in local currencies. However, Doro does have a very significant exposure regarding liabilities. Because a large proportion of products are bought in USD, changes can have a big impact (see sensitivity analysis). Purchasing options limits this risk to around 50 per cent for flows over a six-month period. Currency management is concentrated to the parent company Doro AB. Currencies are bought on an ongoing basis and in 2004 have only been based on the spot rates in USD.

The net asset value (shareholders' equity) in Group companies is protected via loans in local currencies.

Exchange rate fluctuations affect results in various ways:

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

Doro's currency policy means that 50 per cent of expected net flows (primarily purchases as few customers pay with USD) over the coming six months are hedged (via options). A further 50 per cent of commitments of more than six months (currently a minor percentage of sales) are hedged. At the end of 2004 option agreements accounted for the equivalent of around 50 per cent of the expected flow for the fist six months of 2004.

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

	2004 Currency (SEK m) Gross	2004 After options	2003 Currency Brutto	2003 After options
SEK	+30	–25	+30	–40
DKK	+30	+10	+40	+5
NOK	+70	+45	+60	+35
EUR	+150	+80	+150	+70
GBP	+10	0	+30	+15
AUD	+80	+40	+90	+40
USD	–390	–160	–410	–140
PLN	+20	+20	+20	+20

Reporting of outstanding options. All refer to purchases of USD running until July 2005

Currency	Contract amount	Price paid	Market value
AUD	3.5	0.66-0.73	0
DKK	1.5	5.93-6.44	0
EUR	4.5	1.15-1.25	0
GBP	1.5	1.73-1.77	0
NOK	1.5	6.47-7.24	0
SEK	3.5	7.19-7.77	0
Totalt	**16.0**		**0**

Conversion exposure of foreign assets. Doro owns assets in foreign currency. Net assets (shareholders' equity) in the foreign subsidiaries are partly hedged by loans in the same currency.

At the year-end the value of foreign net assets was SEK 93 million (153 m), of which SEK 109 million (135 m) was hedged in the form of loans in the same currency.

Value of foreign assets

	2004 Value	2004 Of which hedged	2003 Value	2003 Of which hedged
DKK	13	13	14	12
NOK	1	1	4	4
EUR	24	27	64	54
GBP	21	35	27	30
CHF	3	3	3	2
AUD	15	13	23	14
HKD	4	4	5	5
PLN	12	13	13	14
Totalt	**93**	**109**	**153**	**135**

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

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

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

Net debt / currency 31 Dec. 2004 and 31 Dec. 2003

(SEK m)	2004	2003
SEK	23	0
EUR	–3	–13
GBP	13	–3
DKK	0	–3
NOK	0	–7
CHF	0	1
AUD	–6	0
HKD	0	0
USD	–16	–11
PLN	9	11
Total	**20**	**–20**

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

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

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

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

	2004	2003
Price change	+/– 7	+/– 7
Volume change	+/– 2	+/– 2
USD	+/– 4	+/– 4
Interest rate change	+/– 0.5	+/– 0.5

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

OPERATIONAL RISK MANAGEMENT

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

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

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

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

Complaint risks. Complaint risks concern costs for correcting faults that arise in the products supplied by Doro. Guarantees usually cover 12 months. European legislation will introduce EU directives for a two-year guarantee for consumers. Different allocation requirements are made for the outstanding guarantees. Comprehensive quality assurance has improved quality in recent years.

Insurance risks. Doro has a co-ordinated insurance portfolio. A general policy has been established in consultation with external experts regarding the components of the portfolio, the amounts involved and the distribution of risk between the parent company and subsidiaries.

Political risks. Political risk is seen as the risk that authorities in different countries create difficulties for business, or make business more expensive or impossible. All manufacturing is carried out in Asia (as are nearly all the competition). All sales are carried out in stable countries.

Environmental risks. This risk is seen as the costs that may be incurred by Doro for reducing environmental impact. Doro has no manufacturing units of its own. Doro actively complies with new environmental directives. So far Doro has not had any problems meeting different forms of fees for returning electrical waste, packing and used batteries.

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

income statement

(SEK m)	Note	GROUP 2004	GROUP 2003	PARENT COMPANY 2004	PARENT COMPANY 2003
Net sales	1, 2, 3	648.8	647.5	53.1	41.7
Operating costs					
Manufacturing services bought in		–435.6	–427.5	–28.4	–16.6
Other external costs	4, 28, 31	–102.7	–91.2	–24.7	–26.6
Personnel costs	5-13	–85.7	–94.3	–13.5	–20.9
Depreciation of tangible assets	17	–5.7	–6.3	–2.4	–3.0
Depreciation and write-down of intangible assets	18	–2.7	–12.8	–	–
Operating profit/loss (EBIT)	2	**16.4**	**15.4**	**–15.9**	**–25.4**
Result from financial investments					
Profit/loss from participations in Group companies	30	–	–	23.1	2.3
Interest income and similar p/l items	14	28.6	36.6	27.7	44.1
Interest expense and similar p/l items	15	–20.3	–24.4	–19.9	–27.9
Profit/loss after financial items (EBT)		**24.7**	**27.6**	**15.0**	**–6.7**
Appropriations	16	–	–	–	1.2
Tax on profit for the year	29	–0.9	–11.8	10.4	–3.5
PROFIT/LOSS FOR THE YEAR		**23.7**	**15.7**	**25.4**	**–9.0**
Key figures					
Average number of shares (thousands)	21	21,468	21,468		
Earnings Per Share before tax		1.15	1.29		
Earnings Per Share after tax		1.11	0.73		

Comments on the income statement. In 2004 Doro reported sales of SEK 649 million (648 m) – up SEK 1 million (fall of 192 m), which represents a 0 per cent increase (fall of 23 per cent) compared with the previous year. Adjusted for the sale of operations, sales were unchanged (sales fell by 16 per cent). The fall was due to generally weaker demand coupled with continued tough price pressure and falling prices.

Margins were positively affected by improved quality, reduced warranty costs and, primarily, by the weakening of the US dollar.

Overheads were reduced by cutting staff and administration costs. Depreciation was reduced by lowering the investment level. Depreciation of goodwill was lower because of the write-downs made in 2003.

Negative cash flow has increased borrowings and thus also raised financial costs. Borrowings in foreign currencies have been reduced and this has meant gains in foreign currencies. Foreign currency gains in the parent company have been booked as financial income.

Changes in the US dollar have had a positive impact of around SEK 60 million (70 m) on profits. The effects were reduced considerably, however, through lower prices for customers.

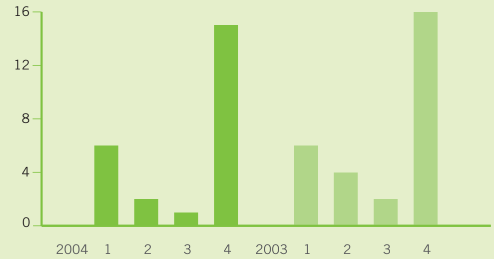
The profit after tax for the Group was SEK 25 million (28 m).

Quarterly profit trend

	2004				2003			
(SEK million)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	136	144	148	220	172	136	155	184
Operating costs	–129	–138	–141	–215	–162	–130	–150	–170
Operating profit before depreciation	**7**	**6**	**7**	**5**	**10**	**6**	**5**	**14**
Planned depreciation and write-downs	–2	–2	–2	–3	–3	–3	–3	–10
Operating profit after depreciation	**5**	**4**	**5**	**3**	**7**	**2**	**2**	**5**
Net financial items	1	–2	–3	12	–1	1	0	11
Profit after financial items	**6**	**2**	**2**	**15**	**6**	**4**	**2**	**16**
Tax on profit for the year	–1	1	0	–1	–2	0	0	–9
Net profit	**5**	**2**	**2**	**14**	**4**	**3**	**2**	**7**

Quarterly sales (SEK million)

Quarterly profit before tax (SEK million)



balance sheet

		GROUP		PARENT COMPANY	
ASSETS (SEK m)	Note	2004	2003	2004	2003
FIXED ASSETS					
Intangible assets					
Capitalized expenditure for development work	17	3.0	–	–	–
Goodwill	17	11.3	13.9	–	–
Tangible assets					
Equipment and tools	18	11.3	8.0	5.0	2.2
Financial assets					
Participations in Group companies	19	–	–	167.1	207.7
Other securities held		0.1	0.5	–	
Deferred income tax recoverable	29	22.1	21.8	14.4	6.0
Total fixed assets		**47.8**	**44.2**	**186.5**	**216.0**
CURRENT ASSETS					
Stocks					
Inventories		118.6	72.7	–	–
Advance payment to suppliers		–	0.0	–	–
Current receivables					
Accounts receivable – trade		96.7	66.8	3.8	2.7
Receivables from Group companies		–	–	15.1	24.0
Other current receivables		9.0	14.8	10.8	8.3
Prepaid expenses and accrued income	20	18.0	10.7	10.7	7.4
Cash and bank balances		14.5	33.1	0.0	18.5
Total current assets		**256.8**	**198.1**	**40.4**	**60.9**
TOTAL ASSETS		**304.6**	**242.4**	**227.0**	**276.8**

