

Anoto Group Year End Report 2008



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, featuring the word 'Anoto' in a stylized, red, cursive font.

Anoto Group

2008 year-end report

- Net sales for 2008 amounted to MSEK 182 (145). Including Other income, total revenue amounted to MSEK 253 (164). Fourth quarter Net sales were MSEK 56 (45). The fourth quarter total revenue including Other income amounted to MSEK 127 (45).
- The gross margin, excluding Other income, for 2008 was 71 % (76) and the gross profit, including Other income, was MSEK 201 (129). The fourth quarter gross margin, excluding Other income, was 72 % (77) and the gross profit, including Other income, was MSEK 112 (35).
- Excluding depreciation, write-downs and amortization, the result in 2008 was MSEK 55 (6). For the fourth quarter it was MSEK 73 (0).
- The 2008 Net profit after tax was MSEK 33 (-8). The fourth quarter result was MSEK 61 (-2).
- Earnings per share in 2008 were SEK 0.25 (-0.06). Fourth quarter earnings per share were SEK 0.47 (-0.02).
- Cash flow during 2008 amounted to MSEK -32 (-49). Fourth quarter cash flow amounted to MSEK 62 (-29).

Summary of activities during the fourth quarter

- Sales improved by 25 % compared to the same period last year. The Net sales amounted to MSEK 56 which is the highest level ever.
- Net cash improved by MSEK 62 and closed at MSEK 99.
- Anoto sold its subsidiary Logipard AB and long-term contracts for Imaging Technology to ARM, one of the world's leading semiconductor companies. The value of the transaction was MSEK 76, of which MSEK 68 was paid upon signing. The rest will be paid during the summer of 2010. Anoto is retaining ASIC sales, which corresponds to approximately 40 % of this year's volume within the Imaging Technology application area. The Net result of the sale was MSEK 71.
- As a result of the delayed launch of Livescribe's "Pulse-pen" and difficulties with a new share issue at the end of 2008, Livescribe asked for a respite for payment. An agreement was reached in late January 2009. Livescribe's liability of MUSD 2.5 has been converted into MSEK 20.1 and will be paid within 22 months, starting when Livescribe has secured additional funding exceeding MUSD 12. Livescribe has raised MUSD 10.2 in new capital in early 2009. As security for the loan Anoto has received collateral in Livescribe's assets.

Comments by CEO Anders Norling

Best result ever in the fourth quarter

Sales in the fourth quarter, based on our ordinary course of business, reached the highest level ever and amounted to MSEK 56. The effect of the turnaround process that we started at the end 2006 is now visible. The change from a technically oriented organisation to an organisation with customer needs in focus is in line with our plans and has been successful. Since the acquisition of the Hitachi Maxell digital pen division last summer, we can offer our customers and partners complete solutions, including customized pens for special applications, within our two core businesses, Anoto Products and Technology & Licensing. This possibility has created interest among new categories of partners.

During the last quarter of 2008, we saw an increase in business activity among our Anoto Products partners, and we are seeing increased numbers of larger orders, including pens and licenses of magnitudes above 1,000 pens. Anoto is supplying our partners and customers with a wider range of products, including digital pens, licenses and a software platform, than ever before, enabling easier and faster implementations of Anoto technology solutions.

We have in 2008 developed penPresenter (www.penpresenter.com) and penDocuments (www.pendocuments.com), products that are simple to install and use for everyone. These products are now being launched in the European market by our partner OKI, and other markets will follow.

During the quarter, collaboration with major partners regarding meeting room solutions, including whiteboards, intensified and resulted in follow-up orders from Hamelin for their product PaperShow, as well as the launch of ēno™ whiteboard by Polyvision in early January 2009. (www.polyvision.com/educators/Interactiveclassrooms/Interactivewhiteboards/%c4%93nointeractivewhiteboard/tabid/246/Default.aspx)

In 2006 we transferred our IP-block business into a separate company, Logipard, to get better long term focus on the development of the IP-block business. Anoto had an 80 % ownership in Logipard and the management and personnel within Logipard owned the rest. In the process to find partners to develop the IP-block business, discussions with ARM resulted in ARM acquiring the business. The transaction was closed in December 2008, and resulted in a net income of MSEK 71.

Our cash during the fourth quarter improved by MSEK 62, and our closing balance was MSEK 99. The sale of the major part of Imaging Technology to ARM strengthened our cash position by MSEK 65. Although Livescribe did not pay its debt of MUSD 2.5 on the due date in December, our cash flow from our ordinary course of business was MSEK -3.

