

## 2010 Year End Report

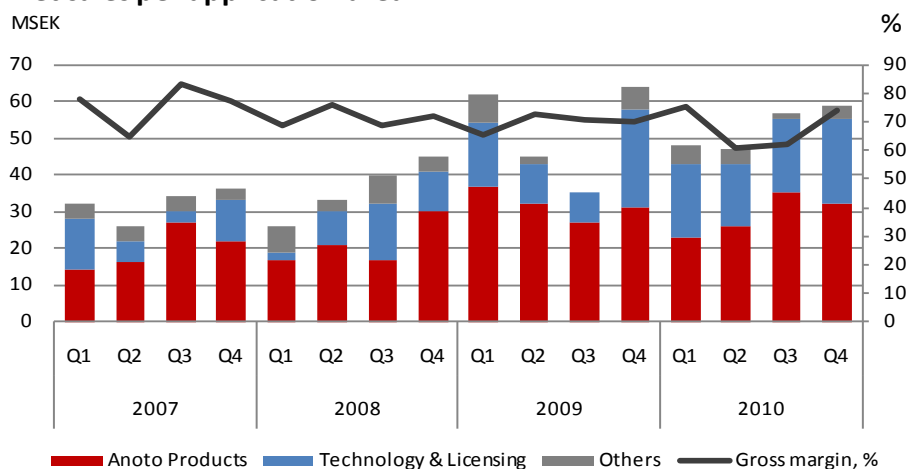
- Net sales for 2010 amounted to MSEK 212 (206). Fourth quarter net sales were MSEK 59 (64).
- The gross margin for 2010 was 68% (69) and the gross profit was MSEK 144 (142). The fourth quarter gross margin was 73% (70) and the gross profit was MSEK 43 (45).
- Earnings before depreciations and amortizations (EBITDA) in 2010 were MSEK -28 (-6). In the fourth quarter it was MSEK -4 (7).
- The result after tax for 2010 was MSEK -77 (-21) and for the fourth quarter MSEK -14 (2).
- Earnings per share for 2010 were SEK -0.60 (-0.18). Fourth quarter earnings per share amounted to SEK -0.11 (0.02).
- The cash flow during 2010 was MSEK 0 (-18). Fourth quarter cash flow was MSEK 17 (-14).

## Fourth Quarter Summary 2010

- Positive cash flow at MSEK 17
- Net sales amounted to MSEK 59
- Announced restructuring executed at a total cost of MSEK 9

Key ratios	2010	2009	2010	2009
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales, MSEK	59	64	212	206
Gross profit/loss	43	45	144	142
Gross margin, %	73	70	68	69
Operating profit/loss, MSEK	-14	2	-75	-21
Profit/loss after tax, MSEK	-14	2	-77	-21
Earnings per share				
before and after dilution, SEK	-0,11	0,02	-0,60	-0,16
Cash flow, MSEK	17	-14	0	-19
Cash at end of period, MSEK	81	81	81	81

## Net sales per application area



This report was published February 4, 2011

## Comments by Torgny Hellström, CEO

### Stable sales and positive cash flow during Q4

The previously announced restructuring of Anoto was executed during Q4. The result of the restructuring was a reduction of our annual cost base by around MSEK 40 to a level of MSEK 125. During 2010 a total of MSEK 21 were spent on the restructuring, of which MSEK 12 were reported in the second quarter (i.a. change of CEO). Costs related to the restructuring decided in October amounted to MSEK 9 and are included in the Q4 result. No further restructuring costs are expected. However, disbursements related to the restructuring will have a negative impact by MSEK 14 on the cash flow during 2011.

Net sales amounted to MSEK 212, the largest ever in Anoto history, and the EBITDA excluding restructuring cost was MSEK -7. The fourth quarter corresponding result was positive, MSEK 5.

The Group Net result amounts to MSEK -77 and includes besides the restructuring costs of MSEK 21 also write-downs of capitalized development cost of MSEK 29. Net result excluding one-time items consequently amounts to MSEK -27, and considering the cost reduction of MSEK 40 as a result from the restructuring I see good possibilities for a positive net result in 2011.

The development of our cash has been very satisfactory, with a positive cash flow in the fourth quarter of MSEK 17, mainly as a result of reduced working capital. Cash and liquid assets are at the end of 2010 at the same level as at the beginning of the year, MSEK 81.

In the light of last year's restructuring, I am pleased with Anoto's performance. However, I am not satisfied with the result and will not be so until Anoto shows sustainable growth and profit. Growth and profit will be our main priority during 2011. Thus we are driving a process of change to which all employees are dedicated.

