



Anoto Group AB

Year-end Report for January-December 2006

- Fourth-quarter sales were SEK 29 million (32). January-December sales totalled SEK 109 million (113).
- The Group's fourth-quarter gross margin was 62% (73), or SEK 18 million (24). The gross margin for January-December was 72% (70), or SEK 78 million (79).
- Earnings before depreciation and amortisation for the fourth quarter were SEK –30 million (–16). The Content and Applications business unit (Anoto Inc., Oakland in the United States) accounted for SEK –16 million (–6) of the loss. Earnings before depreciation and amortisation for January-December were SEK –104 million (–53). Content and Applications accounted for SEK –51 million (–6) of the January-December loss.
- Earnings after taxes were SEK –40 million (48) for the fourth quarter and SEK –133 million (–14) for January-December.
- Earnings per share totalled SEK –0.31 (0.38) for the fourth quarter and SEK –1.03 (–0.12) for January-December.
- Cash flow amounted to SEK –24 million (140) for the fourth quarter. The Content and Applications business unit accounted for SEK -15 million (-6) of this. For January-December the cash flow amounted to SEK –32 million (170) of which the Content and Applications business unit accounted for SEK -49 million (-6).

Operations

- Anoto's subsidiary in Japan, Anoto Nippon K.K., obtained two new orders for a total of 9,000 forms pens in the fourth quarter.
- The Forms Solutions application area continued to grow. Active Forms Solutions users totalled approximately 53,000, up 26% from the previous quarter and 137% from a year ago.
- To focus even more on Forms Solutions, a decision was made in December to close down the Content and Applications business unit by closing Anoto's office in Oakland, California. As a result, also the running costs are reduced.
- Anoto transferred its video technology (ASIC) development department to a new subsidiary.



Events after the balance sheet date

- In January 2007 Anoto signed an agreement with a new U.S. pen partner headed up by Jim Marggraff, former CEO of Anoto Inc. in Oakland, California. The agreement covers development and marketing of the next-generation digital pen and paper solution for the consumer market. Anoto is receiving USD 3.5 million, plus royalties based on its sales.

A word from CEO Anders Norling

The fourth quarter generated major, gratifying orders both in our core area of Forms Solutions and in C Technologies. We also made restructuring moves that reflected our new strategy.

Biggest forms processing order ever within Forms Solutions

We are pleased to note that Anoto obtained two large orders for a total of 9,000 forms pens in Japan during the fourth quarter. One of the orders was for 6,000 pens; our biggest order ever. Our Japanese partners are major players with which we collaborate on a long-term basis. That approach is now leading to larger and larger orders. Our successes in Japan contributed to the strong increase in the number of forms users during the fourth quarter.

Product bundling effort continues

As previously announced, Anoto plans to more completely bundle its Forms Solutions products. The initiative is on schedule, and the initial launch will be in the first quarter of 2007.

New orders totalling SEK 20 million for C Technologies

Our C Technologies application area received two large orders – 30,000 Anoto C-Pen 20s from an existing customer, and 100,000 additional modules of our C-Pen Scan technology from a new Chinese customer. The orders were worth a total of SEK 20 million that will be recognised as income in the end of 2006 and the first half of 2007.

C Technologies is important to our business, and the orders reinforce our view that it offers great potential.

Restructuring continues

As a consequence of the decision to focus on Forms Solutions Anoto decided, to close its office in Oakland, California since it was oriented mainly towards the consumer segment.. Closing the office will also allow us to reduce our current costs in favour of Forms Solutions. We have now reached a satisfactory solution as we have signed an agreement with a new U.S. pen partner, staffed by former Anoto employees and headed up by Jim Marggraff. That will boost license revenue and royalties, as well as ensure that the resources and effort already devoted to Anoto Inc. will not be wasted but continue to benefit us.

During the fourth quarter Anoto's video technology (ASIC) development department was moved to a new subsidiary. Our goal was not only to adapt to our new strategic emphasis on Forms Solutions, but to pave the way for greater focus on development and marketing of these products.

