



## **Anoto Group**

### **2007 Year-end Report**

- Fourth quarter sales were SEK 45 million (29). January-December sales rose by 55% to SEK 169 million (109).
- The group's gross margin for the fourth quarter was 77% (62), while the gross profit was up by 94% to SEK 35 million (18). The gross margin for January-December was 77% (72), while the gross profit was SEK 129 million (78).
- Excluding depreciation and amortisation, earnings for the fourth quarter were SEK 0 million (–30). Excluding depreciation and amortisation, the January-December profit was SEK 6 million (–104).
- The loss after taxes was SEK –2 million (–40) for the fourth quarter and SEK –8 million (–133) for January-December.
- Earnings per share totalled SEK –0.02 (–0.31) for the fourth quarter and SEK –0.06 (–1.03) for January-December.
- Cash flow amounted to SEK –29 million (–24) for the fourth quarter and SEK –49 million (–32) for January-December.

#### **Operations**

- The number of active forms users continued to increase to 110, 000. In the fourth quarter they had doubled, compared with the fourth quarter 2006.
- Anoto obtained a breakthrough order in the Chinese market of 5,000 pens to be used in the labelling, inspection and maintenance of public fire extinguishers.
- Anoto licensed its pen and paper technology for EUR 600,000 to T-Systems in Germany for further development of mobile and electronic signature solutions.
- Destiny in the UK acquired Logitech's assets and intellectual rights to the io2 digital pen, which is based on Anoto Technology. The io2 pen will be part of Anoto's product assortment.



## **A word from CEO Anders Norling**

### ***Sales and earnings continue to improve***

We experienced a substantial improvement again in the fourth quarter. Sales increased by 55% and gross profit by 94% compared with the fourth quarter of 2006.

The combination of sharply higher sales and the continuation of successful cost control efforts boosted earnings before depreciation and amortisation from SEK –30 million in the fourth quarter of 2006 to SEK 0 million in the fourth quarter of 2007. We still reported a net loss of SEK –8 million for January-December, whereas earnings before depreciation and amortisation were SEK 6 million. I am pleased to announce that Anoto has reached a point where our financial balance is steadily improving and we can thereby focus even more on faster growth.

### ***Forms Solutions continues to grow***

The number of new Forms Solutions users continued to grow, doubling (compared with 2006) to almost 110,000. The increase was due to a couple of major orders and a number of minor ones that were received and delivered in 2007. We delivered patterns and rights to T-Systems in Germany, enabling it to proceed with development of services in the area of mobile and electronic signature solutions. Usyston in China purchased forms solutions for labelling and inspection of public fire extinguishers. The two orders revealed additional application areas for Anoto technology.

During the first nine months, we put our new strategy for Forms Solutions in place. Connected to this, Anoto will take greater responsibility for packaging our products. Our effort to develop a supplementary, more flexible technology platform, as well as new proprietary products, in cooperation with new and existing partners is proceeding according to plan. The emphasis on Forms Solutions in a limited number of application areas (verticals) has started to bear fruit. We expect that growth and sales will begin increasing in 2008 as a result and that we will attract new partners in verticals for which Anoto technology offers clear advantages.

### ***Interactive Media launches***

During the third quarter, our partner LeapFrog began to sell its new Fly Fusion™ Pentop Computer which is based on the Anoto Technology. LeapFrog will expand its Anoto-based portfolio when it launches the Tag Reading System (<http://www.leapfrog.com/tag>) in summer 2008. Tag replaces the LeapPad, which is LeapFrog's biggest marketing success with more than 30 million units sold.

### ***Anoto Technology growing rapidly***

Sales of mobile phones containing Anoto video technology began to take off in late 2007. Anoto receives licence revenue for each unit sold. Revenue from licensing of this technology rose significantly in late 2007 and the trend is expected to persist in 2008.