SHAREHOLDERS' EQUITY AND LIABILITIES (SEK m)	Note	GROUP 2004	GROUP 2003	PARENT COMPANY 2004	PARENT COMPANY 2003
SHAREHOLDERS' EQUITY					
Restricted equity					
Share capital 21,467,859 shares at nom. SEK 1	21	21.5	21.5	21.5	21.5
Restricted reserves/statutory reserve		55.9	56.8	55.5	55.5
Total restricted shareholders' equity		**77.4**	**78.3**	**77.0**	**77.0**
Non-restricted equity/Accumulated deficit					
Profit/loss brought forward		–7.5	–23.6	24.0	28.2
Profit/loss for the year		23.7	15.7	25.4	–9.0
Total non-restricted equity/Accumulated deficit		**16.2**	**–7.9**	**49.4**	**19.2**
Total shareholders' equity		**93.6**	**70.4**	**126.4**	**96.2**
UNTAXED RESERVES	22				–
PROVISIONS AND LIABILITIES					
Provisions					
Provisions for taxation	35	–	3.5	–	–
Provisions for guarantees	33	12.0	16.8	–	–
Other provisions	27, 32, 34, 36, 37	6.3	18.8	3.7	10.3
Total provisions		**18.3**	**39.1**	**3.7**	**10.3**
CURRENT LIABILITIES					
Interest bearing liabilities					
Bank overdraft facilities	23	26.0	4.2	21.9	–
Liabilities to credit institutions		8.8	8.3	–	–
Liabilities to Group companies		–	–	61.8	157.5
Total interest bearing liabilities		**34.8**	**12.6**	**83.6**	**157.5**
Non-interest bearing liabilities					
Accounts payable – trade		135.4	86.5	5.0	4.4
Liabilities to Group companies		–	–	1.4	0.6
Other liabilities		2.4	3.1	0.0	0.7
Accrued expenses and prepaid income	24	20.1	30.8	6.9	7.2
Total non-interest bearing liabilities		**157.9**	**120.3**	**13.3**	**12.9**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**304.6**	**242.4**	**227.0**	**276.8**
Pledged assets	25	409.0	478.8	337.1	377.8
Contingent liabilities	26	8.1	12.7	8.1	12.7

Comments on the balance sheet. The Group's balance sheet total has risen by SEK 62 million (fall of 62 m) since the start of the financial year, to SEK 305 million (242 m). Goodwill amounts to SEK 11 million (14 m) and has dropped due to depreciation.

The equity/assets ratio has risen from 29 per cent to 30 per cent due to the positive earnings trend. The Group's net debt (interest bearing liabilities less cash in bank) has risen by 39 million (–38 m) to a debt of SEK 20 million (cash of 20 m). The largest part of the interest bearing debt is in PLN and SEK.

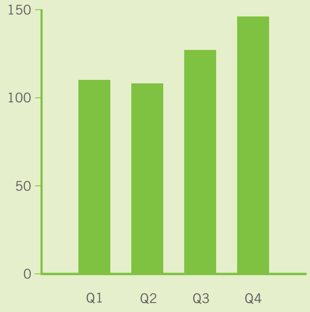
Stock values have risen from the very low level of the last annual accounts through a healthier product portfolio. The majority of purchases are in Asia. This provides higher stock levels as stock-on-route accounts for between 20 and 30 per cent of stock at any one time. Accounts receivable have risen as a large percentage of sales occurred at the end of Q4.

Quarterly balance sheet

	2004				2003			
(SEK m)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Intangible assets	13	13	12	14	25	24	23	14
Tangible assets	7	7	9	11	10	9	8	8
Stock	96	108	123	119	107	103	75	73
Current liabilities	110	108	127	146	141	106	119	114
Cash in bank	13	7	10	15	15	15	10	33
Total assets	**238**	**243**	**279**	**305**	**298**	**256**	**233**	**242**
Shareholders' equity	76	79	82	94	55	61	62	70
Interest bearing liabilities	13	32	52	35	55	57	41	13
Non-interest bearing liabilities/provisions	149	132	145	176	188	138	131	159
Total shareholders' equity and liabilities	**238**	**243**	**279**	**305**	**298**	**256**	**233**	**242**

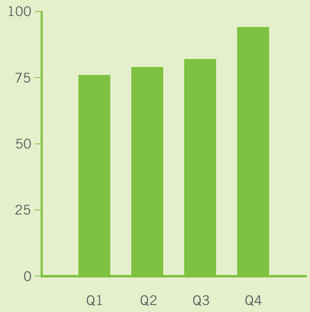
Stock (SEK million)

Short-term liabilities (SEK million)

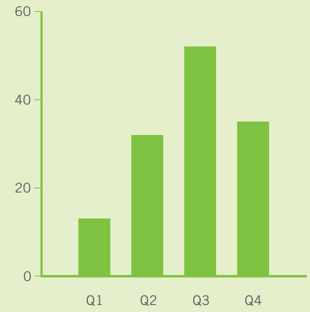


Goodwill (SEK million)

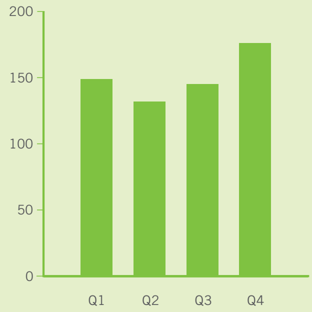
Shareholders' equity (SEK million)



Interest bearing liabilities (SEK million)



Non-interest bearing liabilities (SEK million)



shareholders' equity

CHANGES IN SHAREHOLDERS' EQUITY, 2004 (SEK m)	Share capital	Restricted reserves	Unrestricted capital	Total shareholders' equity
THE GROUP				
Shareholders' equity, 31 Dec. 2002	21.5	57.1	–25.6	53.0
Exchange rate differences [1]			1.7	1.7
Total changes in shareholders' equity not reported in income statement			**1.7**	**1.7**
Change between restricted and non-restricted equity		–0.3	0.3	–
Profit/loss for the year			15.7	15.7
Shareholders' equity, 31 December 2003	**21.5**	**56.8**	**–7.9**	**70.4**
Exchange rate differences [1]			–0.5	–0.5
Total changes in shareholders' equity not reported in income statement			**–0.5**	**–0.5**
Change between restricted and non-restricted equity		–0.9	0.9	–
Profit/loss for the year			23.7	23.7
Shareholders' equity, 31 December 2004	**21.5**	**55.9**	**16.2**	**93.6**

Exchange rate differences [1]
Specification of exchange rate differences shown as shareholders' equity concern translation of the overseas Group companies' income statements and balance sheets in Swedish kronor (independent overseas activities).

	2004	2003
Accumulated exchange rate differences, 1 Jan.	1.5	–0.2
Exchange rate differences for the year [2]	–0.5	+1.7
Accumulated exchange rate differences, 31 Dec.	1.0	1.5

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

[2] Hedging activities in 2004 have cut exchange rate differences by SEK –1.0 (SEK 7.9, 2003). Hedging activities applied are included in the accounting principles under Parent Company: hedging of net investments (shareholders' equity) in Group companies (page 56).

	Share capital	Statutory reserve	Unrestricted shareholders' equity	Total shareholders' equity
PARENT COMPANY				
Shareholders' equity, 31 December 2002	21.5	55.5	22.1	99.1
Group contribution received			8.4	8.4
Tax effect due to Group contribution			–2.3	–2.3
Total changes in shareholders' equity not reported in income statement			**6.1**	**6.1**
Profit/loss for the year			–9.0	–9.0
Shareholders' equity, 31 December 2003	**21.5**	**55.5**	**19.2**	**96.2**
Group contribution received			6.7	6.7
Tax effect due to Group contribution			–1.9	–1.9
Total changes in shareholders' equity not reported in income statement			**4.8**	**4.8**
Profit/loss for the year			25.4	25.4
Shareholders' equity, 31 December 2004	**21.5**	**55.5**	**49.4**	**126.4**

Comments on shareholders' equity. *Shares and share capital.* The share capital in Doro AB is divided into A and B shares. Both A and B shares have the same entitlements to the company's net assets and profits. A shares carry one vote per share, while B shares carry one tenth of a vote per share. On 31 December 2004 the total number of shares was 21,467,859, of which 9,703,154 are A shares and 11,764,705 are B shares. On 31 December 2004 the total share capital was SEK 21.5 million.

Shareholders' equity. Doro AB's total shareholders' equity for the Group was higher than the previous year and reached SEK 93.6 million (70.4 m). The increase was due to the profit for the year, which was SEK 23.7 million, and exchange rate differences of SEK –0.5 million.

Doro AB's total shareholders' equity for the parent company was higher than the previous year and reached SEK 126.4 million (96.2 m). The increase was due to the profit for the year, which was SEK 25.4 million, a received Group contribution of SEK 6.7 million and a tax effect relating to the Group contribution of SEK –1.9 million.

The higher shareholders' equity in the parent company is due mainly to internal profits in the parent company that were eliminated in the consolidated accounts because these profits are unrealised from a Group point of view.

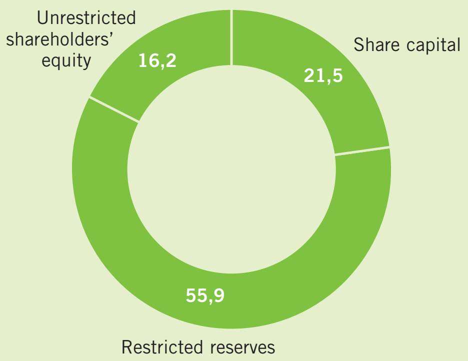
Restricted reserves. In Sweden and certain other countries where the Group does business, the parent company and its subsidiaries have restricted reserves that may not be used for dividend payments due to legal restrictions. According to Swedish company law, 10 per cent of the year's profit shall be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

Tax rules in Sweden and certain other countries give the company the opportunity to make allocations to untaxed reserves. To a certain extent companies may allocate reported profit so that it remains within the company without being taxed. The accumulated value of these allocations is reported in the Group's balance sheet with deductions for related deferred tax, under the heading "Restricted reserves".