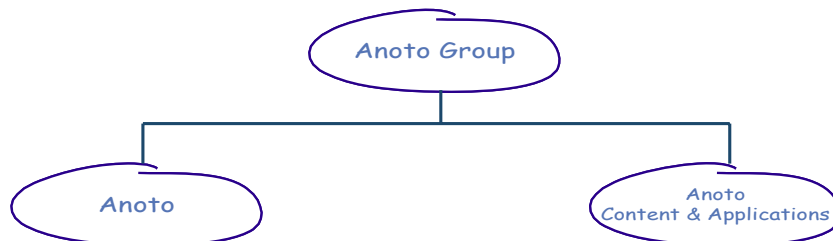
Well-equipped for the future

Forms Solutions grew rapidly in 2006. Meanwhile, we devoted a good deal of energy to adapting our organisation and working methods to our new strategy. Now that most of the effort has been completed, Anoto is well-equipped to concentrate on accelerated growth in 2007.



Operations

Business units



As of 2006, Anoto is broken down into the following business units.

1. The Anoto business unit consists of the company's traditional activities in the following application areas.
 - Forms Solutions
 - Interactive Media
 - Personal Productivity
 - Technology (ASIC)
 - C Technologies
2. The Content and Applications business unit focuses on the design of development tools and the construction of a network for third-party developers, as well as the marketing of proprietary and third-party applications for the next-generation interactive pen (Pentop).

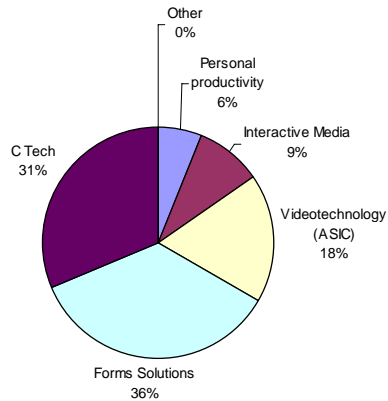
I. Anoto business unit

	Oct-Dec 2 006	Oct-Dec 2 005	Jan-Dec 2 006	Jan-Dec 2 005
Net sales	29 322	32 262	107 973	113 230
Gross profit	18 085	23 649	78 187	79 395
EBITDA	(13 906)	(10 683)	(53 529)	(47 777)
Operating loss	(21 588)	(21 570)	(79 944)	(74 084)

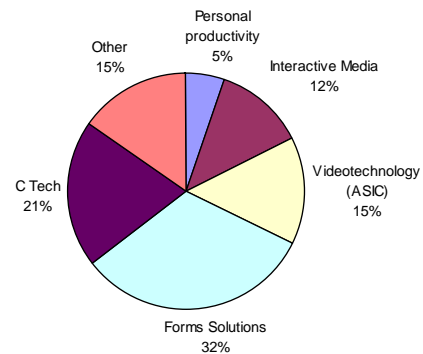
Fourth-quarter sales were somewhat lower than previous year, but the revenue mix changed considerably. Revenue more than doubled for Forms Solutions but decreased substantially for Interactive Media. The reduction was due to the fact that 2005 revenue for interactive media was largely attributable to non-recurring engineering (NRE) for Dai Nippon Printing (DNP). The lower gross profit stemmed from a SEK 3 million provision for an anticipated loss on a customer-financed development project at within Anoto Technology (ASIC).



Net sales per application area Oct-Dec 2006

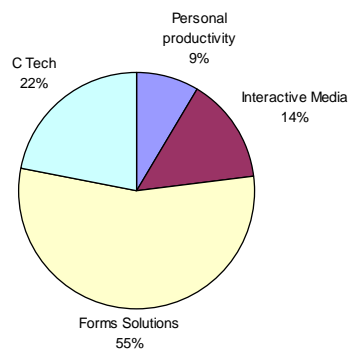


Net sales per application area Jan-Dec 2006

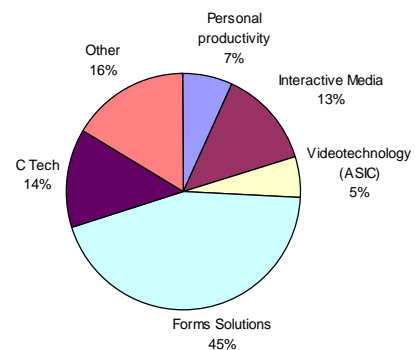


Forms Solutions accounted for 36% of Anoto's sales in the fourth quarter. Forms Solutions represented 32% (47% including license revenue attributable to Anoto Taiwan in the first quarter) of Anoto's sales in January-December.

