

Anoto Group

Year End Report 2009



Anoto Group AB is the company behind and world leading in the unique technology for digital pen and paper, which enables fast and reliable transmission of handwritten text into a digital format. Anoto operates through a global partner network that focuses on user-friendly forms solutions for efficient capture, transmission and storage of data within different business segments, e.g. healthcare, bank and finance, transport and logistics and education. The Anoto Group has around 110 employees, offices in Lund (head office), Boston and Tokyo. The Anoto share is traded on the Small Cap list of the OMX Nordic Exchange in Stockholm under the ticker ANOT. For more information: www.anoto.com

The Anoto logo, which is the word 'Anoto' written in a stylized, red, cursive font.

Anoto Group

2009 Year-End Report

- Net sales for 2009 amounted to MSEK 206 (144*). Fourth quarter net sales were MSEK 64 (44*).
- The gross margin for 2009 was 69% (68*) and the gross profit was MSEK 142 (98*). Fourth quarter gross margin was 70% (68*) and the gross profit was MSEK 45 (30*).
- Earnings before interest and tax (EBIT) in 2009 were MSEK -21 (-51*). For the fourth quarter it was MSEK 2 (-13*).
- The result after tax was MSEK -21 (-61*). The fourth quarter result was MSEK 2 (-20*).
- Earnings per share for 2009 were SEK -0.16 (-0.47*). The fourth quarter earnings were SEK 0.02 (-0.16*).
- The cash flow during 2009 amounted to MSEK -18 (-32). The fourth quarter cash flow amounted to MSEK -14 (62).

*) Comparable numbers for 2008 are reported in accordance with the new format for presenting the profit and loss statement. The numbers exclude the impact of those operations in 2008 that have been divested.

Summary of activities during the fourth quarter 2009

- During the fourth quarter sales increased by 44 % compared to the same period last year. The turnover was MSEK 64, which is the highest ever.
- The total group sales for 2009 increased by 43 % up to MSEK 206.
- The gross margin improved and was 70%.
- An agreement within the education sector was formed in December with the South Korean company TStudy Co Ltd, at a value of MUS\$ 3.

Comments by CEO Anders Norling

New sales record in the fourth quarter

2009 began with a new sales record in the first quarter and the year was concluded with even better sales during the fourth quarter. The total 2009 turnover was MSEK 206 which is an increase by 43 % compared to the corresponding activities in 2008. The substantial growth by 70 % within Technology & Licensing is particularly gratifying. Anoto Products also shows a steady growth of 51 % compared to 2008.

The positive strategic effect of the purchase of the digital pen production from Hitachi Maxell, Ltd in 2008 has proven it's value even more clearly in 2009. Out of the total sales in 2009 the digital pens now represent almost 45 % of the revenue compared to 37 % a year earlier.

By the end of December 2009, we signed an agreement with the South Korean company TStudy Co Ltd. TStudy works within the education area in South Korea and the purpose of the cooperation is to develop Anoto technology within education. Initially we invoiced MUSD 1.5 in advance for patterns, pens and technology. Deliveries corresponding to a value of MUSD 1 were made in December 2009. TStudy has committed to further orders of goods and services valued at MUSD 1,5.

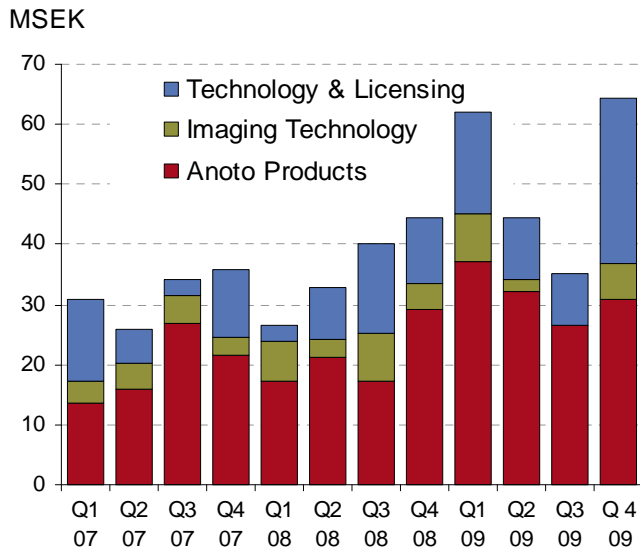
In cooperation with Anoto Acco Brands Europe has introduced Anoto technology within the application area "Digital Flipchart". Anoto has developed a digital marker pen by which information may be digitally transferred from a flipchart to a computer.