Sales are stable with an underlying business without any significant one-time revenues.

Technology & Licensing has developed very well, especially within education and interactive whiteboards. Furthermore, we notice a substantial increase in royalty revenues from partners having developed products based on Anoto technology.

C Technologies had a weak start in 2010 due to lack of components in the world market. These problems are now behind us, and C Technologies reports increased sales in 2010 and positive growth.

Anoto Products is still suffering from the down-turn in the economy, but business is picking up. The healthcare sector and field services are two examples of areas where Anoto and its partners experience a positive development.

The freezing of the development of AFS and concentration of R&D resources to Lund has resulted in a more effective organization working closer to our partners.

## **Outlook**

Through our recently executed restructuring program we are determined to make Anoto profitable and to have a positive cash flow from 2011.

## Anoto's business model

Anoto's business is organized in two applications areas: Anoto Products and Technology & Licensing. These two application areas generate income in five different categories - licensing, royalty, digital pens, components and NRE (Non Refundable Engineering).

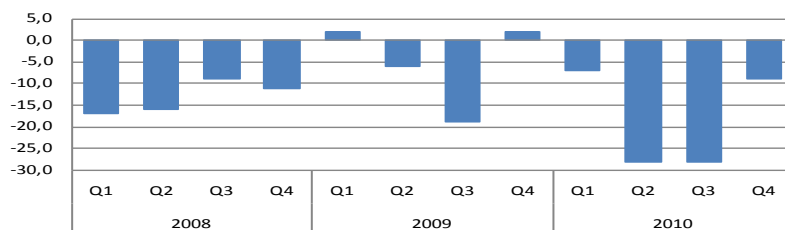
### Net sales per product group

MSEK	2010	2009	2010	2009
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Licenses	9	15	34	50
Royalty	8	5	30	18
Digital pens*	36	26	121	89
Components	2	6	12	22
NRE and other	4	12	15	27
<b>Total</b>	<b>59</b>	<b>64</b>	<b>212</b>	<b>206</b>

\* Digital pens include the C-Pen

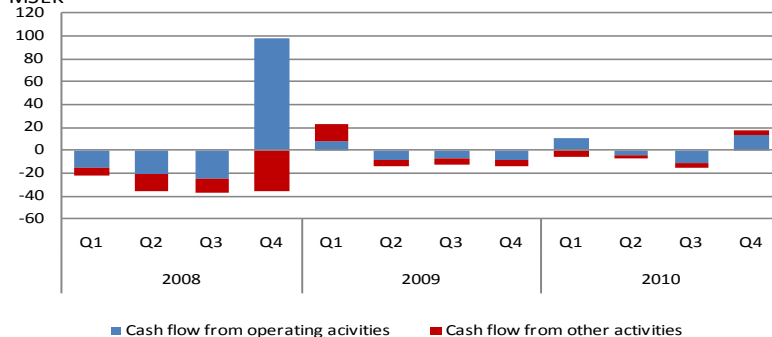
### EBIT 2008-2010

MSEK



### Cash flow 2008-2010

MSEK



## Anoto Products

*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 may also be marketed through other sales and distribution channels.*

C Technologies started last year with a lack of components in the world market, resulting in lower sales than expected, but towards the end of the year we saw increased sales and a positive growth. During the fourth quarter C Technologies commenced developing the C-Pen software to make it compatible to the Android platform. We believe this will improve business possibilities in the retail market and as OEM. To further develop C-Pen as a tool for individuals with reduced eyesight or suffering from dyslexia several co-operation initiatives were started together with teachers and dyslexia associations.

Part of the restructuring that was performed in Q4 was to halt the development and to stop sales of the AFS platform and instead focus on sales to Anoto's major partners. Together with these larger partners Anoto has formed an Advisory Board with the purpose to improve and expand business opportunities and product development.

	2010	2009	2010	2009
MSEK	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	32	31	116	128
Gross profit	22	19	78	86

## Technology & Licensing

*Customers within Technology & Licensing develop and sell products based on technology and digital pens provided by Anoto. These 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. End product customers are individual consumers as well as enterprises.*

Technology & Licensing has developed very well, especially within education and interactive whiteboards. To our customers within in this segment we continually deliver digital pens.

To broaden our product range, mainly within education, together with a partner, we finalized the development of a simplified digital pen without memory and with a USB computer connection.

A beneficial sales development for the Anoto partner Livescribe Inc, USA, has increased royalty income to Anoto from Livescribe by almost four times.