Anoto and Livescribe have come to an agreement about the unpaid debt. The payment terms have been extended and the debt has been converted to MSEK 20.1, which will be repaid within 22 months. As security for the loan Anoto has received collateral in Livescribe's assets. Livescribe recently raised an additional MUSD 10.2 in new capital.

Organisation

The Anoto organisation is divided into three areas.

- Anoto Products
- Technology and Licensing
- Imaging Technology

Anoto Products

Amounts in MSEK	January-September	October-December	January-December
Net sales 2008	55	30	85
2007	56	22	78
Gross profit 2008	38	21	59
2007	47	18	66

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 customised solutions with Anoto technology to their corporate customers. Turnkey products, such as existing scanning and translation pens, as well as newly developed products including Anoto penPresenter, may also be marketed through other sales and distribution channels.

Anoto Products continues to show growth. European markets are developing well, with continued focus on applications within the healthcare and clinical trials sectors. The inflow of new partners is good and bodes well for the future. Increased media coverage is helping to bring solutions based on Anoto digital pen and paper technology to the attention of both end-users and new partners. The Japanese market, which did not perform as expected during the first three quarters, showed some signs of improvement in the last quarter, although major projects have been postponed until 2009.

An order of 3,600 pens for the UK market was received in January of 2009. The pens will be used as part of a contract in the government sector.

Since the acquisition of the Hitachi Maxell Digital pen division, Anoto controls and sells the digital pens. We have a steady flow of orders for smaller numbers of pens and licences from all over the world. In addition to these orders, we see increased activity in the market for pens and licenses in larger volumes. Sales of the new AFS platform that was launched last year have developed according to plan and are expected to start generating end-customer installations in 2009.

Sales of Anoto penPresenter started in January, and the product will be exhibited at several events during the first quarter. The other new product, Anoto penDocuments, will start selling during the first quarter of 2009.

Sales of C Tech's C-Pen and Pay Pen scanning pens have developed well. During the fourth quarter, almost 25,000 units were delivered, mainly to bank customers to facilitate scanning of OCR data when making payments. Agreements have been reached to give C Tech a broader network of distributors in German-speaking areas.

Technology and Licensing

Amounts in MSEK	January-September	October-December	January-December
Net sales 2008	26	11	37
2007	22	12	34
Gross profit 2008	19	5	24
2007	16	7	23

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

Examples of 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.

A major milestone this quarter has been the completion and introduction of the Anoto branded DP301 pen used by PolyVision for the product ēno™. ēno™ by PolyVision is the result of development of Anoto's technology toward the area of visual communication products, such as whiteboards and flipcharts. ēno™ was first shown at the BETT, the world's largest educational technology event, in London in January 2009.

LeapFrog Tag Reading System (www.leapfrog.com/tag/), launched last year, is selling according to expectations but has no impact on our income, given that Leapfrog prepaid the royalty. The prepaid amount is reduced by an equal monthly amount as income over the term of the royalty agreement.

Livescribe was divested from Anoto Group at the beginning of 2007. Livescribe acquired the right to develop a pen for the consumer market, with royalties to be paid to Anoto for each pen sold. Of the total contract of MUSD 3.5, MUSD 1.0 was paid at the time of the divestment, and it was agreed that the remaining amount of MUSD 2.5 would be paid in December 2008. Livescribe could not meet its obligation to pay in December 2008 and asked for a respite.

Livescribe's market introduction of the Pulse pen in early 2008 was delayed, requiring further capital from its owners. The conditions for the capital increase provided that Anoto accept a delayed repayment schedule. An agreement was reached in late January 2009. Livescribe's liability of MUSD 2.5 has been converted into MSEK 20.1 and will be paid within 22 months. As security for the loan Anoto has received collateral in Livescribe's assets.