Gross profit per application area Oct-Dec 2006



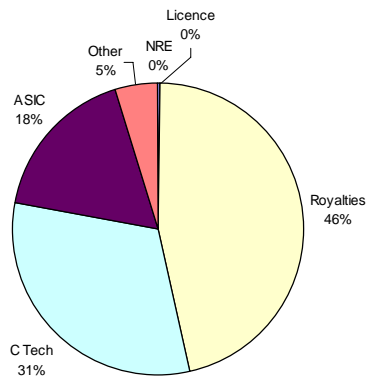
Gross profit per application area Jan-Dec 2006



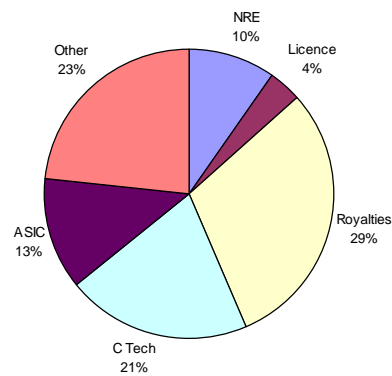
Forms Solutions accounted for 55% of Anoto's gross profit in the fourth quarter. Forms Solutions represented 45% (61% including license revenue attributable to Anoto Taiwan in the first quarter) of Anoto's gross profit in January-December.



Net sales per revenue category Oct-Dec 2006



Net sales per revenue category Jan-Dec 2006



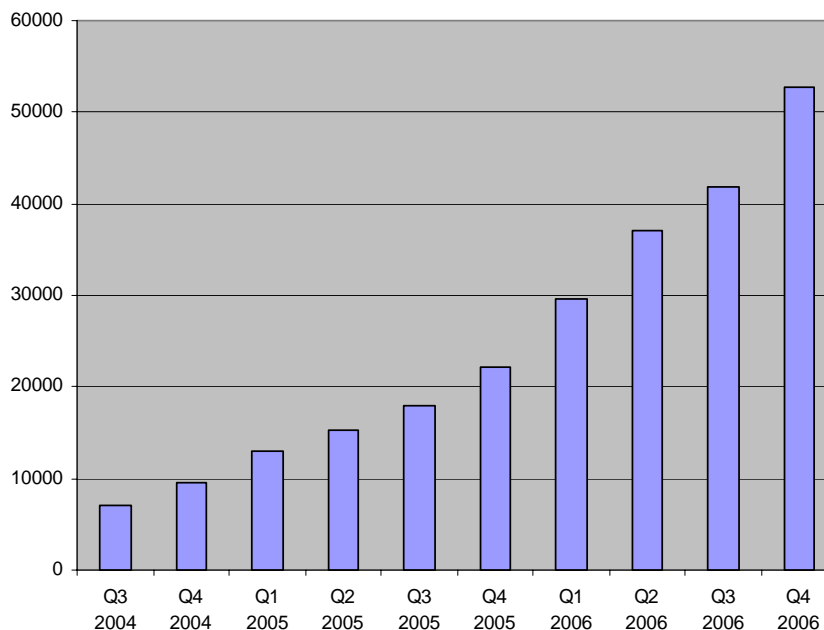
Revenue from ongoing royalties and product sales (Royalties, C Technologies, ASIC and Other) accounted for 100% of net sales in the fourth quarter and 71% in January-December.

Forms Solutions

The Forms Solutions application area focuses on systems, products and services that target businesses, primarily those in the field of forms processing. Among Anoto's partners are system integrators,,software developers and IT consulting firms, all of which offer customised solutions with Anoto functionality to their corporate customers. Anoto's strategy is to market and supply its products and services through these partners. Anoto obtains revenue based on the use of digital pens per unit of time.

Active users of Forms Solutions rose during the fourth quarter by 11,000 to approximately 53,000, up by 137% on an annual basis and 26% from the previous quarter. The orders received are still solid.

Active forms users





Interactive Media

This application area uses Anoto technology for products based on a combination of digital material (books, cards and the like) and a digital pen that enables immediate feedback by means of voice, audio, etc. The concept supports learning and teaching products that are simple, intuitive and entertaining for the user.

At SEK 3 million, fourth quarter royalties from the LeapFrog FLY Pentop Computer were lower than expected.

LeapFrog will launch the next-generation, FLY Fusion™, in 2007. FLY Fusion™, will expand LeapFrog's age segment profile with an improved software library, web connectivity and a sleeker form factor.

Talks are under way with DNP concerning next-generation digital pen solutions.