	2010	2009	2010	2009
MSEK	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	23	27	81	63
Gross profit	19	24	60	49

**Financing and liquidity**

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

**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 2 (1), while the pre-tax profit was MSEK 0 (0). 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 and applicable parts of the Swedish Annual Accounts Act chapter 9. For information about the accounting policies applied, refer to the 2009 annual report. The accounting policies are unchanged from those applied in 2009.

**Risk factors and uncertainties**

No significant additional risks are deemed to have arisen beyond those described in the 2009 annual report for the Anoto Group. (Please see Note 2 in the Annual report 2009 for a detailed presentation of the company's risk exposure and management.)

**Related party transactions**

Since the Annual Meeting in May 2010, when Joonhee Won (TStone) and Paddy Padmanabhan (DoubleDay) joined as members of the Anoto Board sales have been made to TStudy, South Korea (a subsidiary of TStone) of MSEK 7 and to Expedata Inc (a subsidiary of DoubleDay) of MSEK 4. All transactions have been made on normal commercial conditions.

**Share data**

The company 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. No warrants were issued.

**Option program**

For the moment Anoto has no outstanding warrants or other incentive program.

**Calendar 2011**

Annual Report 2010	April 2011
Annual General Meeting	May 12, 2011

This report has not been reviewed by the company auditors.

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, 2011.

**For more information**

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# Financial report

## Condensed statement of comprehensive income

TSEK	Note	Oct-Dec 2010	Oct-Dec 2009	Jan-Dec 2010	Jan-Dec 2009
Net sales		59 005	64 229	212 293	205 862
Cost of goods and services sold		-15 619	-19 273	-68 323	-63 390
<b>Gross profit</b>		<b>43 386</b>	<b>44 956</b>	<b>143 970</b>	<b>142 472</b>
Sales, administrative and R&D costs		-51 591	-44 780	-188 471	-167 908
Other operating income/cost	1	-5 741	1 436	-30 823	4 588
<b>Operating profit/loss</b>		<b>-13 946</b>	<b>1 612</b>	<b>-75 324</b>	<b>-20 848</b>
Writedown of shares		0	-96	-499	-1 100
Other financial items		3	294	-1 449	1 015
<b>Profit before taxes</b>		<b>-13 943</b>	<b>1 810</b>	<b>-77 272</b>	<b>-20 933</b>
Taxes		-25	242	-54	257
<b>Profit/loss for the period</b>		<b>-13 968</b>	<b>2 052</b>	<b>-77 326</b>	<b>-20 676</b>
<b>Other comprehensive income</b>					
Translation differences for the period		957	-375	1 049	92
<b>Other comprehensive income for the period</b>		<b>957</b>	<b>-375</b>	<b>1 049</b>	<b>92</b>
<b>Total comprehensive income for the period</b>		<b>-13 011</b>	<b>1 677</b>	<b>-76 277</b>	<b>-20 584</b>
<b>Total comprehensive income for the period attributable to:</b>					
Shareholders of Anoto Group AB		-12 618	1 580	-74 342	-19 519
Non controlling interest		-393	97	-1 935	-1 065
<b>Total comprehensive income for the period</b>		<b>-13 011</b>	<b>1 677</b>	<b>-76 277</b>	<b>-20 584</b>
<b>Key ratios:</b>					
Gross margin		73,5%	70,0%	67,8%	69,2%
Operating margin		Neg	Neg	Neg	Neg
Earnings per share before and after dilution		-0,11	0,02	-0,60	-0,16
Average number of shares before and after dilution		128 583 867	128 583 867	128 583 867	128 583 867

Note 1 Including writedowns of developments costs of 29,2 MSEK in 2010

## Condensed consolidated balance sheet in summary

TSEK	2010-12-31	2009-12-31
Intangible fixed assets	328 614	360 059
Tangible assets	8 943	9 184
Financial fixed assets	1 794	2 835
<b>Total fixed assets</b>	<b>339 351</b>	<b>372 078</b>
Inventories	25 306	29 356
Accounts receivable	19 139	45 013
Other current assets	14 950	27 686
<b>Total short-term receivables</b>	<b>34 089</b>	<b>72 699</b>
Liquid assets, including current investments	81 044	80 770
<b>Total current assets</b>	<b>140 439</b>	<b>182 825</b>
<b>Total assets</b>	<b>479 790</b>	<b>554 903</b>
Equity attributable to shareholders of Anoto Group AB	394 763	469 105
Non controlling interest	-3 160	-1 225
Long term liabilities	19 806	31 007
Provisions	829	782
Other current liabilities	67 552	55 234
<b>Total current liabilities</b>	<b>68 201</b>	<b>56 016</b>
<b>Total liabilities and shareholders equity</b>	<b>479 790</b>	<b>554 903</b>