Royalty income for Q4 from Livescribe has not been considered in this report but will be included in Q1 2009. (www.livescribe.com)

We have during the autumn received further orders to deliver pens from Hamelin, a leading European manufacturer of stationery and office supplies. The digital pens are the key component of Hamelin's new Papershow product, which turns a paper notepad into an easy-to-use interactive whiteboard. Sales of Papershow are developing well. (www.papershow.com)

Imaging Technology

Amounts in MSEK	January-September	October-December	January-December
Net sales 2008	44	16	60
2007	22	12	34
Gross profit 2008	32	13	45
2007	11	10	21

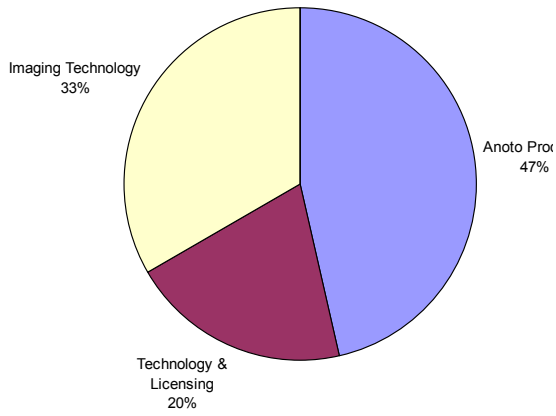
Imaging Technology develops and markets basic Anoto technology, such as ASICs and IP blocks. The application area supplies and licenses imaging technology modules, components and function blocks for integration with customer products or components; including mobile phones, accessories and their components.

Anoto sold its subsidiary Logipard AB and contracts for video technology to ARM, the world's leading semiconductor intellectual property supplier. The value of the transaction was MSEK 76, of which MSEK 68 was paid upon signing. The rest will be paid in 18 months. The net result of the transaction was MSEK 71. A major part of the transaction is a sale of shares in Logipard AB, which is exempted from taxation. The sale of contracts will reduce tax losses carried forward but will not create any cash payment of tax.

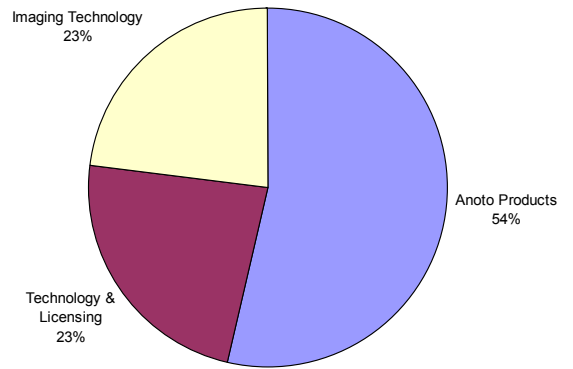
Anoto sold most of its imaging technology business, including customer contracts and Anoto's shareholding of 80 % in Logipard, to ARM. Anoto is retaining ASIC sales, which corresponds to approximately 40 % of this year's volume in the Imaging Technology application area.

Sales developed well during 2008, though slightly below our plans due to the later than expected market introduction of mobile phones using Anoto technology.

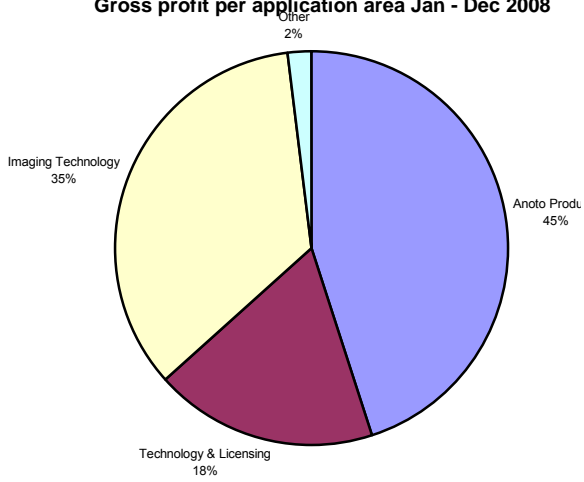
Net sales per application area Jan - Dec 2008



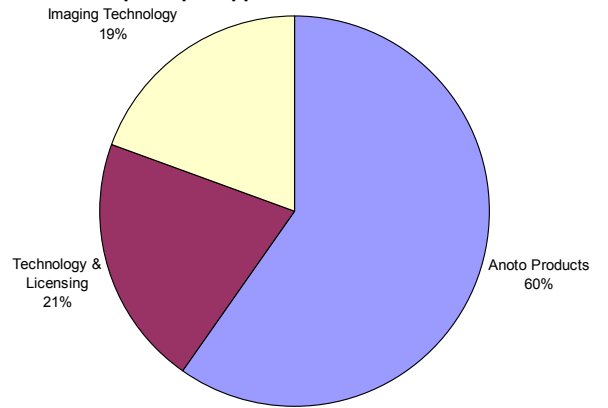
Net sales per applicaton area Jan - Dec 2007