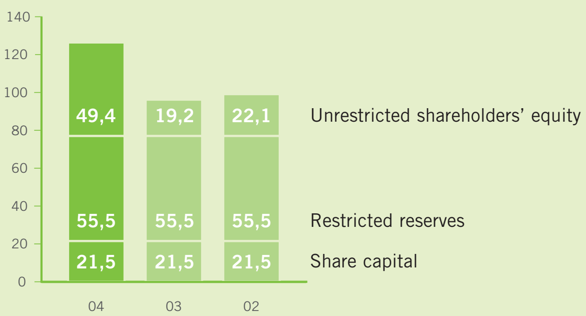
The Group's restricted shareholders' equity is specified in the posts "Share capital" and "Restricted reserves". Restricted capital is capital that may not be used for dividends to shareholders. Restricted capital includes share capital, funds that may not be used for dividends and their foreign equivalents, and the company's own capital share of untaxed reserves.

Unrestricted shareholders' equity. One of the purposes of the consolidated accounts is to show the size of the Group's unrestricted shareholders' equity, one of several restrictions governing the size of the dividend that the parent company can pay to shareholders. One restriction on the size of the dividend that can be paid to shareholders is therefore that the dividend sum is the lowest amount of unrestricted shareholders' equity in the parent company and the Group. The Group's unrestricted shareholders' equity according to the subsidiary's annual report can be reported as unrestricted shareholders' equity in the Group to the extent that it can be contributed to the parent company without it triggering a need to write down in the parent company of the participation in the subsidiary.

Group 2004 (SEK million)



Parent company 2002-2004 (SEK million)



cash flow statement

(SEK m)	Note	GROUP 2004	GROUP 2003	PARENT COMPANY 2004	PARENT COMPANY 2003
CURRENT ACTIVITIES					
Profit/loss after financial items		24.7	27.6	15.0	–6.7
Adjusted for items not in cash flow etc:					
Change in allocations		–20.8	–10.2	–6.6	7.9
Depreciation/write downs	17, 18, 19	8.4	19.1	10.5	42.1
Income tax paid	29	–1.2	–5.1	–	–
Cash flow from current activities before changes to working capital		**11.1**	**31.4**	**18.9**	**43.3**
Change in working capital					
Change in stocks		–45.9	17.8	–	–
Change in receivables		–31.4	40.8	2.0	–7.4
Change in non-interest bearing liabilities		37.5	–49.3	0.4	–1.5
Cash flow from current activities		**–28.7**	**40.7**	**21.3**	**34.4**
INVESTMENT ACTIVITIES					
Acquisition of Group companies	17, 19	–	–	32.6	23.6
Acquisition of other securities		0.4	–0.4	–	–
Acquisition of intangible assets	17	–3.0	–	–	–
Acquisition of tangible assets/securities	18	–9.0	–4.7	–5.2	–1.7
Sale of equipment		–	1.7	–	0.5
Cash flow from investment activities		**–11.6**	**–3.4**	**27.4**	**22.4**
FINANCING ACTIVITIES					
Group contribution received		–	–	6.7	8.4
Change in interest-bearing liabilities		22.2	–19.8	–73.9	–46.7
Cash flow from financing activities		**22.2**	**–19.8**	**–67.2**	**–38.3**
Cash flow for the year		**–18.1**	**17.5**	**–18.5**	**18.5**
Liquid assets at 1 Jan 2004		33.1	13.9	18.5	0.0
Exchange rate difference in liquid assets		–0.5	1.7	–	–
Liquid assets at 31 Dec 2004 [1)]		14.5	33.1	0.0	18.5

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

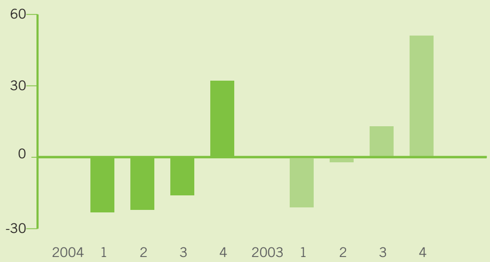
Comments on the cash flow. Cash flow from current activities was unevenly balanced throughout the year due to significant differences in sales between each quarter. Cash flow is usually negative for the first six months, neutral in Q3 and positive in Q4.

The positive earnings trend led to a positive contribution which was reduced because the operating capital has risen. Sales during the year were considerably higher than last year and accounts receivable have increased. Cash flow from current activities in 2004 were SEK –29 million (41 m).

Quarterly cash flow

	2004				2003			
(SEK m)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Operating profit after financial items	6	2	2	15	6	4	2	16
Planned depreciation and write-downs	2	2	2	2	3	3	3	10
Paid income tax	–1	1	0	–1	–2	0	0	–3
Change in working capital	–30	–26	–20	16	–28	–9	8	28
Cash flow from current activities	**–23**	**–22**	**–16**	**32**	**–21**	**–2**	**13**	**51**
Acquisition of Group companies	0	0	0	0	0	0	0	0
Investments	–1	–2	–1	–5	–1	–1	–1	0
Cash flow from investment activities	**–1**	**–2**	**–1**	**–5**	**–1**	**–1**	**–1**	**0**
Change in interest bearing liabilities	1	19	20	–17	22	2	–16	–28
Dividend paid	0	0	0	0	0	0	0	0
Translation differences, other	2	–1	1	–4	1	1	–1	1
Cash flow from financing activities	**3**	**18**	**19**	**–21**	**23**	**3**	**–17**	**–27**
Cash flow (change in liquid assets)	–21	–6	2	6	1	0	–5	23

Quarterly cash flow (SEK million)



five-year summary

(SEK m)	2004	2003	2002	2001	2000
Income statement					
Net sales	648.8	647.5	838.6	1,099.4	1,454.1
Operating profit/loss before depreciation	24.8	34.6	33.3	–115.6	–5.9
Operating profit/loss after depreciation	16.4	15.4	16.8	–157.2	–30.8
Net financial items	8.3	12.2	–6.2	–37.0	–13.6
Profit/loss after net financial items	24.7	27.6	10.6	–194.2	–44.4
Balance sheet					
Fixed assets	47.8	44.2	38.1	57.2	93.3
Current assets	256.8	198.1	252.1	332.4	611.1
Cash and bank	14.5	33.1	13.9	7.8	19.5
Shareholders' equity	93.6	70.4	53.0	60.0	145.3
Provisions	18.3	39.1	49.3	86.5	86.7
Interest bearing liabilities	34.8	12.6	32.4	43.1	219.1
Non-interest bearing liabilities	157.9	120.3	169.4	207.7	272.9
Balance sheet total	304.6	242.4	304.1	397.4	723.9
KEY FIGURES (Definitions on page 57)					
Return ratios					
Average return on operational capital employed, %	14.7	18.1	16.5	–52.4	–8.4
Average return on shareholders' equity %	29.3	25.6	1.2	–189.0	–27.2
Margins					
Gross margin %	3.8	5.3	4.0	–10.5	–0.4
Operating margin %	2.5	2.3	2.0	–14.3	–2.1
Net margin %	3.8	4.3	1.3	–17.7	–3.1
Value added per employee (SEK m per person)	1.2	1.3	1.2	0.6	0.8
Capital turnover					
Capital turnover rate (multiple)	2.4	2.7	2.4	2.0	2.3
Financial data					
Debt/equity ratio (multiple)	0.22	N/A	0.35	0.72	1.37
Interest cover ratio (multiple)	10.5	6.6	2.4	N/A	–1.3
Equity/assets ratio, %	30.7	29.0	17.4	15.1	20.0
Cash flow from current activities	–28.7	40.7	19.9	60.6	–5.9
Number of employees	171	172	210	276	312
Liquid assets (incl. unused credit)	46.6	149.2	137.2	181.1	156.8
Investments	9.3	4.7	5.7	8.9	11.3

Comments on the five-year summary.

2000. During 2000 Doro was hit hard first by a components shortage and then by the rising US dollar. The shortage of components meant that Doro took risks when choosing production partners. When the shortage was over Doro experienced large problems with product quality and excess stocks. In September 2000 Doro's founder, Claes Bühler, left the company. A dispute resulted in Doro suing a Japanese supplier for SEK 106 million. On the positive side a venture with Telia resulted in the Swedish giant becoming a major customer.

Sales rose to SEK 1,454 million, but the Group made a loss of SEK 44 million.

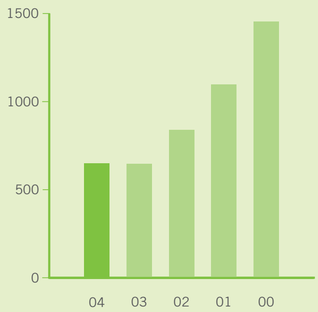
2001. During the year quality problems had a major impact. A new quality scheme was started, which had a beneficial effect in the ensuing years. The US dollar continued to rise in value. During the winter Gunnar Åkerblom took over as CEO and a major restructuring scheme was started. A directed share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

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

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

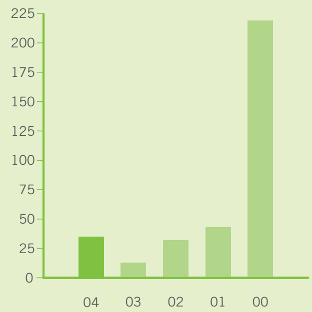
2004. The new segmentation strategy was launched. The development of new products more than doubled. Towards the end of the year growth returned for Doro and the annual sales figure showed an increase for the first time since 2000. Doro entered new areas with IP telephony. The US dollar was stable during the first half of the year and then fell strongly. Sales totalled SEK 649 million and the profit was SEK 25 million.