PolyVision as well as PLUS continue their orders for further pens for their interactive whiteboards based on Anoto technology.

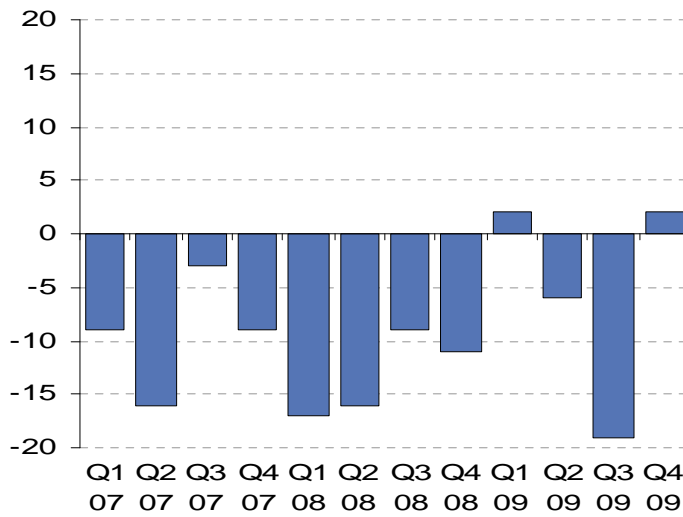
Our partners report that the awareness of Anoto's digital pen technology within the British healthcare sector has reached a level that produces more and more spontaneous inquiries. Our market activities have begun to produce visible results.

Our cash flow has diminished by MSEK 14 during the fourth quarter mostly due to increased Accounts Receivable. The 2009 cash flow was MSEK -18 and the liquid assets were MSEK 81 on December 31, 2009.

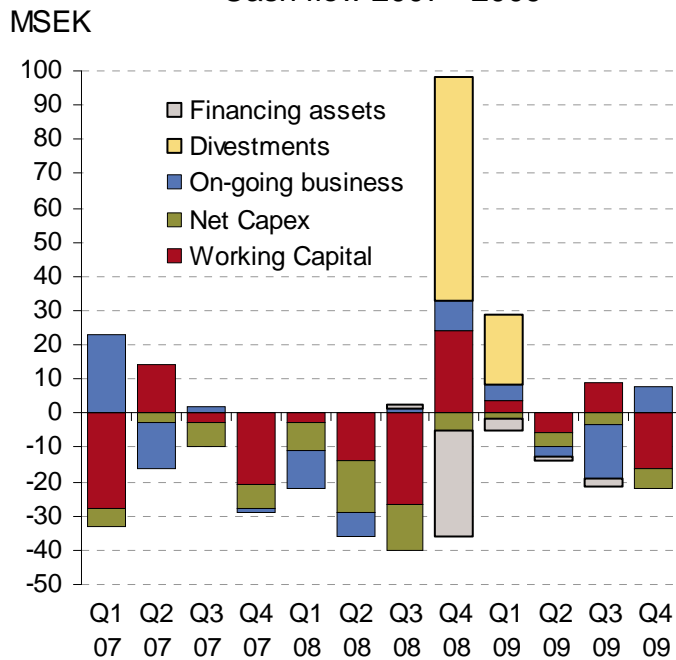
Net Sales 2007 - 2009



EBIT 2007-2009



Cash flow 2007 - 2009



Organization

The Anoto organization is divided into three areas:

- Anoto Products
- Technology and Licensing
- Imaging Technology

These three application areas generate income in five different categories - licensing, royalty, digital pens, components and NRE (Non-recurring engineering).

Net sales per income category

Amounts MSEK	October-December 2009	October-December 2008	January-December 2009	January-December 2008
Licensing fees	15	10	50	31
Royalty fees	5	2	18	16
Digital pens *	26	19	89	53
Components	6	7	22	27
NRE and others	12	6	27	17
Total	64	44	206	144

* Digital pens include C-Pen

Anoto Products

Amounts MSEK	October-December 2009	October-December 2008	January-December 2009	January-December 2008
Net sales	31	29	128	85
Gross profit	19	22	86	59

Anoto Products focuses on systems, products and services that target businesses, primarily in the field of forms processing. Anoto has an indirect business model and markets its products through partners, such as system integrators, software developers and IT consulting firms, all of which offer customized solutions with Anoto technology to their corporate customers. Turnkey products, such as existing scanning and translation pens, as well as newly developed products may also be marketed through other sales and distribution channels.