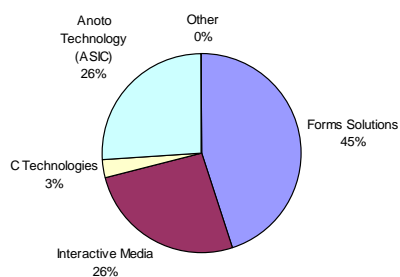


## Organisation

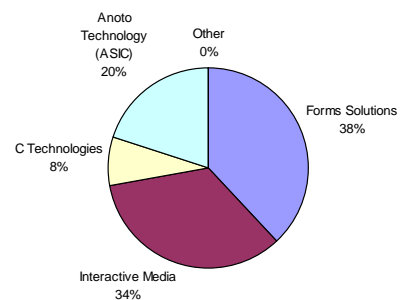
The organisation is split into four application areas:

- Forms Solutions
- Interactive Media
- Anoto Technology (ASIC)
- C Technologies

Net sales per application area Oct-Dec 2007

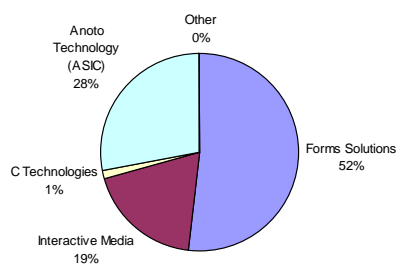


Net sales per application area Jan-Dec 2007

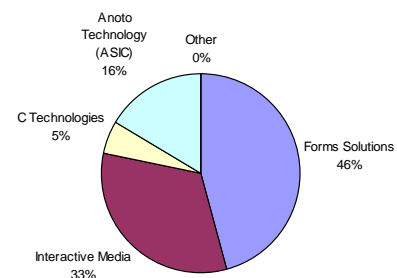


Forms Solutions accounted for 45% of fourth quarter sales and 38% of January-December sales.

Gross profit per application area Oct-Dec 2007



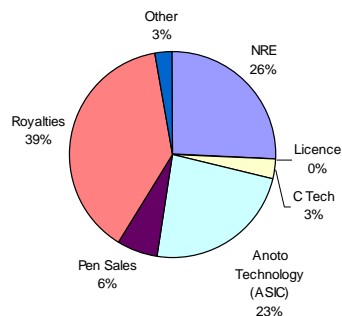
Gross profit per application area Jan-Dec 2007



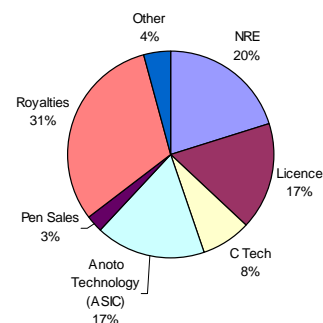
Due to its high gross margin, Forms Solutions represented 52% of Anoto's gross profit for the fourth quarter.



Net sales per revenue category Oct-Dec 2007



Net sales per revenue category Jan-Dec 2007



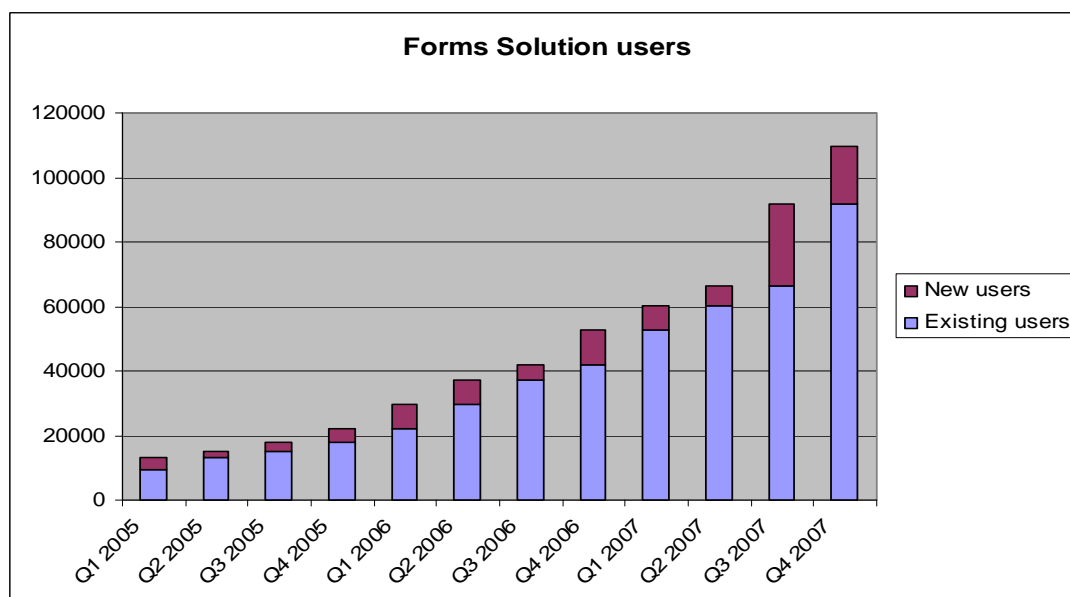
Higher sales for Anoto Technology and Forms Solutions in the fourth quarter considerably boosted Royalty, ASIC and Pen Sales revenue – which accounted for 68% of fourth quarter sales and 51% of January-December sales. Sales of the proprietary Anoto forms pen began during the year and are reported under Pen Sales.