Personal Productivity

The Personal Productivity application area focuses on developing and marketing products that make it easier for people to communicate and be efficient in their daily activities. Offering such products through its partners, Anoto targets the end-customer. Digital pens, as well as PC and mobile phone applications, are all included.

Groupe Hamelin, which sells Oxford Easybook, has now launched Version 2 of the DENOS software. The Oxford Digital Diary software for 2007 is on the market as well. Oxford Easybook also supports mobile applications, developed by Anoto partner PaperIQ, for BlackBerry devices.

Anoto Technology

The Anoto Technology application area develops and markets Anoto's basic technology as ASICs and IP blocks. The segment supplies or licences Anoto modules, components and function blocks for integration into the customer's products or components, such as other pen-like units, mobile phones and mobile phone accessories or components.

During the fourth quarter, Anoto transferred its development department for video technology (ASIC) to a new subsidiary. The goal was to pave the way for more rapid growth and higher profitability.

Anoto holds 80% of the shares in the subsidiary, while a number of key employees hold the remaining 20%.

Already existing agreements within the business segment for video technology will remain in Anoto AB.

C Technologies

The products of the C Technologies application area, of which the C-Pen scanning pen is the best known, are based on the integration of digital camera technology with leading-edge image processing in products characterised by energy efficiency and high performance.

C Technologies had an excellent fourth quarter, including strong sales and two large orders worth a total of SEK 20 million – 30,000 Anoto C-Pen 20s from an existing customer, and 100,000 additional modules of our C-Pen Scan technology from a new Chinese customer.

II. Anoto Content and Applications business unit

	Oct-Dec 2 006	Oct-Dec 2 005	Jan-Dec 2 006	Jan-Dec 2 005
Net sales	-	-	752	-
Gross profit	-	-	217	-
EBITDA	(15 991)	(5 691)	(50 772)	(5 691)
Operating loss	(16 344)	(5 691)	(51 879)	(5 691)

**Content and Applications**

The Content and Applications business unit focuses on the design of development tools and the construction of a network for third-party developers, as well as the marketing of proprietary and third-party applications for the next-generation interactive pen (Pentop).

A decision was made in the fourth quarter to close Anoto's office in Oakland, California, along with the Anoto Content and Applications business unit. After the end of the fourth quarter, Anoto signed an agreement with a new U.S. pen partner headed up by Jim Marggraff, former CEO of Anoto Inc. in Oakland. The agreement covers development and marketing of the next-generation digital pen and paper solution for the consumer market.

Anoto Group AB – fourth quarter of 2006 in figures***Sales and earnings for the fourth quarter (October-December)***

Fourth-quarter sales declined by 9% to SEK 29 million (32). The reduction was due to lower revenue at Interactive Media, while Forms Solutions, C Technologies and ASIC reported considerably higher revenue.

The gross profit was down by 24% to SEK 18 million (24). The gross margin declined to 62% (73). The lower gross margin stemmed primarily from a SEK 3 million provision for an anticipated loss on a customer-financed development project at the ASIC division. The result of the project is however expected to generate future revenues with the start of the sales of the ASIC's.

The loss before depreciation and amortisation was SEK –30 million (–16). The Content and Applications business unit accounted for SEK –15 million (–6) of the loss.

Sales, administrative and research costs amounted to SEK –56 million (–47), of which depreciation and amortisation accounted for SEK –8 million (–7) and Content and Applications for SEK –15 million (–6).

The fourth-quarter operating loss of SEK –38 million (–22) was broken down between SEK –23 million (–16) for the Anoto business unit and SEK –16 million (–6) for the Content and Applications business unit.

Fourth-quarter cash flow (October-December)

Cash flow from operating activities totalled SEK –25 million (–18) for the fourth quarter. The Content and Applications business unit accounted for SEK –15 million (–6). Payments of previous provisions had an impact of SEK –2 million (–4) on cash flow. SEK –1 million (–5) in net investments were charged to fourth-quarter cash flow of SEK –24 million (140).

Financing and liquidity

At the close of January-December, the Group's liquid assets, including current investments, amounted to SEK 180 million (211).

Anoto Group AB

As a pure holding company, Anoto Group AB has a limited number of corporate functions and employees. January-December sales were SEK 42 million (35), while pre-tax earnings were SEK –112 million (–420). At the close of January-December, liquid assets, including current investments, amounted to SEK 144 million (194). Investments came to SEK 0 million (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 2005 annual report. The accounting policies are unchanged from those applied in 2005.