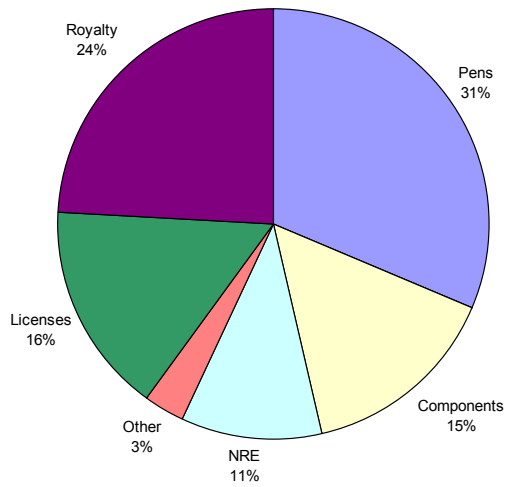
Gross profit per application area Jan - Dec 2008



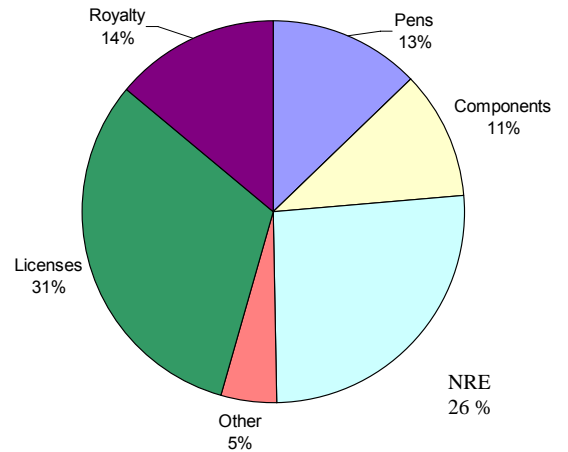
Gross profit per application area Jan - Dec 2007



Net sales per revenue category Jan-Dec 2008



Net sales per revenue category Jan - Dec 2007



Fourth quarter 2008 in figures

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

Fourth quarter revenues were MSEK 127 (45).

The gross profit, incl. Other income, was MSEK 112 (35), and the gross margin, excl. Other income, was 72 % (77).

Excluding depreciation, amortization and write-downs, the profit was MSEK 73 (0).

Selling and administrative expenses, as well as research costs, amounted to MSEK -44 (-38), of which depreciation, amortization and write-downs accounted for MSEK -5 (-3).

The fourth quarter operating profit was MSEK 68 (-3).

Anoto sold its subsidiary Logipard AB and long-term contracts for Imaging Technology to ARM, one of the world's leading semiconductor companies. The value of the contracts is MSEK 76, of which MSEK 68 was paid upon signing. The selling of the shares in Logipard AB has no impact on the tax deficit in Anoto AB.

Cash flow for the fourth quarter (October-December)

Cash flow from operating activities totalled MSEK 98 (-22) for the fourth quarter. The divestment of the major part of Imaging Technology improved our cash position by MSEK 65.

Net cash flow amounted to MSEK 62 (-29), of which net investment affected the quarter's cash flow by MSEK -5 (-7).

Financing and liquidity

At the close of the 2008, the group's total cash amounted to MSEK 99 (131).

Anoto Group AB

As a pure holding company, Anoto Group AB has a limited number of corporate functions and employees. Sales for 2008 were MSEK 30 (26), while the pre-tax profit was MSEK 1 (0). At the close of 2008, liquid assets, including current investments, amounted to MSEK 1 (68). 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 2007 annual report. The accounting policies are unchanged from those applied in 2007.

Risk factors and uncertainties

No significant additional risks are deemed to have arisen beyond those described in the 2007 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 second quarter, in addition to which 585,000 warrants were outstanding, of which 0 were deemed to have a value as of 31 December 2008.

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 0.5 %.

Dividend

The Board of Directors is not proposing any dividend.

Outlook

Anders Norling, CEO

The uncertainty in the overall global economy makes it extremely difficult to predict market trends. Therefore, we have decided not to present a market outlook for 2009.

Reporting schedule

First quarter	7 May 2009
Semi-annual report	31 July 2009
Third quarter report	4 November 2009
Year-end report 2009	4 February 2010
Annual General Meeting	14 May 2009

Proposals for the Annual General Meeting 2009 shall be made to Anoto's Board, preferably by email to AGM.2009@anoto.com, by 17 March 2009 in order to be included in the notice of the meeting.