### Forms Solutions

*The Forms Solutions application area focuses on systems, products and services that target businesses, primarily 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's income is based on the use of digital pens per unit of time.*

The number of active forms users doubled from 2006 to approximately 110,000. The ongoing increase in forms users during the fourth quarter was driven primarily by orders from T-Systems in Germany and Usyston in China, as well as a number of smaller orders.

To further strengthen Anotos Forms products and reach higher margins, a further development of the existing digital pen has ben initiated during the last quarter of 2007. This investment expects to cost approx 30 MSEK and will be financed by internally generated funds.



**Interactive Media**

*The Interactive Media 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.*

Activity within Interactive Media remained very brisk, with LeapFrog's launch of the FLY Fusion Pentop Computer and closer cooperation with both Dai Nippon Printing in Japan and LiveScribe, our new U.S. partner.

**Anoto Technology**

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

Sales of mobile phones containing Anoto's IP block for video technology rose significantly in the fourth quarter. Anoto obtains royalties based on the number of phones sold. The resulting impact on sales and earnings will be considerable over the next few years.

Having identified ongoing business opportunities at Anoto Technology, we are actively targeting both new and existing customers.

**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-Pen 20 sales are proceeding according to plan. The first generation of C Dictionary, a translation application with integrated C-Pen functionality, was launched in the fourth quarter. The rollout of the previously announced order from China is still going slowly. Further development of C Dictionary is under way.

**Anoto Group AB – the fourth quarter of 2007 in figures****Sales and earnings for the fourth quarter**

Fourth quarter sales rose by 55% to SEK 45 million (29). The increase was primarily due to continued growth within Forms Solutions, as well as substantially better performances by both Interactive Media and Anoto Technology.

The gross profit was up by 94% to SEK 35 million (18), while the gross margin was 77% (62). The higher gross margin was due to the large percentage of licence revenue within both Forms Solutions and Anoto Technology.

Excluding depreciation and amortisation, earnings were SEK 0 million (–30).

Selling and administrative expenses, as well as research costs, amounted to SEK –38 million (–56), of which amortisation accounted for SEK –3 million (–8). The decrease from the fourth quarter of 2006 was primarily due to the phase-out of the Content and Applications business unit in Oakland, California with expenses of SEK 0 million (–16).

The fourth quarter operating loss was SEK –3 million (–38).



#### ***Fourth quarter cash flow***

Cash flow from operating activities totalled SEK –22 million (–25) for the fourth quarter. Most of the impact on cash flow came from SEK 18 million capital tied up in accounts receivable as a result of increased sales and supplies in the end of 2007.

SEK –7 million (–1) in net investments affected the quarter's cash flow of SEK –29 million (–24). Further development of the digital pen represent most of these investments.

#### ***Financing and liquidity***

At the close of the fourth quarter, the group's liquid assets, including short-term investments, amounted to SEK 31 million (180).

#### ***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 26 million (42), while pre-tax earnings were SEK 0 million (–112). At the close of the period, liquid assets, including short term investments, amounted to SEK 68 million (144). 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 2006 annual report. The accounting policies are unchanged from those applied in 2006.

#### ***Risk factors and uncertainties***

No significant additional risks are deemed to have arisen beyond those described in the 2006 annual report for the Anoto Group (refer to Note 5 for a detailed presentation of the company's risk exposure and management).

#### ***Share data***

The Anoto Group share is listed on the OMX Nordic Small Cap Index in Stockholm. Shares numbered 128,538,867 at the end of the fourth quarter, in addition to which 3,515,500 warrants were outstanding, of which 0 were deemed to have a value as of 31 December 2007.