Anoto Products developed well during the year with continued growth among end customers in healthcare. During the last quarter we experienced a strong order intake from the American market that earlier in the year had been weaker than expected together with a relatively weaker development in Europe.

The AFS 2.0 development project is finished and a commercial launch is planned for February. The AFS 2.0 platform contains increased functions such as encryption, improved user administration and an increased capacity with a focus on installations of digital pens at large enterprise end customers.

Sales of the Anoto penPresenter and the Anoto penDocuments did not develop according to plan. New product features together with other distribution channels are being evaluated.

During 2009 we have published several examples of successful end customer implementations distributed to the media in various countries. Furthermore we have established ourselves in social media along with traditional marketing with speakers and shows at large exhibitions. Moreover, our partners report that the awareness of Anoto's digital pen technology within the British healthcare sector has reached a level that produces more and more spontaneous inquiries.

One new implementation in England is with the Mental Health Services in Derbyshire, where more than 700 healthcare suppliers use a digital pen when documenting their visits with their patients.

The Anoto partner conference was held in Lund on October 27-29 with 130 participants from 20 countries. End customers such as Solway Pharma, an international pharmaceutical company, EMEF a Portuguese company for maintenance of rail circulating material working with CP, Trains of Portugal, Viking, a market leader in maritime safety, providing and servicing essential safety equipment and Autoglass a US based windscreen replacement specialist presented their use of Anoto's digital pen technology within various application. All reference cases can be seen as video clips. (<http://www.youtube.com/user/Anotogroup>).

Sales of C Technologies' CPen products continue to be stable both under its own trademark as well as an OEM product and thus contribute in a positive way to Anoto's results. Sales during the last six months of the year were somewhat lower than the first half of the year, but still substantially better than in 2008.

Technology & Licensing

Amounts MSEK	October-December 2009	October-December 2008	January-December 2009	January-December 2008
Net sales	27	11	63	37
Gross profit	24	5	49	24

Customers within Technology Licensing develop and sell products based on technology and digital pens provided by Anoto. The customers of the end products are both individual consumers and enterprises.

Such products are learning toys, educational tools, visual communication equipment and personal productivity solutions. Several of these products are interactive, enabling real-time audio or visual feedback while writing or when touching interactive areas in books, on paper, whiteboards and flipcharts.

Technology & Licensing sales had a substantial increase in the fourth quarter.

By the end of December a strategic agreement was signed with the South Korean company TStudy Co Ltd, one of South Korea's leading companies within the educational area. The intention of the cooperation is to develop Anoto's technology and solutions for the school system. When signing the agreement, we received an initial order at MUS\$ 1.5. Deliveries were made already in December 2009 at a value of MUS\$ 1. TStudy has in the contract committed to orders for goods and services at a total value of at MUS\$ 3.

Cooperation with our partners of the segment whiteboard products, continues to develop well and during the last quarter of 2009 Anoto delivered more pens to both PolyVision and PLUS to be used with interactive whiteboard products.

Anoto's cooperation with Acco Brands in the office equipment segment led to the introduction of the digital flipchart "Nobo Kapture™ Digital Flipchart". During the quarter Anoto started volume deliveries of a newly developed digital whiteboard pen to Acco Brands.

(www.nobo-europe.com/nobokapture)

Royalties from LiveScribe (www.livescribe.com) for the third quarter of 2009 are included in the report for this period.

LeapFrog's Tag and Tag Junior Reading System (www.leapfrog.com/tag/) sell to expectation, but do not affect our cash flow, since LeapFrog paid royalty in advance. The prepaid amount is reduced by an equal monthly amount as income over the term of the royalty agreement.

Imaging Technology

Amounts MSEK	October-December 2009	October-December 2008	January-December 2009	January-December 2008
Net sales	6	4	15	22
Gross profit	2	2	7	13

Imaging Technology develops and markets basic Anoto technology, such as ASICs and IP blocks. The application area supplies and licenses imaging technology modules, components and function blocks for integration with customer products or components, accessories and their components.

Anoto has a handful of customers within the application area Imaging Technology. All production is order based, and Anoto keeps no components in stock for future sales. Orders are placed at order quantities, due to production requirements, resulting in great variations (over time) in deliveries.

The fourth quarter 2009 in figures

Sales and earnings for the fourth quarter (October - December)

Fourth quarter revenues were MSEK 64 (44*).

The gross profit was MSEK 45 (30*), and the gross margin was 70 % (68*).