Sales (SEK million)

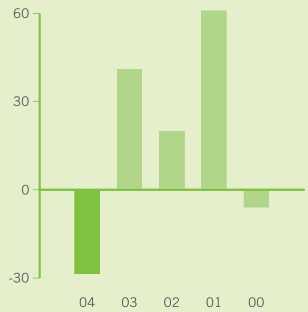


Profit/loss before tax (SEK million)

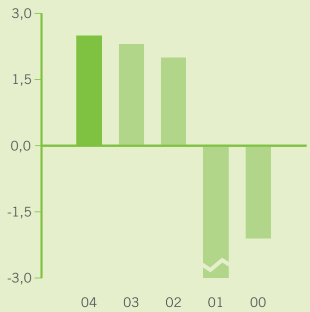
Interest-bearing liabilities (SEK million)



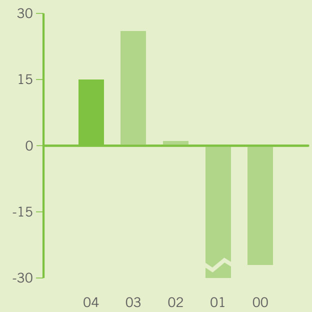
Cash flow (SEK million)



Operating margin (%)



Return on capital (%)



accounting principles

The Annual Report is produced in accordance with the Swedish Annual Accounts Act and in line with the recommendations and statements of the Swedish Financial Accounting Standards Council and the recommendations and statements of the Swedish Institute of Authorised Public Accountants (FAR).

New accounting principles. Changes to the Swedish Annual Accounts Act and recommendation no. 29 (remuneration to employees) from the Swedish Financial Accounting Standards Council came into effect on 1 January 2004. The new recommendations, together with previous years' recommendations, represent an adaptation to Swedish accountancy praxis to the International Financial Reporting Standards (IFRS). Doro has integrated the new changes to the Swedish Annual Accounts Act that affect the company; 4:14 (valuing financial instruments at their real value), 7:22 (reversed acquisition), 4:9 (net sales value instead of actual value when valuing current assets) and 6:1 (information about financial risks in the directors' report). Doro has integrated the following principles and statements that affect the company: recommendation 29 (Remuneration to employees), URA 42 (classification of financing through the Alecta's ITP pension plan), URA 43 (reporting specific payroll tax) and change to former recommendation 1 (consolidated accountancy), recommendation 8 (reporting effects of change in exchange rates), recommendation 27 (financial instruments; information and classification) and recommendation 29 (remuneration to employees). No retroactive effects arise for Doro in previous years' accounts when applying the above recommendations and statements. The new rules involve minor adjustments to the accounting principles observed hitherto, but they do entail a significant new amount of information in the notes and Directors' report.

The changeover to IFRS/IAS is described in more detail in the Directors' report.

GROUP

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

At the end of the financial year there were 11 (12) operating companies in the Group.

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

The consolidated accounts are drawn up in line with the acquisition method, which means that the acquisition value of the shares in Group companies is divided among identifiable assets and liabilities to their actual value at the date of acquisition. If the terms for provisions for a restructuring scheme are met then provisions are made in the acquisition analysis. Provisions for deferred tax on acquired untaxed reserves are made in conjunction with the acquisition. Unutilised tax carry forwards obtained in conjunction with the acquisition are converted into deferred tax assets if the assessed earning capability means that it can be expected that the assets can be utilised. Furthermore, deferred tax is calculated on the difference between the actual values of assets and liabilities and the fiscal residual value. For cases where the acquisition value of shares in Group companies exceeds the acquired shareholders' equity, calculated as above, the difference is accounted for as goodwill, which is depreciated according to plan.

For corporate acquisitions, the purchase price can be earnings-dependent. The calculation is based on future profits and therefore the total purchase price can vary. Every year a new reconciliation and booking of the expected purchase price is carried out. Adjusted goodwill is depreciated in line with the remaining goodwill's utilisation period.

The internal balances and internal profits have been eliminated in the consolidated accounts. When eliminating internal transactions, the fiscal effect is also calculated on the basis of rates of taxation applicable in each country.

Exchange rates. *Translation of foreign activities.* The relationship of an overseas activity to the parent company is crucial for its classification and thereby the translation method. Doro's overseas activities mainly buy from external companies and sell in local currency and are classified as autonomous. All Group companies overseas are therefore classified as independent. This means that all assets and liabilities in the subsidiaries are translated at the closing day rate, whilst all items in the income statements are translated at the average rate for the financial year. The exchange rate differences arising in this context are an effect partly of the differences between the income statements' average rates and the closing day rates, and partly of the fact that net assets are translated at a different rate at the end of the year than at the beginning of the year. Exchange rate differences are not carried forward in the income statements and are instead carried directly to equity.

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

		Average rate		Closing day rate	
Country	Currency	2004	2003	2004	2003
Australia	AUD	5.41	5.23	5.19	5.43
Denmark	DKK	1.23	1.23	1.21	1.22
Euro area	EUR	9.12	9.13	9.02	9.09
Hong Kong	HKD	0.94	1.04	0.85	0.93
Norway	NOK	1.09	1.15	1.09	1.08
Poland	PLN	2.02	2.08	2.21	1.93
Switzerland	CHF	5.90	6.02	5.85	5.83
United Kingdom	GBP	13.39	13.24	12.74	12.89
USA	USD	7.33	8.08	6.61	7.24

Effects of changing exchange rates. Translation of receivables and liabilities in foreign currencies. Receivables and liabilities in foreign currencies are valued at the closing day rates and unrealised exchange rate profits and losses are included in the results. In cases where forward contracts are used this rate is used when assessing the value of hedged receivables and liabilities.

Hedging the future flows. Doro changed its hedging method during Q1 2003. Previously Doro used forward contracts, but the new method involves currency options. Currency options provide greater flexibility when trading volumes vary and they also enable the company to benefit from the positive effects of the US dollar falling in value.

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

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

Revenue recognition. Doro has the following types of revenue: product sales and sales of services. This includes servicing, repairs, training and technical service. In addition there is delivery of large projects externally by the subsidiary, UpGrade Communication AB. Revenue is included in the accounts principally when all risks and rights connected with ownership have been transferred to the buyer, which usually occurs in connection with delivery, when the price is fixed and the collection of a receivable is probable.

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

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

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

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

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

Costs relating to the development phase are capitalised as an intangible fixed asset if it is likely, with a high degree of reliability, that they will result in future financial benefits for the Group. This means that strict criteria must be met before a development project will result in intangible fixed assets being capitalised. This criteria includes the option of ending a project, proof that a project is technically feasible and that the market exists, as much as the intention and opportunity to reliably calculate the costs during the development phase. When capitalisation has occurred the intangible fixed asset is written off over its expected lifespan. Depreciation plans of two years start from the time each respective product is introduced on the market introduction.

External partners' manufacturing tools are however owned by Doro and their cost is capitalised and deducted according to plan over the lifespan of the products – two years.

Doro has no research costs.

Tangible and intangible fixed assets. Tangible and intangible fixed assets, mainly consisting of goodwill, machinery and equipment, are reported at their acquisition value with deductions for the accumulated depreciation according to plan.

Financial instruments. The Group uses a limited amount of financial derivatives to hedge itself against exchange rates. The aim of the hedging policy (see the chapter on Hedging of future flows under Exchange rates above on page 54) is to protect Doro against sudden, large increases in the exchange rate of the US dollar and to absorb various brief fluctuations in exchange rates. This enables Doro to adapt sales prices to a higher level of the US dollar. During 2003 Doro changed from forward contracts to options. Options are bought with an addition to the forward rate of 5 per cent. Contracts are drawn up regularly. The premium costs for these options contracts are reported in the accounts for the periods the options contracts are applicable. The value of options for these hedging flows are reported in note 40. Loans are raised in the currencies that match the net investments in Group companies overseas and each country respectively (see the chapter on the Parent company below about Hedging net investments in Group companies overseas).

Write-downs. Each annual account considers whether there is any indication for write-downs of the reported values of the Group's assets. When there is an indication that an asset has dropped in value its recyclable value is established. The recyclable value is the higher value of an asset's net sale value and its utilisation value. When establishing the utilisation value a current value is assessed for the estimated future payments that the asset is expected to generate during its utilisation. When establishing the current value an interest calculation is used before tax that reflects the actual market interest and the risk that is linked with the asset. If the recyclable value falls below the booked value then a write-down of assets to the recyclable value is made. Write-backs are carried out if there is no longer good cause for write-downs. Write-downs and write-backs are reported in the income statement.

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

Expenses brought forward for development work	2 years
Moulds (production tools)	2 years
Goodwill	10 years
Computers, cars, furniture etc.	2–5 years

Consolidated goodwill arising in conjunction with corporate acquisitions is depreciated linearly according to the expected utilisation period of 10 years. Goodwill depreciates after five years as the acquired company has established skills in its field, an established customer relationships and a strategic link to the Group's activities.