**Share data**

The Company's share is quoted on the Nordic Mid Cap list of the Stockholm Stock Exchange. Shares numbered 128,538,867 at the end of December, in addition to which 7,415,002 warrants were outstanding, of which 0 were deemed to have a value as of 31 December 2006.

Shareholders

The total number of Anoto Group shareholders at the end of December was 9,275. Foreign investors held 56%, and institutional and industrial investors 85%, of the shares. Norden Technology AS, Robur fonder, DNB, SEB Enskilda ASA, Logitech and Sofa were the largest shareholders as of 31 December, controlling 51% of Anoto Group shares.

Option programmes

Anoto Group AB's CEO Anders Norling acquired 1.500.000 warrants in the company during the fourth quarter according to the resolution of the Extraordinary General Meeting in November 2006. Anoto Group AB has issued options as part of various incentive programmes. Full exercise of all programmes would result in total dilution of about 5% as of 31 December 2006.

Prospects for 2007**Group**

The closing down of the Content and Applications business unit as well as the restructuring of the videototechnology (ASIC) business paves the way for more focus and effort on Forms Solutions. As a result of this Anoto expects that the number of active users of Forms Solutions will continue to grow strongly in 2007. The 2006 increase was 137%.

Upcoming interim reports

First quarter	8 May 2007
January-June report	7 August 2007
January-September report	7 November 2007
2007 year-end report	7 February 2008

Annual general meeting	15 May 2007
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The annual report is scheduled to be available on April 2nd and appear at www.anoto.com. Although the report will not be printed, a printout of the digital version may be ordered from the company.

Dividend

Because the Anoto Group does not have any distributable assets, no dividend will be issued.

Lund, 7 February 2007

Anders Norling
CEO



Report on Review of Interim Financial Information

We have reviewed the accompanying balance sheet of Anoto Group AB as of December 31, 2006 and the related statements of income, changes in equity and cash flows for the twelve-month period then ended, and a summary of significant accounting policies and other explanatory notes. The board of directors is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review.

We conducted our review in accordance with Standard för översiktlig granskning SÖG 2410 *Översiktlig granskning av finansiell delårsinformation utförd av företagets valda revisor* issued by FAR. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as at December 31, 2006, and of its financial performance and its cash flows for the twelve-month period then ended in accordance with IAS 34.

Malmö, February 7, 2007

Deloitte AB

Per-Arne Pettersson
Authorized public accountant

Consolidated income statements

The Group

(SEK thousand)

Quarter 4

Full year

	Okt - Dec 2006	Okt - Dec 2005	Jan - Dec 2006	Jan - Dec 2005
Net sales	29 322	32 262	108 725	113 230
Costs of goods and services sold	(11 237)	(8 613)	(30 321)	(33 835)
Gross profit/loss	18 085	23 649	78 404	79 395
Sales, administrative and research costs	(54 007)	(46 924)	(208 467)	(159 683)
Share of earnings in associated companies	(4)	(8)	(4)	(8)
Other operating income	(2 308)	-	(2 070)	-
Other operating expense	302	397	314	521
Operating profit/loss	(37 932)	(22 886)	(131 823)	(79 775)
Share of earnings in group companies	-	70 457	(769)	70 457
Share of earnings in associated companies	-	-	-	-
Other financial items	(943)	510	794	(4 446)
Resultat efter finansiella poster	(38 875)	48 081	(131 798)	(13 764)
Minority share	41	-	41	-
Profit/loss before taxes	(38 834)	48 081	(131 757)	(13 764)
Taxes	(840)	(96)	(1 208)	(120)
Profit/loss for the period	(39 674)	47 985	(132 965)	(13 884)
Key ratios				
Gross profit	61,7%	73,3%	72,1%	70,1%
Operating margin	Neg	Neg	Neg	Neg
Earnings per share (kronor) ¹	(0,31)	0,38	(1,03)	(0,12)
Earnings per share after dilution (kronor) ¹	(0,31)	0,37	(1,03)	(0,12)

¹ 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.