Sales and administration expenses, together with research costs, amounted to MSEK -45 (-43*), of which depreciation, amortization and write-downs accounted for MSEK -6 (-7*).

The fourth quarter Earnings Before Interests and Taxes (EBIT) was MSEK 2 (-13*).

Cash flow for the fourth quarter (October - December)

Cash flow from operating activities totaled MSEK 8 (68) for the fourth quarter.

Net cash flow amounted to MSEK -14 (62), of which net investment affected the quarter's cash flow by MSEK -6 (-5). Cash Flow in the fourth quarter 2008 includes 65 MSEK from divestments of operations.

Financing and liquidity

At the close of the quarter the group's total cash amounted to MSEK 81 (99).

Anoto Group AB

As a pure holding company, Anoto Group AB has a limited number of corporate functions. Sales for the fourth quarter were MSEK 1 (6), while the pre-tax profit was MSEK 0 (-3). At the close of the quarter liquid assets, including current investments amounted to MSEK 1 (1). Investments came to MSEK 0 (0).

Accounting policies

This interim report was prepared in accordance with IAS 34, Interim Financial Reporting. For information about the accounting policies applied, refer to the 2008 annual report. The accounting policies are unchanged from those applied in 2008.

Risk factors and uncertainties

No significant additional risks are deemed to have arisen beyond those described in the 2008 annual report for the Anoto Group. (Please see Note 2 for a detailed presentation of the company's risk exposure and management.)

Share data

The company's share is listed on the NASDAQ OMX Nordic Small Cap List in Stockholm.

Shares numbered 128,583,867 at the end of the third quarter, in addition to which 585,000 warrants were outstanding, of which none were deemed to have a value as of December 31, 2009.

Option programs

The parent company has issued options as part of various incentive programs. Full exercise of all remaining programs would result in a dilution of about 0.5 %.

Outlook

Anders Norling, CEO

After a somewhat varying year it is gratifying with a strong finish in 2009. We see increased sales in our core business areas and foresee a positive 2010. Short term we will still meet some challenges, but in the long term I see a great growth potential for Anoto's digital pen technology, which now is being integrated into many exciting products.

Reporting schedule 2010

Annual General Meeting and Q 1 Interim Report	May 5, 2010
Q 2 Interim Report	August 2, 2010
Q 3 Interim Report	November 8, 2010

Proposals for the Annual General Meeting 2010 shall be made to the Anoto Board, preferably by email to AGM.2010@anoto.com by March 16 in order to be part of the notice of the meeting.

The Anoto Group AB 2008 annual report is available at www.anoto.com. A printout of the digital version may be ordered from the company

Lund, February 4, 2010

Anders Norling
CEO

This report has been reviewed by the company auditors; see audit report below

Anoto Group AB may be required to disclose the information provided herein pursuant to the Securities Markets Act. The information was submitted for publication at 08.30 on February 4, 2010.

For more information

You are welcome to participate in Anoto's teleconference for financial analysts and the media at 10.00 CET on *February 4, 2010*.

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Report on review of interim financial statements

To the Board of Directors of *Anoto Group AB (publ)*

Corporate ID no 556532-3929

Introduction

We have conducted a limited review of the interim financial statements for Anoto Group AB (publ) as of December 31, 2009 and the twelve months period that concluded on this date. The preparation and presentation of these interim financial statements pursuant to IAS 34 and the Swedish Annual Accounts Act are the responsibility of the Board of Directors and Chief Executive Officer. Our responsibility is to report our conclusions concerning these interim financial statements on the basis of our limited review.

Scope of review

We have conducted our limited review pursuant to the Standard for Limited Review (SÖG) 2410 "Limited review of interim financial information conducted by the company's appointed auditor". A limited review consists of making inquiries, primarily to individuals responsible for financial and accounting matters, as well as performing analytical procedures and taking other limited review measures. A limited review has a different focus and significantly less scope than an audit according to RS Auditing Standards in Sweden and generally accepted auditing practice. The review procedures undertaken in a limited review do not enable us to obtain a level of assurance where we would be aware of all important circumstances that would have been identified had an audit been conducted. Therefore, a conclusion reported on the basis of a limited review does not have the level of certainty of a conclusion reported on the basis of an audit.

Conclusion

Based on our limited review, no circumstances have come to our attention that would give us reason to believe that the attached interim financial statements have not, in all material respects, been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act for the group, and in accordance with the Swedish Annual Accounts Act for the parent company.