Leasing. Leasing is classified in the consolidated accounts as financial or operational leasing. Financial leasing exists where the financial risk and benefits associated with the ownership in all essential matters are transferred to the lessee. In other cases it is an operational leasing. Financial leasing agreements for company cars, copying machines, computer equipment and the like are reported for intangible reasons as operational leasing. Doro has no financial leasing agreements. Property rents are included in operational leasing. No significant leasing agreements were signed in 2004.

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

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

Guarantees and repairs. Provisions are made for the cost of repairing goods that can be returned within the guarantee period (normally one year from the sale to the end-user). A statistics program has been developed that provides forecasts based on the time that products are sold and returned, the proportion requiring repairs, scrapping, compensation through the exchange of the product or a credit as well as costs for checks, repairs (including parts) and transport. When deviations occur (mainly in numbers of products being returned) requirements for guarantee provisions are changed.

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

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

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

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

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

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

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

The Group uses the balance sheet method when calculating deferred income taxes recoverable and liabilities. The balance sheet method means that calculation is made from the tax rate on the closing day applied to the temporary differences between an asset or liability's accountable or taxable value and taxable loss carry forward. Deferred tax assets are included in the balance sheet only to the extent of value that can probably be utilised within the near future. An individual assessment is made of the situation for companies in each country. Companies that have been profitable for many years give a full value of their loss carry forwards. Companies that have recently become profitable give a valuation according to their plans. Companies that have shown an uneven trend of losses and profits give a specific estimation of the probable outcome of the value of the loss carry forwards. When calculating deferred tax the current nominal tax rate in each country is used.

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

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

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

Segment reporting. Doro's reporting is based on income statements and balance sheets from different countries. Subsidiaries are gathered together in segment reporting by country groups, reflected in the internal accounts. Goodwill relating to different markets is divided into these groups. This is Doro's principle segment. A division has also been done in secondary segments where telephony and broadband are operational branches. A division has been made for broadband that exceeds 10 per cent of Doro's sales.

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

PARENT COMPANY

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

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

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

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

definitions

Number of employees. Average number of employees.

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

Average return on shareholders' equity. Profit/loss after financial items and final tax divided by average shareholders' equity.

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

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

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

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

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

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

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

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

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

Cash flow. Cash flow from current activities.

Investments. Net investments excluding acquisitions.

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

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

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

notes

Sums in SEK million unless otherwise stated.

Note 1 Net sales

Net sales presented as type of income

	2004	2003
Product sales	614.9	632.0
Service and repairs	13.4	11.7
Training and technical service	6.3	1.2
Project sales	14.2	2.3
Disposed activities	0.0	0.3
Total	**648.8**	**647.5**

Note 2 Results per segment

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

2.1 Results per geographic segment (primary segment)

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

Results 2004	Net sales	Operating expenses	Operating profit/loss
Nordic region	282.6	–278.5	+4.1
Rest of Europe	244.2	–235.8	+8.4
Rest of world	119.6	–107.5	+12.1
Parent company and eliminations	0.7	–10.4	–9.4
Disposed activities	0.3	0.0	+0.3
Total	**647.5**	**–632.1**	**+15.4**

Balance sheet 2004	Assets	Liabilities	Net assets
Nordic region	161.3	–97.0	64.3
Rest of Europe	118.9	–69.3	49.6
Rest of world	61.4	–45.8	15.8
Parent company and eliminations	–40.7	+1.6	–38.0
Disposed activities	3.7	–0.5	3.2
Total	**304.6**	**–211.0**	**93.6**

Balance sheet 2003	Assets	Liabilities	Net assets
Nordic region	150.2	–87.2	63.0
Rest of Europe	150.8	–55.8	95.0
Rest of world	45.2	–22.2	23.0
Parent company and eliminations	–107.7	–5.8	–113.5
Disposed activities	3.9	–0.9	3.0
Total	**242.4**	**–172.0**	**70.4**

Investments and activation of development	2004	2003
Nordic region	1.2	0.5
Rest of Europe	1.2	2.0
Rest of world	1.6	0.5
Parent company and eliminations	8.3	1.7
Total	**12.3**	**4.7**

Depreciation	2004	2003
Nordic region	1.3	1.5
Rest of Europe	1.4	1.3
Rest of world	0.5	0.4
Parent company and eliminations	4.7	8.8
Disposed activities	–	–
Total	**7.9**	**12.0**

Write-downs	2004	2003
Nordic region	–	–
Rest of Europe	–	–
Rest of world	–	–
Parent company and eliminations	–	7.3
Disposed activities	–	–
Total	**0.0**	**7.3**

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

2.2 Net sales per product line (secondary segment)

Net sales	2004	2003
Telephony	578.7	572.9
Broadband	78.1	72.1
Parent company and eliminations	–8.0	2.2
Disposed activities	0.0	0.3
Total	**648.8**	**647.5**

Balance sheet 2004	Assets	Liabilities	Net assets
Telephony	311.9	–197.2	114.7
Broadband	29.7	–15.3	14.4
Parent company and eliminations	–40.7	2.0	–38.7
Disposed activities	3.7	–0.5	3.2
Total	**304.6**	**–211.0**	**93.6**

Balance sheet 2003	Assets	Liabilities	Net assets
Telephony	304.7	–138.3	166.4
Broadband	41.5	–26.9	14.5
Parent company and eliminations	–107.7	–5.8	–113.5
Disposed activities	3.9	–0.9	3.0
Total	**242.4**	**–172.0**	**70.4**

Investments	2004	2003
Telephony	2.8	2.7
Broadband	0.3	0.3
Parent company and eliminations	4.7	1.7
Disposed activities	–	–
Total	**7.9**	**4.7**

Note 3 Intra-Group transactions

Of the parent company's invoicing, SEK 23 million (18) relates to subsidiaries. Invoicing from subsidiaries to the parent company amounted to SEK 8 million (5).

Note 4 Rental and leasing agreements

Costs for operational rental and leasing charges during the year totalled SEK 4.4 (2.1) million. Agreed future rental and leasing costs amount to SEK 4.4 million (2.5) and fall due for payment over the next four years as follows: 2005 (SEK 2.6 m), 2006 (SEK 1.3 m), 2007 (SEK 0.3 m) and 2008 (SEK 0.1 m)

Note 5 Average number of employees

	2004	Of which men	Staff turnover	2003	Of which men	Staff turnover
Parent company	21	81%	23%	17	82%	6%
Other, Sweden	56	75%	10%	55	74%	5%
Norway	9	89%	0%	8	75%	0%
Denmark	2	100%	0%	6	50%	0%
Finland	5	60%	0%	5	60%	0%
United Kingdom	15	73%	13%	17	71%	12%
Switzerland	–	–	–	1	100%	–
Australia	23	52%	9%	21	47%	19%
Hong Kong	4	75%	0%	4	75%	0%
France	23	53%	13%	26	53%	12%
Poland	13	69%	0%	13	69%	8%
Total	**171**	**70%**	**8%**	**172**	**67%**	**8%**

Note 6 Gender of senior managers

	2004 Total	Women (%)	2003 Total	Women (%)
Board	6	17%	6	17%
Group management	7	0%	5	0%
Parent company	1	0%	1	0%
Other, Sweden	2	0%	2	0%
Norway	1	0%	1	0%
Denmark	2	0%	2	0%
Finland	1	0%	1	0%
United Kingdom	1	0%	1	0%
Australia	1	0%	1	0%
Hong Kong	1	0%	1	0%
France	1	0%	1	0%
Poland	1	0%	1	0%

Note 7 Staff absence and health risks

7.1 Staff absence in Sweden, from 1 July 2003

Age	2004 Total absence	Of which above 60 days	2003 Total absence	Of which above 60 days
Under 30	2.9	–	2.4%	–
30–50	3.7	2.1	2.4%	–
Over 50 år	0.5	–	0.0%	–
Men	3.8	1.8	2.3%	–
Women	1.6	–	2,5%	–

7.2 Health risks

No serious work-related injuries have occurred between 2003 and 2004 (that have led to absence of more than 60 days) at any Doro site.

Note 8 Age of staff

	2004	2003
Under 30	35	32
30–50	120	128
Over 50	16	12
Total	**171**	**172**

Note 9 Staff education

	2004	2003
Secondary education	34	35
Upper secondary school	90	88
Higher education	47	49
Total	**171**	**172**

Note 10 Additional staff training

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

	2004	2003
Training	0.7	0.3
Other skills development	0.4	0.2
Total	**1.1**	**0.5**

Note 11 Salaries and other remuneration

	2004	2003
Salaries and other remunerations		
Parent company	8,9	10,9
Subsidiaries	56,3	63,8
Group, total	**65,2**	**74,7**
Payroll overheads excluding pension costs		
Parent company	2,8	2,5
Subsidiary	11,2	9,1
Group, total	**14,0**	**11,6**
Pension costs (of which premium-based)		
Parent company	2,3 (0,0)	2,0 (0,0)
Subsidiary	5,7 (0,0)	5,2 (0,0)
Group, total	**8,0 (0,0)**	**7,2 (0,0)**

Pension costs for the managing directors of the subsidiaries amounted to SEK 0.4 million (1.2).