#### ***Shareholders***

Anoto Group shareholders totalled 7,637 at the end of the fourth quarter. Foreign investors held 57%, and institutional and industrial investors 89%, of the shares. Norden Technology AS, Swedbank Robur fonder, SEB Enskilda ASA, DNB and Barclays Bank were the largest shareholders as of 31 December, controlling 47.5% of Anoto Group shares.

#### ***Option programmes***

The parent company has issued options as part of various incentive programmes. Full exercise of all remaining programmes would result in dilution of about 2.7%.

#### ***Dividend***

The Board of Directors does not propose any dividend.



## **Outlook for 2008**

### ***Anders Norling, CEO;***

I am looking forward to the coming year with great confidence. Our restructuring program and the new strategy are starting to show results. As a result of this Anoto expects that the number of active users of Forms Solutions will continue to grow strongly in 2008. For those end-products that contains Anoto video technology we predict a strong growth. Altogether, this will lead to greatly increased sales volumes and improved margins during 2008

### ***Upcoming interim reports***

First quarter report	7 May 2008
Half-year report	7 August 2008
Third quarter report	7 November 2008
Year-end report 2008	10 February 2009

Annual general meeting	15 May 2008
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The annual report is scheduled to be available on March 31 and appear at [www.anoto.com](http://www.anoto.com). Although the report will not be printed, a printout of the digital version may be ordered from the company.

Lund, 7 February 2008

Anders Norling  
CEO



## **Auditors' Review Report**

### **Introduction**

We have conducted a review of the year-end report 2007 for Anoto Group AB (publ) for the period 1 January - 31 December 2007. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of this year-end report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this year-end report based on our review.

### **Focus and scope of the review**

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and significantly less scope than an audit conducted in accordance with Auditing Standards in Sweden, RS, and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that would have been identified if an audit had been conducted. Accordingly, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the year-end report has not, in all material respects, been prepared in accordance with IAS 34 and the Annual Accounts Act.

Malmö February 7, 2008

Deloitte AB

Per-Arne Pettersson  
Authorized Public Accountant



**Profit & Loss Statement**

**The Group**

(SEK thousand)	Note	Q4			Year	
		Okt - Dec 2007	Okt - Dec 2006	Jan - Dec 2007	Jan - Dec 2006	Jan - Dec 2005
Net sales		45 023	29 322	168 771	108 725	113 230
Costs of goods and services sold		(10 197)	(11 237)	(39 657)	(30 321)	(33 835)
Gross profit/loss		34 827	18 085	129 113	78 404	79 395
Sales, administrative and research costs		(37 290)	(54 007)	(138 319)	(210 223)	(159 162)
Share of earnings in associated companies		-	(4)	-	-	(8)
Other operating income		(372)	(2 006)	(459)	-	-
Operating profit/loss		(2 835)	(37 932)	(9 664)	(131 819)	(79 775)
Share of earnings in group companies		(130)	-	(252)	(769)	70 457
Other financial items		620	(943)	3 269	794	(4 446)
Profit/loss after financial items		(2 345)	(38 875)	(6 647)	(131 794)	(13 764)
Minority share		179	41	(110)	41	-
Profit/loss before taxes		(2 166)	(38 834)	(6 757)	(131 753)	(13 764)
Taxes		(83)	(840)	(791)	(1 208)	(120)
Profit/loss for the period		(2 249)	(39 674)	(7 549)	(132 961)	(13 884)
Profit/loss from ongoing operations		(2 249)	(23 114)	(7 549)	(80 602)	(7 831)
Profit/loss for the period from closed operations	1	-	(16 560)	-	(52 359)	(6 053)
Key ratios						
Gross profit		77,4%	61,7%	76,5%	72,1%	70,1%
Operating margin		Neg	Neg	Neg	Neg	Neg
Earnings per share (SEK) <sup>1</sup>		(0,02)	(0,31)	(0,06)	(1,03)	(0,11)
Earnings per share after dilution (SEK) <sup>1</sup>		(0,02)	(0,31)	(0,06)	(1,03)	(0,11)