Summary of Balance Sheet

(SEK thousand)

Intangible fixed assets
Tangible assets
Financial fixed assets
Other current assets
Liquid assets, including current investments
Total assets

Equity attributable to shareholders of Anoto Group AB
Equity attributable to minority interests
Long-term provisions
Current provisions
Other current liabilities
Total liabilities and shareholders' equity

The Group

2006-12-31	2005-12-31
343 324	357 536
3 512	3 568
5 080	5 346
45 220	128 200
179 841	211 490
576 977	706 140
458 237	555 690
1 959	-
4 728	4 231
1 887	28 021
110 166	118 198
576 977	706 140

Change in shareholders' equity

The Group

	Jan - Dec 2006	Jan - Dec 2005
Opening balance	555 690	385 629
Effects of transition to IFRS, IAS 39, as of 1 Jan 2005	-	365
Issue of new shares	28 596	181 859
Changes in minority interest	1 959	-
Recovered VAT for underwriting expenses	-	175
Costs of granting options	7 896	1 190
Translation differences	(980)	356
Profit/loss for the period	(132 965)	(13 884)
Closing balance	460 196	555 690

66 345

Cash Flow Statement

The Group

(SEK thousand)

	Okt - Dec 2006	Okt - Dec 2005	Jan - Dec 2006	Jan - Dec 2005
Profit/loss after financial items	(38 875)	48 081	(131 798)	(13 764)
Adjustment for items not included in cash flow				
Change in provisions	(1 631)	(2 713)	(26 215)	(931)
Depreciation, amortisation and write-downs	8 026	6 512	27 518	26 299
Profit on shares in Group and associated companies	4	(70 449)	4	(70 449)
Costs of granting options	2 490	945	7 896	1 190
Other financial items	944	(510)	(793)	4 446
Taxes paid	(105)	(90)	(295)	(114)
Cash flow from operating activities				
before change in working capital	(29 147)	(18 224)	(123 683)	(53 323)
Change in working capital	4 019	564	74 949	60 251
Cash flow from operating activities	(25 128)	(17 660)	(48 734)	6 928
Net investments	(1 018)	(4 677)	(13 187)	(14 933)
Total cash flow before financing activities	(26 146)	(22 337)	(61 921)	(8 005)
Financing activities				
Issues of new shares	1 335	168 559	28 596	187 635
Cost of issues of new shares	-	(5 776)	-	(5 776)
Change in long-term liabilities	578	-	578	-
Capital from minority interests	2 000	-	2 000	-
Other financial items	(944)	510	793	(4 446)
Recovered VAT for underwriting expenses	-	-	-	175
Other items	(1 201)	(837)	(1 695)	81
Cash flow for the period	(24 378)	140 119	(31 649)	169 664
Liquid assets at the beginning of the period*	204 219	71 371	211 490	41 826
Liquid assets at the end of the period*	179 841	211 490	179 841	211 490

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

Key ratios

The Group

	Okt - Dec 2006	Okt - Dec 2005	Jan - Dec 2006	Jan - Dec 2005
Cash flow for the year (ksek)	(24 378)	140 119	(31 649)	169 664
Cash flow per share (sek) ²	(0,19)	1,11	(0,25)	1,42
Cash flow per share after dilution (sek) ²	(0,19)	1,09	(0,25)	1,40

	2006-12-31	2005-12-31
Equity/assets ratio	79,4%	78,7%
Number of shares ³	128 583 867	128 744 414
Shareholders' equity per share (kronor) ³	3,56	4,32

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 (06-06-30: 0; 05-12-31: 2 209 213)
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.

Accounting Per Segment

The Group

(SEK thousand)	Okt - Dec 2006	Okt - Dec 2005	Jan - Dec 2006	Jan - Dec 2005
Sales				
Anoto	29 322	32 262	107 973	113 230
Anoto Content & Applications	-	-	752	-
Total	29 322	32 262	108 725	113 230
Operating profit/loss				
Anoto	(21 588)	(22 886)	(79 944)	(73 722)
Anoto Content & Applications	(16 344)	-	(51 879)	(6 053)
Total	(37 932)	(22 886)	(131 823)	(79 775)
Cash flow				
Anoto	(9 535)	140 119	17 686	175 717
Anoto Content & Applications	(14 843)	-	(49 335)	(6 053)
Total	(24 378)	140 119	(31 649)	169 664



For more information

You are welcome to participate in Anoto's teleconference for financial analysts and the media.

Date: Wednesday, 7 February 2007
Time: 10.00
Phone: +44 207 162 0025
Specify: Anoto

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Anoto's 2005 annual report is available at <http://www.anotogroup.com/cldoc/aog-ir-reports.htm>

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