Note 12 Break-down of salaries and remuneration

	2004 Board and CEO	Other staff	2003 Board and CEO	Other staff
Sweden	3.1	25.6	5.9	26.9
Norway	0.9	3.1	1.1	3.6
Denmark	0.0	2.0	1.0	1.7
Finland	0.6	1.3	0.7	1.9
United Kingdom	1.0	5.6	1.5	6.5
Switzerland	–	–	1.6	0.5
Australia	1.7	6.7	2.4	6.0
Hong Kong	0.0	1.8	0.0	2.0
France	1.4	8.0	1.9	8.1
Poland	0.7	1.4	0.7	1.2
Total	**9.5**	**55.6**	**17.0**	**58.4**

Note 13 Management's remuneration (SEK 000)

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

Board 2003	Fee	Pension	Other remuneration	Total
Chairman	200	0	0	200
Ulf Körner	70	0	60	130
Anders Frick	70	0	17.5	87.5
Other Board members	210	0	0	210
Total	**550**	**0**	**77.5**	**627.5**

Senior executives 2004	Salary	Bonus	Pension*	Other remuneration	Total
Rune Torbjörnsen (CEO)	1,216	240	394	52	1,902
Other executives	3,864	586	900	193	5,543
Total	**5,080**	**826**	**1,294**	**245**	**7,445**

Senior executives 2003	Salary	Bonus	Pension*	Other remuneration	Total
Rune Torbjörnsen (CEO)	281	55	91	8	436
Gunnar Åkerblom	1,810	540	412	5	2,767
Other executives	3,890	1,670	893	174	6,627
Total	**5,981**	**2,265**	**1,396**	**187**	**9,829**

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

	Salary	Bonus	Pension*	Other remuneration	Total
Gunnar Åkerblom	1,594	112	412	4	2,122
Other	594	0	109	0	703

Remuneration paid in 2003 to other executives no longer with the company

	Salary	Bonus	Pension*	Other remuneration	Total
Gunnar Åkerblom*[1]	422	126	96	1	645
Other	0	0	0	0	0

*[1] Part of the management total for 2003.
* Pension premiums for senior executives are all premium-based with payments of SEK 1.3 million (1.4) made.

Principles. Fees are paid to the Chairman and other Board members in accordance with decisions made by the AGM. Payment for work on the boards of subsidiaries is made separately.

Remuneration to the CEO and other senior executives comprises a basic salary, variable remuneration, other benefits (primarily a company car) and pension premiums. The balance between basic salary and variable remuneration should be in proportion to the responsibility and authority of the executive.

There are 6 (4) other senior executives. Fredrik Forssell joined the management team on 15 September 2004 and Anders Östergren joined on 1 November 2004. Jérôme Arnaud, CEO of Doro SAS, France, joined the senior management team in February 2003. His remuneration is reported both as an item for other executives and as the CEO of Doro SAS, France.

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

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

Pensions. The CEO's pension is premium-based with an annual premium of 27 per cent of the total salary and a retirement age of 65. The retirement age for other senior executives of the Group is 65 and pensions are usually paid in accordance with the general pension plan plus full remuneration for the entire amount of salaries according to the ITP/ITPK plans. All pension benefits are irrevocable, i.e. not dependent on continued employment. The period of notice for senior executives is in line with LAS (the employment Protection Act), or a maximum of 24 months.

No agreements have been signed concerning pension commitments or the equivalent, more than is mentioned in the periods of notice mentioned above, whether for board members or senior executives.

Notice. The period of notice by the company is one year and by the CEO six months. The CEO has the right to salary over 12 months during the period of notice.

Gunnar Åkerblom left the post of CEO in October 2003 and was replaced by Rune Torbjörnsen. Allocations totalling SEK 4.4 million were made for all estimated expenses, which will be incurred after the end of 2003, relating to this change. The Board has cancelled the departing CEO's non-competition clause and therefore does not consider that compensation for termination is necessary. Gunnar Åkerblom has instigated arbitration proceedings concerning many interpretations of his employment contract.

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

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

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

Options. There are no remaining options to be issued by Mellby Gård Industri AB, a company owned by Rune Andersson. All remaining options fell due in 2004.

Note 14 Interest income and similar income

	The group		Parent company	
	2004	2003	2004	2003
Interest income, external	0.7	1.3	0.1	0.1
Interest income, internal	–	–	1.0	1.0
Exchange rate gains	27.6	35.0	26.6	43.0
Other	0.3	0.3	0.0	0.0
Total	**28.6**	**36.6**	**27.7**	**44.1**

Note 15 Interest expenses and similar expenses

	The group		Parent company	
	2004	2003	2004	2003
Interest expenses, external	2.6	4.9	1.9	3.2
Interest expenses, internal	–	–	3.5	5.4
Exchange rate losses	13.8	18.4	11.5	18.0
Other	3.9	1.1	3.0	1.2
Total	**20.3**	**24.4**	**19.9**	**27.9**

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

Note 16 Appropriations

Parent company	2004	2003
Difference between booked depreciation and depreciation according to plan	0.0	0.0
Dissolution of tax allocation reserve	0.0	1.2
Total	**0.0**	**1.2**

Note 17 Intangible assets

The Group / Goodwill	2004	2003
Acquisition value brought forward	78.6	78.6
Acquisitions during the year	0	0
Adjustment of acquisition value	0	0
Closing accumulated acquisition value	**78.6**	**78.6**
Depreciation according to plan brought forward	39.5	33.8
Depreciation according to plan during the year	2.7	5.7
Write-downs brought forward	25.1	17.8
Write-downs during the year	0	7.3
Closing depreciation and write-downs	**67.3**	**64.7**
Closing residual balance according to plan	**11.3**	**13.9**

No acquisitions were made in 2003 or 2004 and no amounts have been paid as purchase sums. A write-down of goodwill was made in 2003 for subsidiaries with poor growth. A write-down of SEK 7.3 million was made after balancing cash flow and result estimates.

The group's capitalised expenditure for development work	2004	2003
Acquisition value brought forward	0	0
Acquisitions for the year	3.0	0
Closing accumulated acquisition value	**3.0**	**0**
Depreciation according to plan brought forward	0	0
Depreciation according to plan during the year	0	0
Closing depreciation according to plan	**0**	**0**
Closing residual balance according to plan	**3.0**	**0**

Planned depreciation will start in two years with effect from the market introduction of each respective product. Acquisitions in 2004 refer to market introductions in 2005.

Note 18 Tangible assets

	The group		Parent company	
Inventory and tools	2004	2003	2004	2003
Acquisition value brought forward	47.4	66.0	13.0	21.3
Acquisition during the year	9.3	4.7	5.2	1.7
Sales/Disposals/Other	–9.3	–23.3	–3.6	–10.0
Closing acquisition value	**47.4**	**47.4**	**14.6**	**13.0**
Depreciation according to plan brought forward	39.4	55.0	10.7	17.4
Depreciation according to plan during the year	5.7	6.3	2.4	3.0
Sales/Disposals	–9.0	–21.9	–3.6	–9.6
Closing depreciation according to plan	**36.1**	**39.4**	**9.6**	**10.7**
Closing residual balance	**11.3**	**8.0**	**5.0**	**2.2**

Note 19 Participations in Group companies

Subsidiary	No. of shares	%	Nominal value	(SEK m) Book value 2004	Shareholders' equity[2] 2004	Book value 2003
Doro A/S, Norway	3,000	100	1.5 NOK m	1.6	1.6	4.0
Doro Denmark A/S	5,000	100	5.0 DKK m	14.6	14.6	14.4
Doro Tele OY	29,600	100	0.6 EUR m	5.9	5.9	5.8
Doro Protech AB[1]	8,000	100	0.8 SEK m	0.8	1.3	0.8
Doro Finans AB	1,000	100	0.1 SEK m	26.8	38.1	26.8
Doro Nordic AB	200,000	100	20.0 SEK m	27.7	27.7	26.1
Doro UK Ltd	3,013,400	100	3.0 GBP m	26.8	26.8	34.7
Doro Audioline AG[1]	700	100	0.4 CHF m	3.2	3.2	3.0
Doro Australia Ltd Pty	7	100	2.5 AUD m	16.5	14.6	16.5
Doro Hong Kong Ltd	4,500	100	4.5 HKD m	4.6	4.6	4.7
Doro SAS	30,000	100	4.5 EUR m	25.4	25.0	55.6
Doro Atlantel Sp.Zo.o.	2,800	100	14.0 PLN m	13.1	13.1	15.2
Total				**167.1**	**176.5**	**207.8**

[1] Dormant company

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

	2004	2003
Opening balance	207,8	270,6
Adjustment to acquisition value	–0,6	–
Redemption of shares	–32,1	–23,5
Write-downs during the year	–10,5	–42,4
Write-backs during the year	2,5	3,1
Closing balance	**167,1**	**207,8**

Write-downs after balancing cash flow and result estimates amounted to SEK 10.5 million and were distributed among the following companies:

Doro UK Ltd	SEK 7.4 million
Doro A/S	SEK 0.9 million
Doro Atlantel Sp.Zo.o.	SEK 2.2 million

Write-backs have been made where there is no longer reason for the write-downs. Write-backs during the year amounted to SEK 2.5 million and were distributed among the following companies:

Doro Nordic AB	SEK 1.7 million
Doro Danmark A/S	SEK 0.2 million
Doro Tele Oy	SEK 0.3 million
Doro Audioline AG	SEK 0.3 million