<sup>1</sup> 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
<b>Total assets</b>
Equity attributable to shareholders of Anoto Group AB
Equity attributable to minority interests
Long-term provisions
Interest-bearing liabilities
Current provisions
Other current liabilities
<b>Total liabilities and shareholders' equity</b>

### The Group

2007-12-31	2006-12-31	2005-12-31
339 473	343 324	357 536
4 046	3 512	3 568
8 883	5 080	5 346
80 763	45 220	128 200
131 301	179 841	211 490
<b>564 466</b>	<b>576 977</b>	<b>706 140</b>
452 768	458 237	555 690
2 110	1 959	-
-	4 150	4 231
572	578	
1 627	1 529	28 021
107 388	110 524	118 198
<b>564 466</b>	<b>576 977</b>	<b>706 140</b>

### Change in shareholders' equity

	Jan - Dec 2007	Jan - Dec 2006	Jan - Dec 2005
<b>Opening balance</b>	<b>460 196</b>	<b>555 690</b>	<b>385 629</b>
Issue of new shares	-	28 596	365
Changes in minority interest	151	1 959	181 859
Recovered VAT for underwriting expenses	-	-	175
Costs of granting options	3 766	7 896	1 190
Translation differences	(1 687)	(980)	356
Profit/loss for the period	(7 549)	(132 965)	(13 884)
<b>Closing balance</b>	<b>454 878</b>	<b>460 196</b>	<b>555 690</b>

### Cash Flow Statement

(SEK thousand)	Okt - Dec 2007	Okt - Dec 2006	Jan - Dec 2007	Jan - Dec 2006	Jan - Dec 2005
Profit/loss after financial items	(2 345)	(38 875)	(6 647)	(131 798)	(13 764)
Adjustment for items not included in cash flow	-	-	-		
Change in provisions	(1 446)	(1 631)	(4 330)	(26 215)	(931)
Depreciation, amortisation and write-downs	3 281	8 026	15 912	28 317	26 299
Profit on shares in Group and associated companies	-	4	252	4	(70 449)
Costs of granting options	368	2 490	3 766	7 896	1 190
Other financial items	(620)	943	(3 269)	(794)	4 446
Taxes paid	(83)	(105)	(791)	(295)	(114)
<b>Cash flow from operating activities</b>					
before change in working capital	<b>(845)</b>	<b>(29 148)</b>	<b>4 893</b>	<b>(122 885)</b>	<b>(53 323)</b>
Change in working capital	(21 679)	4 019	(38 031)	73 642	60 251
<b>Cash flow from operating activities</b>	<b>(22 524)</b>	<b>(25 129)</b>	<b>(33 138)</b>	<b>(49 243)</b>	<b>6 928</b>
Net investments	(6 642)	(1 018)	(16 402)	(14 190)	(14 933)
<b>Total cash flow before financing activities</b>	<b>(29 166)</b>	<b>(26 147)</b>	<b>(49 540)</b>	<b>(63 433)</b>	<b>(8 005)</b>
<b>Financing activities</b>					
Issues of new shares	-	1 335	-	28 596	187 635
Cost of issues of new shares	-	-	-	-	(5 776)
Change in long-term liabilities	8	578	(6)	578	
Capital from minority interests	-	2 000	-	2 000	
Other financial items	620	(943)	3 269	794	(4 446)
Recovered VAT for underwriting expenses	-	-	-	-	175
Other items	(15)	(1 201)	(2 263)	(184)	81
<b>Cash flow for the period</b>	<b>(28 553)</b>	<b>(24 378)</b>	<b>(48 540)</b>	<b>(31 649)</b>	<b>169 664</b>
Liquid assets at the beginning of the period*	159 854	204 219	179 841	211 490	41 826
<b>Liquid assets at the end of the period*</b>	<b>131 301</b>	<b>179 841</b>	<b>131 301</b>	<b>179 841</b>	<b>211 490</b>
	<b>0</b>	<b>-</b>	<b>0</b>		
Cash flow from ongoing operations	(28 553)	(9 183)	(48 540)	17 686	175 717
Cash flow from closed operations	-	(15 195)	-	(49 335)	(6 053)