Malmö, February 4, 2010

Eva Melzig Henriksson
Authorised Public Accountant

Consolidated income statement in summary

(SEK thousand)	Note	Q4		Full year	
		Oct - Dec 2009	Oct - Dec 2008	Jan - Dec 2009	Jan - Dec 2008
Ongoing operations					
Net sales		64 229	44 467	205 862	143 975
Cost of goods and services sold		-19 273	-14 432	-63 390	-46 313
Gross profit		44 956	30 035	142 472	97 662
Sales, administrative and R&D costs		-44 780	-42 968	-167 908	-152 003
Other operating income/cost		1 435	-127	4 587	2 961
Operating profit/loss		1 612	-13 059	-20 848	-51 379
Writedown of shares in associated companies		0	-520	0	-2 431
Writedown of shares		-96	0	-1 100	0
Other financial items		294	-6 843	1 015	-6 239
Profit/loss before taxes		1 810	-20 422	-20 933	-60 049
Taxes		242	2	257	-853
Profit/loss for the period		2 052	-20 420	-20 676	-60 902
Closed operations					
Profit from closed operations	1	0	80 757	0	91 352
Profit/loss for the period (including Closed operations)		2 052	60 337	-20 676	30 450

Group - Statement of comprehensive income for the period

(SEK thousand)	Oct - Dec 2009	Oct - Dec 2008	Jan - Dec 2009	Jan - Dec 2008
Translation differences for the year	-375	4 312	94	2 932
Other comprehensive income/cost for the period	-375	4 312	94	2 932
Total comprehensive income for the period	1 677	64 649	-20 582	33 382
Total comprehensive income for the period attributable to:				
Shareholders of Anoto Group AB	1 580	63 911	-19 517	35 611
Minority shareholders	97	738	-1 065	-2 229
Total comprehensive income for the period	1 677	64 649	-20 582	33 382
Key ratios:				
Gross margin	70,0%	67,5%	69,2%	67,8%
Operating margin	2,5%	Neg	Neg	Neg
Earnings per share from ongoing operations				
Earnings per sharee (kr) ²	0,02	-0,16	-0,16	-0,47
Earnings per share after dilution (kr) ²	0,02	-0,16	-0,16	-0,47
Earnings per share				
Earnings per sharee (kr) ²	0,02	0,47	-0,16	0,24
Earnings per share after dilution (kr) ²	0,02	0,47	-0,16	0,24
Earnings per share on total comprehensive income for the period				
Earnings per sharee (kr) ²	0,01	0,50	-0,16	0,26
Earnings per share after dilution (kr) ²	0,01	0,50	-0,16	0,26
Average number of shares				
Before dilution	128 583 867	128 583 867	128 583 867	128 583 867
After dilution	128 583 867	128 583 867	128 583 867	128 583 867

¹ Disposal of business

² Based on the weighted average number of shares and outstanding warrants for each period. Only warrants for which outstanding warrants for each period. Only warrants for which the present value of the issue price is lower than the fair value of the ordinary share are included in the calculation.

Consolidated balance sheet in summary

(SEK thousand)	2009-12-31	2008-12-31
Intangible fixed assets	360 059	364 025
Tangible assets	9 184	5 279
Financial fixed assets	2 835	30 599
Total fixed assets	372 078	399 903
Inventories	29 356	37 329
Accounts receivable	45 013	32 564
Other current assets	27 182	32 304
Total short-term receivables	72 195	64 868
Current investments	504	320
Liquid assets, including current investments	80 770	99 024
Total current assets	182 825	201 541
Total assets	554 903	601 444
	0	0
Equity attributable to shareholders of Anoto Group AB	469 105	488 474
Equity attributable to minority interests	-1 225	-160
Long term liabilities	31 007	41 891
Current provisions	782	800
Other current liabilities	55 234	70 439
Total current liabilities	56 016	71 239
Total liabilities and shareholders' equity	554 903	601 444

Change in shareholders' equity

	Share capital	Other capital contributed	Reserves	Profit for the year	Shareholders equity	Minority shareholders	Total shareholders equity
Opening balance 1st of Januari 2008	2 572	448 508	-3 063	4 791	452 808	2 069	454 877
Total comprehensive income for the period			2 911	32 699	35 610	-2 229	33 381
Adjustment costs for share options				56	56	0	56
Shareholders equity 31st of December 2008	2 572	448 508	-152	37 546	488 474	-160	488 314
Total comprehensive income for the period				-19 611	-19 517	-1 065	-20 582
Adjustment costs for share options				148	148	0	148
Shareholders equity 31st of December 2009	2 572	448 508	-58	18 083	469 105	-1 225	467 880