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

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

Subsidiary - Company reg. no.	Registered office
Doro A/S - 934210719	Fredrikstad, Norway
Doro Denmark A/S - 180130	Birkeröd, Denmark
Doro Tele OY - 0994069-9	Helsingfors, Finland
Doro Protech AB - 556542-2556 [1]	Lund, Sweden
Doro Finans AB - 556450-7282	Lund, Sweden
Doro Nordic AB - 556558-0221	Lund, Sweden
Doro UK Ltd - 1180330	Redditch, United Kingdom
Gima. Ltd - 1627693 [1]	Redditch, United Kingdom
Doro Audioline AG – 122237 [1]	Köniz, Switzerland
Doro Australia Ltd Pty - ACN 003680528	NSW, Australia
Doro Hong Kong Ltd - 08194263-000-12-98-6	Kowloon, Hong Kong
UpGrade Communication AB - 556280-7338	Lund, Sweden
UpGrade Communication A/S - 240210	Bröndby, Denmark
Doro SAS - 309 662 195	Versailles, France
Doro Atlantel Sp.zo.o. - KRS 0000036162	Krakow, Poland
Doratel Sp.Zo.o - KRS 0000202938	Krakow, Poland

[1] Dormant company

Note 20 Prepaid expenses and prepaid income

	The group		Parent company	
	2004	2003	2004	2003
Prepaid rents	1.0	1.0	0.1	0.1
Accrued income	15.5	6.0	10.6	2.5
Other prepaid expenses	1.5	3.7	0.0	4.7
Total	**18.0**	**10.7**	**10.7**	**7.4**

Note 21 Share capital and dividends

No. of shares		Voting rights	Type
A-shares	9,703,154	1 vote per share	Normal
B-shares	11,764,705	1/10 vote per share	Redeemable (up to March 2005)

Total number of shares 21,467,859

Share capital
21,467,859 shares at a nominal SEK 1 per share = SEK 21,467,859.

Dividends and redeemable shares
No dividend or redemption of shares was proposed as of 31 December 2004.

Convertibles or synthetic options
There are no convertible or synthetic options outstanding.

Note 22 Untaxed reserves

Parent company	2004	2003
Allocation reserve	0,0	0,0
Total	**0,0**	**0,0**

Den uppskjutna skatten på de obeskattade reserverna uppgår till 0,0 Mkr (0,0).

Note 23 Overdraft facilities

	The group		Parent company	
	2004	2003	2004	2003
Approved credit	66.9	129.5	66.0	125.0
Unutilised credit	26.0	4.2	21.9	–

Note 24 Accrued expenses and prepaid income

	The group		Parent company	
	2004	2003	2004	2003
Holiday pay liability	6.8	5.7	1.1	1.2
Payroll overheads	1.2	2.3	0.7	0.7
Other staff liabilities	3.6	7.8	0.4	2.5
Other accrued expenses	8.5	15.0	4.7	2.8
Total	**20.1**	**30.8**	**6.9**	**7.2**

Note 25 Pledged assets to credit institutions

	The group		Parent company	
	2004	2003	2004	2003
Chattel mortgages	180.5	180.5	170.0	170.0
Trade debtors and stock	39.1	44.3	–	0.0
Shares in Group companies [1]	189.4	254.0	167.1	207.8
Total	**409.0**	**478.8**	**337.1**	**377.8**

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

Note 26 Contingent liabilities

	The group		Parent company	
	2004	2003	2004	2003
Guarantee to subsidiary	8.1	12.7	8.1	12.7
Total	**8.1**	**12.7**	**8.1**	**12.7**

Note 27 Disputes

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

Doro has reported a major dispute with a supplier in previous years' annual reports, for which funds of SEK 31 million were set aside in the accounts for 1999 and 2000. This means that there is no remaining risk. Nissho Iwai was taken to court in Osaka, Japan, in 2000 and sued for a total of SEK 106 million. Initial legal proceedings began in 2001 and are expected to be concluded in 2005. The entire legal process could take a further several years. A number of attempts have been made during the year to solve this dispute.

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

An older dispute about guarantees in connection with the purchase of Audioline Ltd of the UK has become more significant than expected. The previous owner had a dispute with a supplier when Doro acquired the company in 1998. The supplier had guaranteed that all costs would be paid by him. The supplier lost the case in a lower court (which was accepted) and a payment of GBP 615,000 was frozen by the court. Doro was of the opinion that no payment would be made before all costs were paid (legal costs of GBP 265,000). This was the court's decision in March and the dispute is completely at an end.

Doro also has a commercial dispute with a previous distributor concerning stocks. The value of the stock is SEK 2.7 million, which has been completely written down. Doro has won the principle issues in other instances in a court ruling, which was not contested. A number of other practical issues concerning the handling of the stock was not solved at the time of the annual accounts. Doro is expected to receive a sum during the first half of the year. This will provide the same result as the cash flow effect during 2005.

The former CEO Gunnar Åkerblom has initiated arbitration proceedings for the interpretation of his non-competition clause and other interpretations of his employment contract. It is the opinion of the Board that his non-competition clause is null and void. The arbitration proceedings decision is expected in the first half of 2005.

Doro has been contacted by the holder of a patent for cordless telephony for possible patent infringement. Extensive legal and patent-related consultations have taken place. Doro considers the case to be unfounded and that the risk of having to pay royalties is small.

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

Note 28 Auditors

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

	The group		Parent company	
Fees and costs	2004	2003	2004	2003
Auditing assignments	1.3	1.4	0.2	0.2
Other assignments	0.6	1.0	0.3	0.6

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 29 Taxes

	The group		Parent company	
Components in tax for the period	2004	2003	2004	2003
Current tax cost	–1.2	–5.1	–	–
Deferred tax	0.3	–6.7	10.4	–3.5
Total tax on profit/loss for the year	**–0.9**	**–11.8**	**10.4**	**–3.5**

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

	The group		Parent company	
	2004	2003	2004	2003
Reported profit/loss before tax	24,7	27,6	15,0	–6,7
Tax at current rate 28 %	–6,9	–7,7	–4,2	1,9
Tax effect on non-deductible expenses:				
Depreciation/write-down of Group goodwill	–0,8	–3,6	–	–
Other non-deductible expenses	–0,1	–1,6	–3,0	–14,4
Tax effect due to Group contributions	–	–	1,9	2,3
Non-taxable income	1,6	0,0	7,8	12,5
Change in deferred tax on loss carry forwards	3,8	3,0	4,9	0,6
Change in value of temporary differences	–	–3,0	3,0	–6,4
Adjustment for tax rates in foreign subsidiaries	1,5	1,1	–	–
Reported tax	**–0,9**	**–11,8**	**10,4**	**–3,5**

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

	The group 2004	The group 2003	Parent company 2004	Parent company 2003
Deferred tax assets				
Unutilised losses carried forward	19	19	14	6
Allocation to restructuring reserve	–	–	–	0
Temporary differences	3	3	–	–
Total accounted deferred tax assets	**22**	**22**	**14**	**6**
Current tax	–1	–5	10	–1
Total booked tax assets	22	22	14	6
Total booked tax liabilities	–1	–5	0	0
Deferred tax liabilities				
Tax allocation reserve	–	–	–	–
Total accounted deferred tax liabilities	**–**	**–**	**–**	**–**

Deferred tax assets are shown for unutilised loss carry forwards and temporary differences, when they can be met by resolving untaxed reserves or those that in all probability are calculated to be used in the near future. A single calculation is made for each company with respect to past earnings trends, future plans and the option of using loss carry forwards.

Of the consolidated loss carry forward, SEK 186 million (204), can be used without a time limit being imposed. The substantial remaining losses are in Sweden, the UK and Denmark.

Loss carry forwards are as follows:

2005	0
2006	8
2007	3
2008	1
2009	0
2010	0
Later	3
Never	186

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

The group 2004	The group 2003	Parent company 2004	Parent company 2003
38	43	14	24

Temporary differences exist in the Group concerning intangible assets recorded under their respective taxable value in the consolidated balance sheet. Temporary differences arise for costs for which tax deductions can be made at a later date. These intangible assets (concerning the sale of brands between Group companies) appear in the Group companies' own balance sheets but are eliminated to zero in the consolidated balance sheet due to intra-Group transactions. The deferred tax asset regarding the Group difference for these assets amounts to SEK 11 million (13), which has not been included as a value in the consolidated balance sheet.

Deferred tax receivables referring to allocations for restructuring measures amount to SEK 0 million (0) and for temporary differences SEK 1 million (2), which has not been included as a value in the consolidated balance sheet.

Note 30 Profit/loss from participations in Group companies

	The group 2004	The group 2003	Parent company 2004	Parent company 2003
Dividends	–	–	20.6	31.6
Write-down of shares	–	–	–10.5	–42.4
Write-back of shares	–	–	2.5	3.1
Write-back of receivables[1]	–	–	10.6	10.0
Total	**–**	**–**	**23.1**	**2.3**

[1] Concerns Doro SAS, which in 2001 received a conditional "shareholders' contribution" with liability to repay when a profit was made. At the end of 2004 SEK 3 million is remaining.

The background to write-downs and write-backs of shares is explained in note 17.

Note 31 Information concerning comparisons

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

The group	2004	2003
Restructuring costs (excluding tax)	–	9

Note 32 Allocations for restructuring measures

An allocation for restructuring was made in Q4 2001.