## Change in shareholders equity

TSEK	Share capital	Other capital contributed	Reserves	Profit for the year	Shareholders equity	Non controlling Interest	Total shareholders equity
<b>Opening balance January 1, 2010</b>	<b>2 572</b>	<b>448 508</b>	<b>-152</b>	<b>37 546</b>	<b>488 474</b>	<b>-160</b>	<b>488 314</b>
Total comprehensive income for the period			34	-19 553	-19 519	-1 065	-20 584
Adjustment costs for the share options				150	150		150
<b>Shareholders equity December 31, 2010</b>	<b>2 572</b>	<b>448 508</b>	<b>-118</b>	<b>18 143</b>	<b>469 105</b>	<b>-1 225</b>	<b>467 880</b>
Total comprehensive income for the period			1 049	-75 391	-74 342	-1 935	-76 277
<b>Shareholders equity December 31, 2010</b>	<b>2 572</b>	<b>448 508</b>	<b>931</b>	<b>-57 248</b>	<b>394 763</b>	<b>-3 160</b>	<b>391 603</b>

## Consolidated Cash flow statement in summary

TSEK	Oct-Dec 2010	Oct-Dec 2009	Jan-Dec 2010	Jan-Dec 2009
<b>Profit/loss after financial items</b>	<b>-13 943</b>	<b>1 810</b>	<b>-77 272</b>	<b>-20 933</b>
Depreciation, amortisation and write-downs	9 587	5 747	49 639	14 738
Other items not included in cash flow	105	201	-7	-317
<b>Total items not included in cash flow</b>	<b>9 692</b>	<b>5 948</b>	<b>49 632</b>	<b>14 421</b>
<b>Cash flow from operating activities before change in working capital</b>	<b>-4 251</b>	<b>7 758</b>	<b>-27 640</b>	<b>-6 512</b>
Change in working capital	18 748	-16 302	45 002	2 350
<b>Cash flow from operating activities</b>	<b>14 497</b>	<b>-8 544</b>	<b>17 362</b>	<b>-4 162</b>
Cash flow from investments activities	2 611	-5 562	-17 088	-14 093
<b>Total cash flow before financing activities</b>	<b>17 108</b>	<b>-14 106</b>	<b>274</b>	<b>-18 255</b>
Cash flow from financing activities				
<b>Cash flow for the period</b>	<b>17 108</b>	<b>-14 106</b>	<b>274</b>	<b>-18 255</b>
Liquid assets at the beginning of the period	63 936	94 876	80 770	99 025
<b>Liquid assets at the end of the period</b>	<b>81 044</b>	<b>80 770</b>	<b>81 044</b>	<b>80 770</b>

## Key ratios

TSEK	Oct-Dec 2010	Oct-Dec 2009	Jan-Dec 2010	Jan-Dec 2009
<b>Cash flow for the period</b>	<b>17 108</b>	<b>-14 106</b>	<b>274</b>	<b>-18 255</b>
Cashflow / share before and after dilution (SEK) <sup>1</sup>	0,13	-0,11	0,00	-0,14
			<b>2010-12-31</b>	<b>2009-12-31</b>
Equity/assets ratio			82,3%	84,5%
Number of shares <sup>2</sup>			128 583 867	128 583 867
Shareholders equity per share (kr) <sup>2</sup>			3,07	3,65

<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.

<sup>2</sup> Including outstanding warrants (09-12-31: 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

TSEK	Oct-Dec 2010	Oct-Dec 2009	Jan-Dec 2010	Jan-Dec 2009
Net sales	1 756	708	4 509	9 126
Gross profit	1 756	708	4 509	9 126
Administrative costs	-1 595	-321	-4 104	-7 966
<b>Operating profit</b>	<b>161</b>	<b>387</b>	<b>405</b>	<b>1 160</b>
Financial items	1	15	3	6
<b>Profit for the period</b>	<b>162</b>	<b>402</b>	<b>408</b>	<b>1 166</b>

## Parent company, balance sheet in summary

TSEK	2010-12-31	2009-12-31
Intangible fixed assets	506	628
Tangible assets	49	113
Financial fixed assets	344 699	344 700
<b>Total fixed assets</b>	<b>345 254</b>	<b>345 441</b>
Other short-term receivables	108 374	108 218
Liquid assets, including current investments	1 042	1 286
<b>Total current assets</b>	<b>109 416</b>	<b>109 504</b>
<b>Total assets</b>	<b>454 670</b>	<b>454 945</b>
Equity	453 260	452 852
Other current liabilities	1 410	2 093
<b>Total liabilities and shareholders equity</b>	<b>454 670</b>	<b>454 945</b>