The Anoto Group AB's 2008 annual report is scheduled to be available on 31 March at www.anoto.com. A printout of the digital version may be ordered from the company.

Lund, 10 February 2009

Anders Norling
CEO

This report has been reviewed by the company auditors. Please see the enclosed audit report.

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 10 February 2009.

For more information

You are welcome to participate in Anoto's teleconference for financial analysts and the media at 10.00 CET on 10 February 2009.

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Auditor's report of review of year-end report

Introduction

We have conducted a review of the year-end report 2008 for Anoto Group AB (publ) for the period 1 January – 31 December 2008. The Board of Directors and the CEO 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.

Scope of Review

We conducted our review in accordance with 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 Swedish Standards on Auditing RS and other generally accepted auditing standards 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 10, 2009

KPMG AB



Eva Melzig Henriksson
Authorized Public Accountant

Profit & Loss Statement

The Group

(SEK thousand)	Note	Q4		Year		
		Oct - Dec 2008	Oct - Dec 2007	Jan - Dec 2008	Jan - Dec 2007	Jan - Dec 2006
Net sales		56 253	45 023	182 204	144 691	108 725
Other income ¹		71 387	-	71 387	19 180	-
Costs of goods and services sold		(15 581)	(10 197)	(52 262)	(34 757)	(30 321)
Gross profit/loss		112 060	34 826	201 328	129 114	78 404
Sales, administrative and research costs		(44 299)	(37 290)	(164 583)	(138 319)	(209 380)
Share of earnings in associated companies		-	-	-	-	(4)
Other operating income		(127)	(371)	2 961	(459)	(843)
Operating profit/loss		67 634	(2 835)	39 706	(9 664)	(131 823)
Share of earnings in group companies		-	-	-	(252)	(769)
Writedown of shares in associated companies		(520)	(130)	(2 431)	-	-
Other financial items		(6 779)	620	(5 974)	3 269	794
Profit/loss after financial items		60 335	(2 345)	31 301	(6 647)	(131 798)
Minority share		738	179	2 250	(110)	41
Profit/loss before taxes		61 073	(2 166)	33 551	(6 757)	(131 757)
Taxes		2	(83)	(853)	(791)	(1 208)
Profit/loss for the period		61 075	(2 249)	32 698	(7 548)	(132 965)
<i>Profit/loss from ongoing operations</i>		<i>61 075</i>	<i>(2 249)</i>	<i>32 698</i>	<i>(7 548)</i>	<i>(80 602)</i>
<i>Profit/loss for the period from closed operations</i>	1	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(52 363)</i>
Key ratios						
Gross profit		87,8%	77,4%	79,4%	78,8%	72,1%
Operating margin		Neg	Neg	Neg	Neg	Neg
Earnings per share (SEK) ²		0,47	(0,02)	0,25	(0,06)	(1,03)
Earnings per share after dilution (SEK) ²		0,47	(0,02)	0,25	(0,06)	(1,03)

¹ Disposal of business

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.

Summary of Balance Sheet

The Group

(SEK thousand)	2008-12-31	2007-12-31	2006-12-31
Intangible fixed assets	364 025	339 473	343 324
Tangible assets	5 279	4 046	3 512
Financial fixed assets	30 599	8 560	5 080
Inventories	37 329	5 960	1 936
Accounts receivable	33 686	24 062	27 615
Other current assets	24 231	51 132	15 669
Liquid assets, including current investments	99 344	131 301	179 841
Total assets	594 492	564 534	576 977
Equity attributable to shareholders of Anoto Group AB	488 474	452 809	458 237
Equity attributable to minority interests	(160)	2 069	1 959
Long-term provisions	-	-	4 150
Long term liabilities **	41 891	50 088	63 721
Current provisions	800	1 627	1 529
Other current liabilities	63 487	57 941	47 381
Total liabilities and shareholders' equity	594 492	564 534	576 977

Change in shareholders' equity

The Group

	Jan - Dec 2007	Jan - Dec 2007	Jan - Dec 2006
Opening balance	454 879	460 196	555 690
Issue of new shares	-	-	28 596
Changes in minority interest	(2 229)	110	1 959
Costs of granting options	56	3 766	7 896
Translation differences	2 912	(1 645)	(980)
Profit/loss for the period	32 698	(7 549)	(132 965)
Closing balance	488 315	454 879	460 196