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

# Key ratios

# The Group

	Okt - Dec 2007	Jan - Dec 2006	Jan - Dec 2007	Jan - Dec 2006	Jan - Dec 2005
Cash flow for the year (KSEK)	(28 553)	(24 378)	(48 540)	(31 649)	169 664
Cash flow per share (SEK) <sup>2</sup>	(0,22)	(0,19)	(0,38)	(0,25)	1,42
Cash flow per share after dilution (SEK) <sup>2</sup>	(0,22)	(0,19)	(0,38)	(0,25)	1,40

	2007-12-31	2006-12-31	2005-12-31
Equity/assets ratio	80,2%	79,4%	78,7%
Number of shares <sup>3</sup>	128 583 867	128 583 867	128 744 414
Shareholders' equity per share (SEK) <sup>3</sup>	3,52	3,56	4,32

<sup>2</sup> 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.

<sup>3</sup> Including outstanding warrants (07-12-31: 0, 06-12-31: 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.

# Parent Company

## Profit & Loss Statement

(SEK thousand)	Okt - Dec 2007	Okt - Dec 2006	Jan - Dec 2007	Jan - Dec 2006	Jan - Dec 2005
Net sales	6 178	7 864	26 155	41 513	34 591
<b>Gross profit</b>	6 178	7 864	26 155	41 513	34 591
Administrative costs	(6 231)	(5 873)	(26 507)	(32 743)	(33 773)
<b>Operating profit</b>	(53)	1 991	(352)	8 770	818
Financial items	(2 777)	(117 186)	9	(120 906)	(421 383)
<b>Profit for the period</b>	(2 830)	(115 195)	(343)	(112 136)	(420 565)
Earnings per share before dilution (SEK)	(0,02)	(0,90)	(0,00)	(0,87)	(3,27)
Earnings per share after dilution (SEK)	(0,02)	(0,90)	(0,00)	(0,87)	(3,27)

# Parent Company

## Summary of Balance Sheet

(SEK thousand)	2007-12-31	2006-12-31	2005-12-31
Intangible fixed assets	804	792	752
Tangible assets	366	190	89
Financial fixed assets	344 700	344 700	344 700
Other current assets	44 553	3 615	3 057
Liquid assets, including current investments	67 896	143 570	259 880
<b>Total assets</b>	<b>458 319</b>	<b>492 867</b>	<b>608 478</b>
Equity	450 737	451 080	534 631
Provisions	-	-	1 790
Other current liabilities	7 583	41 787	72 057
<b>Total liabilities and shareholders' equity</b>	<b>458 319</b>	<b>492 867</b>	<b>608 478</b>



**Note 1 Closed operations - Profit & Loss**

	Okt - Dec 2007	Okt - Dec 2006	Jan - Dec 2006	Jan - Dec 2006	Jan - Dec 2005
Net sales	-	-	-	752	-
Costs from operations	-	(16 456)	-	(52 150)	(6 053)
Loss from disposal of assets	-	-	-	-	-
<b>Loss before taxes</b>	-	<b>(16 456)</b>	-	<b>(51 398)</b>	<b>(6 053)</b>
Income tax	-	(104)	-	(480)	-
		-			
<b>Loss for the year from closed operations</b>	-	<b>(16 560)</b>	-	<b>(51 878)</b>	<b>(6 053)</b>

**Note 2 Closed operations - Cash flow**

	Okt - Dec 2007	Okt - Dec 2006	Jan - Dec 2006	Jan - Dec 2006	Jan - Dec 2005
Profit/loss after financial items	-	(16 456)	-	(51 399)	(6 053)
Depreciation	-	217	-	1 107	-
Costs of granting options	-	1 386	-	4 937	-
Taxes paid	-	(104)	-	(480)	-
Investments	-	(238)	-	(3 500)	-
<b>Cash flow for the period</b>	-	<b>(15 195)</b>	-	<b>(49 335)</b>	<b>(6 053)</b>

## For more information

You are welcome to participate in Anoto's teleconference for financial analysts and the media at 10.00 CET on 7 February 2008.

Date: Thursday, 7 February 2008  
 Time: 10.00 CET  
 Phone: +44 (0) 20 7162 0125  
 Specify: Anoto

Or contact:  
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The 2006 annual report may be downloaded from the Anoto Group AB website [www.anoto.com](http://www.anoto.com). Although the report has not been printed, a printout of the digital version may be ordered from the company.

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