	2004	2003
Opening balance	8	23
Amount released from	–8	–15
New allocations	1	0
Unutilised amount cancelled	0	0
Closing balance	**1**	**8**

A major restructuring of the Doro Group was started in the autumn of 2001. This included job lay-offs, relocation to different premises, disposal of operations and the write-down of goodwill and deferred tax. The restructuring programme has been running since 2001 and is in its final phase.

Note 33 Allocations for guarantees

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

	2004	2003
Opening balance	16.8	20.3
Amount released from	–7.2	–15.9
New allocations	11.6	17.1
Unutilised amount cancelled	–9.2	–4.7
Closing balance	**12.0**	**16.8**

Note 34 Pension allocations

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

	2004	2003
Opening balance	0.2	0.2
Amount released from	–0.1	–0.1
New allocations	0.1	0.1
Unutilised amount cancelled	0.0	0.0
Closing balance	**0.2**	**0.2**

Note 35 Tax allocations

Doro allocates different estimated tax costs.

	2004	2003
Opening balance	3.5	4.5
Amount released from	–3.5	–7.0
New allocations	0.0	6.0
Unutilised amount cancelled	–	–
Closing balance	**0.0**	**3.5**

Note 36 Allocations for disputes

The situation regarding disputes is explained in note 27. Reserves are made continually to cover the cost of court cases.

	2004	2003
Opening balance	6.0	2.8
Amount released from	–5.0	–0.3
New allocations	2.3	3.3
Unutilised amount cancelled	–	–
Closing balance	**3.5**	**6.0**

Note 37 Other allocations

Different allocations are made for estimating customer measures and other measures.

	2004	2003
Opening balance	4.6	3.5
Amount released from	–4.6	–
New allocations	1.8	1.1
Unutilised amount cancelled	–	–
Closing balance	**1.8**	**4.6**

Note 38 Winding up of activities

The restructuring started during autumn 2001 also involves focusing Doro's activities on chosen product segments and countries.

In 2003 the broadband business in Estonia was sold to management of the company. The disposal of the company was completed in Q3 2003. The company was sold for the sum of its own capital and an agreement was signed regarding payment of the loan to the previous owners. There was an SEK 0 thousand (10) effect on cash flow. No payment of the loan has been made due to poor growth trends and the company has been wound up.

Contracts were signed in December 2002 concerning the sale of some of the assets and liabilities in Doro Audioline AG, Switzerland, to Wycom AG. The deal was completed in January 2003. Cash flow was SEK 0 million (11). During 2003 the share capital was written down and CHF 3.6 million (SEK 21 million) was repaid to Doro AB. The share capital will be further redeemed in 2005. The company in Switzerland is dormant.

The different profit/loss and balance sheet components are reported in note 22.

Note 39 Effects of exchange rate fluctuations

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

The effects of exchange rate fluctuations on the Group amount to SEK 43 million (58) and financial items are affected by SEK 18 million (12). Exchange rate fluctuations include those differences arising between booking and paying debts and receivables in other currencies, the consolidation effect of the subsidiaries' results and the change to the average exchange rate when purchasing manufacturing services. Customer prices have been significantly reduced.

Shareholders' equity in foreign subsidiaries has been hedged by raising loans in the appropriate currencies. The unrealised profit amounts to SEK 4.7 million (+5.7 m). The change during the year amounts to SEK –1.0 million (+7.9 million). This change is explained by the buoyant SEK rate, especially compared to the GBP, EUR and AUD.

Note 40 Actual value of financial instruments

	2004		2003	
	Reported	Actual	Reported	Actual
Other securities held	0.1	0.1	0.5	0.5
Accounts receivable – trade	96.6	96.6	66.8	66.8
Other receivables	8.9	8.9	14.8	14.8
Unrealised profit from currency options	0	0	0	0
Assets	**105.6**	**105.6**	**82.1**	**82.1**
Pension allocations	0.2	0.2	0.2	0.2
Bank overdraft facilities	26.0	26.0	4.2	4.2
Liabilities to credit institutions	8.8	8.8	8.3	8.3
Trade creditors	135.4	135.4	86.5	86.5
Other liabilities	2.3	2.3	3.1	3.1
Unrealised profit from currency options	0.0	0.0	0.0	0.0
Liabilities	**172.7**	**172.7**	**102.3**	**102.3**

The values of financial instruments are assessed at their actual value. This is done by assessing the value of different receivables and liabilities at the exchange rate on the closing date. Receivables are adjusted with various needs for write-downs of customer receivables. Doro does not own securities or similar assets and does not therefore have any problems valuing them. Neither does Doro have any financial derivatives apart from currency options.

At the end of 2004 the value of option contracts for the coming six months was USD 16 million (USD 16.5 m). Options contracts were divided among the currencies that are the base for future transactions (AUD, DKK, EUR, GBP, NOK and SEK according to details outlined in the directors' report, in the risk management section).

At the end of 2004 the pre-paid costs of options contracts distributed over a period amounted to SEK 1 million (1) for the coming six months. The actual value of the options was SEK 0 million (0). The falling value of the US dollar has reduced the value of the options. There is therefore no expected income or expense. Since 2002 Doro has not used hedging via forward agreements.

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

Note 41 Statement concerning interested parties

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

During 2003 Mellby Gård Industri AB carried out onward invoicing amounting to SEK 175,000 for certain services. This concerns a payment of SEK 175,000 for external services that Mellby Gård Industri AB carried out for Doro AB.

Doro has no other transactions with interested parties.

Note 42 Pensions

Allocations for pensions are reported in note 34. Most of Doro's commitments to staff are in the form of various premium-related pension plans. In addition there are a few benefit-linked pension plans. In Sweden some staff are covered by an agreement with SPP, which was reclassified in 2004 by the Swedish Institute of Authorised Public Accountants (FAR) as a premium-related plan. In France and Poland there are agreements concerning pension remuneration based on factors such as salary, period of employment, etc.

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

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

	Group 2004	2003
Costs for service during current period	0.1	0.1
Interest costs	–	–
Actuarial profit and loss	–	–
Costs for service during earlier period	–	–
Total	**0.1**	**0.1**

Note 43 Effects of IAS/IFRS

An assessment has been made of the introduction of IAS/IFRS and compared with the income statement and balance sheet reported for 2004 the differences are small. The only difference is in depreciation of goodwill.

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

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

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

– the information presented is factually correct.

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

Lund 31 January 2005

Anders Bülow
Chairman

Kerstin Häregård

Ulf Körner

Joen Magnusson

Tomas Persson

Rune Torbjörnsen
CEO

My auditor's report was submitted on 2 February 2005

Torbjörn Svensson
Authorised Public Accountant

auditor's report

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

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and CEO of Doro AB for 2004. These accounts and the administration of the Company are the responsibility of the Board of Directors and the CEO. My responsibili ty is to express an opinion on the annual accounts, the consolidated accounts, and the administration, based on my audit.

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

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

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

The annual accounts 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.

I 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 allocated in accordance with the proposal in the Directors' report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Lund, 2 February 2005

Torbjörn Svensson
Authorised Public Accountant

group management

Rune Torbjörnsen, born 1964
Main employment: CEO of Doro.
Qualifications: Marketing economist
Employed since 2003.
Shareholding: 0 shares
Options: 0

Ingvar Karlsson, born 1956
Main employment: Deputy CEO and CFO.
Qualifications: Graduate Business Administrator
Employed since 1998.
Shareholding: 7,050 shares
Options: 0

Per Carlenhag, born 1954
Main employment: Quality and environmental director.
Qualifications: Engineer
Employed since 1999
Shareholding: 2,000 shares
Options: 0

Fredrik Forsell, born 1970
Main employment: Marketing director.
Qualifications: Economist
Employed since 2004.
Shareholding: 0 shares
Options: 0
Included since 15 September 2004

Jérôme Arnaud, born 1963
Main employment: CEO of Doro SAS, France,
and responsibility for business development.
Qualifications: Civil Engineer
Employed since 2000.
Shareholding: 0 shares
Options: 0

Thomas Bergdahl, born 1964
Main employment: Product and supply director.
Qualifications: Civil Engineer
Employed since 2002.
Shareholding: 0 shares
Options: 0

Anders Östergren, born 1957
Main employment: new business channels and human capital.
Qualifications: Graduate Business Administrator
Employed since 2001.
Shareholding: 0 shares
Options: 0
Included since 1 November 2004

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

board of directors

Members

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

Tomas Persson, born 1954.
Main employment: CEO of Pilpet.
Other positions: Board member of Flügger AS and chairman of Lugi HF.
Board member since 2002.
Shareholding: 0
Options: 0

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

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

Ulf Körner, born 1946.
Main employment: Professor of Teletraffic systems at Lund University.
Board member since 1993.
Other positions: Board member of Consafe Infotech, Labs 2 AB, Post- och Telestyrelsen and Chairman of UpGrade Communication AB.
Shareholding: 5,000 shares
Options: 0

Deputy

Anders Frick, born 1945.
Main employment: Various Board memberships
Deputy Board member since 2001.
Other positions: Chairman of AB Fagerhult and ProstaLund AB, Deputy Chairman of Sweco, Board member of Securitas AB
Shareholding: 0
Options: 0

Joen Magnusson, born 1951.
Main employment: CEO G&L Beijer AB.
Board member since 1993.
Other positions: Board member of Beijer Electronics AB and others.
Shareholding: 2,142 shares
Options: 0

Auditor

Torbjörn Svensson, born 1953.
Authorised Accountant Deloitte &Touche AB
Auditor for Doro since 1999.

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

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