Cash Flow Statement

The Group

(SEK thousand)	Oct - Dec 2008	Oct - Dec 2007	Jan - Dec 2008	Jan - Dec 2007	Jan - Dec 2006
Cash flow from operating activities before change in working capital	74 385	(845)	56 542	9 596	(122 885)
Change in working capital	23 945	(21 679)	(19 060)	(39 015)	73 642
Cash flow from operating activities	98 330	(22 524)	37 482	(29 419)	(49 243)
Cash flow from investment activities	(4 621)	(6 642)	(40 632)	(20 808)	(14 190)
Cash flow from financing activities	(31 459)	613	(28 808)	1 687	31 784
Cash flow for the period	62 250	(28 553)	(31 957)	(48 540)	(31 649)
Liquid assets at the beginning of the period*	37 094	159 854	131 301	179 841	211 490
Liquid assets at the end of the period*	99 344	131 301	99 344	131 301	179 841
<i>Cash flow from ongoing operations</i>	62 250	(28 553)	(31 958)	(48 540)	17 686
<i>Cash flow from closed operations</i>	-	-	-	-	(49 335)

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

** Includes non-repayable advances from customer

Key ratios**The Group**

	Okt - Dec 2008	Okt - Dec 2007	Jan - Dec 2008	Jan - Dec 2007	Jan - Dec 2006
Cash flow for the year (KSEK)	62 250	(28 553)	(31 957)	(48 540)	(31 649)
Cash flow per share (SEK) ²	0,48	(0,22)	(0,25)	(0,38)	(0,25)
Cash flow per share after dilution (SEK) ²	0,48	(0,22)	(0,25)	(0,38)	(0,25)

	2008-12-31	2007-12-31	2006-12-31
Equity/assets ratio	83,3%	80,2%	79,4%
Number of shares ³	128 583 867	128 583 867	128 744 414
Shareholders' equity per share (SEK) ³	3,80	3,52	3,56

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 (08-12-31: 0, 07-12-31: 0; 06-12-31: 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**Profit & Loss Statement**

(SEK thousand)	Okt - Dec 2008	Okt - Dec 2007	Jan - Dec 2008	Jan - Dec 2007	Jan - Dec 2006
Net sales	7 943	6 178	29 711	26 155	41 513
Gross profit	7 943	6 178	29 711	26 155	41 513
Administrative costs	(8 084)	(6 231)	(27 889)	(26 507)	(32 743)
Operating profit	(141)	(53)	1 822	(352)	8 770
Financial items	(901)	(2 777)	(877)	9	(120 906)
Profit for the period	(1 042)	(2 830)	945	(343)	(112 136)
Earnings per share before dilution (SEK)	(0,01)	(0,02)	0,01	(0,00)	(0,87)
Earnings per share after dilution (SEK)	(0,01)	(0,02)	0,01	(0,00)	(0,87)

Parent Company**Summary of Balance Sheet**

(SEK thousand)	2008-12-31	2007-12-31	2006-12-31
Intangible fixed assets	710	804	814
Tangible assets	356	366	168
Financial fixed assets	344 700	344 700	344 700
Other current assets	112 361	44 553	3 615
Liquid assets, including current investments	897	67 896	143 570
Total assets	459 024	458 319	492 867
Equity	451 682	450 737	451 080
Provisions	-	-	-
Other current liabilities	7 342	7 583	41 787
Total liabilities and shareholders' equity	459 024	458 320	492 867

Note 1 Closed operations - Profit & Loss

	Okt - Dec 2008	Okt - Dec 2007	Jan - Dec 2008	Jan - Dec 2007	Jan - Dec 2006
Net sales	-	-	-	-	752
Costs from operations	-	-	-	-	(52 151)
Loss from disposal of assets	-	-	-	-	-
Loss before taxes	-	-	-	-	(51 399)
Income tax	-	-	-	-	(480)
	-	-	-	-	-
Loss for the year from closed operations	-	-	-	-	(51 879)

Note 2 Closed operations - Cash flow

	Okt - Dec 2008	Okt - Dec 2007	Jan - Dec 2008	Jan - Dec 2007	Jan - Dec 2006
Profit/loss after financial items	-	-	-	-	(51 399)
Depreciation	-	-	-	-	1 107
Costs of granting options	-	-	-	-	4 937
Taxes paid	-	-	-	-	(480)
Investments	-	-	-	-	(3 500)
	-	-	-	-	-
Cash flow for the period	-	-	-	-	(49 335)