Consolidated Cash flow statement in summary

(SEK thousand)			Oct - Dec 2009	Oct - Dec 2008	Jan - Dec 2009	Jan - Dec 2008
	Note					
Profit/loss after financial items			1 810	60 335	-20 933	31 303
Depreciation, amortisation and write-downs			5 747	7 155	14 738	21 483
Other items not included in cash flow			201	116	-317	880
Total items not included in cash flow			5 948	7 271	14 421	22 363
Cash flow from operating activities before change in working capital			7 758	67 606	-6 512	53 666
Change in working capital			-16 302	23 945	2 351	-9 317
Cash flow from operating activities			-8 544	91 551	-4 161	44 349
Cash flow from investment activities			-5 562	-4 621	-14 093	-40 257
Total cash flow before financing activities			-14 106	86 930	-18 254	4 092
Cash flow from financing activities			0	-24 680	0	-36 368
			0	0	0	0
Cash flow for the period			-14 106	62 250	-18 254	-32 276
Liquid assets at the beginning of the period*			94 876	37 094	99 025	131 301
Liquid assets at the end of the period*			80 770	99 344	80 770	99 025
<i>Cash flow from ongoing operations</i>			-14 106	-16 196	-18 254	-117 166
<i>Cash flow from closed operations</i>	2		-	78 446	-	84 890

*Cash, bank balances and current investments with a duration of less than 6 months

** Includes non-repayable advances from customer

Key ratios

	Oct - Dec 2009	Oct - Dec 2008	Jan - Dec 2009	Jan - Dec 2008
Cash flow for the year (KSEK)	-14 106	62 250	-18 254	-32 276
Cash flow per share (SEK) ²	-0,11	0,48	-0,14	-0,25
Cash flow per share after dilution (SEK) ²	-0,11	0,48	-0,14	-0,25
			2009-12-31	2008-12-31
Equity/assets ratio			84,5%	81,2%
Number of shares ³			128 583 867	128 583 867
Shareholders' equity per share (SEK) ³			3,65	3,80

² Based on the weighted average number of shares and outstanding warrants for each period. Only warrants for which the present value of the issue price is lower than the fair value of the ordinary share are included in the calculation.

³ Including outstanding warrants (09-12-31: 0, 08-12-31: 0)

Only warrants for which the present value of the issue price is lower than the fair value of the ordinary share are included in the calculation.

Parent company, summary of income statement

	Oct - Dec 2009	Oct - Dec 2008	Jan - Dec 2009	Jan - Dec 2008
(SEK thousand)				
Net sales	708	6 178	9 126	30 044
Gross profit	708	6 178	9 126	30 044
Administrative costs	-321	-6 231	-7 966	-28 226
Operating profit	387	-53	1 160	1 818
Financial items	15	-2 777	6	-873
Resultat efter finansiella poster	402	-2 830	1 166	945

Parent company, balance sheet in summary

	2009-12-31	2008-12-31
(SEK thousand)		
Intangible fixed assets	628	711
Tangible assets	113	356
Financial fixed assets	344 700	344 700
Total fixed assets	345 441	345 767
Other short-term receivables	108 218	119 312
Liquid assets, including current investments	1 286	897
Total current assets	109 504	120 209
Total assets	454 945	465 976
Equity	452 852	451 682
Other current liabilities	2 093	14 294
Total liabilities and shareholders' equity	454 945	465 976

Note 1 Closed operations - Profit & Loss

	Oct - Dec 2009	Oct - Dec 2008	Jan - Dec 2009	Jan - Dec 2008
Net sales	0	11 851	0	38 229
Cost of goods & services	0	-1 213	0	-5 949
Gross profit	0	10 638	0	32 280
Sales, administrative & R&D costs	0	-1 196	0	-12 580
Other income	0	71 387	0	71 387
Operating profit	0	80 829	0	91 087
Financial items	0	-72	0	265
Profit from closed operations	0	80 757	0	91 352

Note 2 Closed operations - Cash flow

	Oct - Dec 2009	Oct - Dec 2008	Jan - Dec 2009	Jan - Dec 2008
Profit/loss after financial items	0	80 757	0	91 352
Depreciation	0	135	0	849
Taxes paid	0	-1 978	0	-6 004
Investments	0	-468	0	-1 307
Cash flow for the period from closed operations	0	78 446	0	84 890