



C Technologies AB · Scheelevägen 19C · SE-223 70 Lund
www.anotogroup.com



C TECHNOLOGIES

annual report 2001

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The Group changes its name!

New for this year!

*We unite the oldest
and most preferred
information technology
—paper and pen—
with the digital world*



YEAR 2001

in brief

Sales rose by 95 percent to SEK 156 million (80 m).

Loss before tax was SEK –440 million (–169 m).

Liquid assets, including current investments, were SEK 368 million (421 m).

A new share issue in the fourth quarter, directed primarily at Swedish and international institutions, provided SEK 450 million before issue expenses.

Ericsson's minority shareholding in the subsidiary *Anoto* was acquired and paid for in own shares, thereby making *Anoto* wholly-owned.

C-Pen sales more than doubled compared with the previous year:

The subsidiary *WeSpot* secured its initial commercial contracts, and further extended the shareholding via directed share issues.

Early 2002

Anoto enters strategic alliance with Microsoft®.

Anoto enters agreement with Logitech.

Anoto launches sales of the ADK development tool to partners.

It is proposed that the Parent Company and by that the entire Group change names from C Technologies to *Anoto Group*.

Optional salary relinquishment program implemented with good support.

Key ratios, Group

(SEK 000 unless otherwise stated)	2001	2000	1999
Net sales	156 204	80 014	49 115
Operating profit/loss	– 596 383	– 220 993	– 40 902
Cash flow after investment	– 52 893	390 585	– 13 735
Equity/assets ratio, %	83	84	26
Shareholders equity per share, SEK	10.44	9.67	0.47
Average No. of employees	299	107	48

Future financial reports:
Q1: April 24. Q2: August 22. Q3: October 30.

C TECHNOLOGIES AB (PUBL) IS

a Swedish hi-tech company with unique solutions for transmission of handwritten text from paper to digital media, scanning of printed text and intelligent camera surveillance. The basic philosophy is to tailor products and services to suit natural human behaviour. All products are based on digital camera technology and image processing in real time. The C Technologies Group today has three brand names: *Anoto*[®] – a comprehensive solution entailing paper, pen and server technologies, allowing us for the first time to connect all types of writing paper with the unlimited possibilities of the digital world, *C-Pen*[®] – a scanning pen that can store, interpret and transfer printed text, and *WeSpot*[™] – a hardware and software platform for intelligent camera surveillance. The C Technologies Group has around 300 employees, offices in Lund (head office), Stockholm, Boston, Tokyo and Hong Kong. Major shareholders are founder Christer Fåhraeus, Capital Group and Ericsson. The C Technologies share is traded on the O-list, Attract 40 of Stockholmsbörsen (Stockholm Stock Exchange). For more information: www.ctechnologies.se

ANNUAL GENERAL MEETING

The AGM will be held in the Auditorium of Sparta, Tunavägen 39, Lund on Wednesday, April 24, 2002 at 17:00 p.m. Shareholders wishing to attend the meeting should notify the company in one of the following ways: By phone + 46 (0)46-540 10 00, fax + 46 (0)46-540 11 90, e-mail jb@cpen.com or post to C Technologies AB, Scheelevägen 19C, 223 70 Lund.

Notification should reach the company no later than 12:00 noon on April 19, 2002. To participate shareholders must also be registered in the share register kept by VPC AB, the Swedish Securities Register Center, no later than April 12, 2002. Shareholders who have their shares registered with a nominee must temporarily register these shares with VPC under their own name no later than April 12, 2002.

At the time of notification, please state name, social security number or corporate identification number, address, telephone number and registered number of shares. In case of participation by proxy, details should be sent to the company prior to the AGM. The usual documentation will be available at the company's head office at least one week prior to the meeting.

The Board
proposes that the
name be changed
to Anoto Group.
See page 6



THE FOUNDATION HAS BEEN LAID...

2001 was especially challenging for C Technologies, as for other companies in the IT and telecom sectors. In spite of tough market conditions we have managed to establish a significantly stronger foundation for further growth through our target-oriented efforts.

Anoto is stepping up the pace

It has been very gratifying to see *Anoto* cement its global de facto standard for paper-based communication by bringing pen and paper into the digital world. That the concept is very interesting and of significant commercial importance is substantiated by the many cooperation agreements that were signed during the year.

The first prototype system was delivered in 2001 and in spring 2002 the initial products enabling *Anoto* functionality were introduced in collaboration with Sony Ericsson and Europolitan Vodafone. *Anoto* has also entered agreements with additional players in industries like consumer electronics, mobile telephones and services, operator services and systems integration. These partnerships facilitate the distribution of products and services enabling *Anoto* functionality.

The *Anoto* concept creates unique possibilities for personal communication and has met with a keen interest worldwide. It has become increasingly evident that a substantial part of the Group's potential rests with *Anoto*. In light of this it is only natural to give *Anoto* a more prominent position. The Board therefore intends to propose to the AGM in April 2002 that the parent company's, and thereby the group's, name is changed to Anoto Group.

C Technologies – changed strategy

C Technologies' strategy was changed during the year: It is now focusing on commercial cooperation with a limited number of partners. The channels to end-users will be fewer but significantly stronger, which we consider a prerequisite for successful market penetration.

An order secured with Fusion Road for C-Pen products adapted to the Korean market is C Technologies' largest order to date, confirming the reality of the new strategy. We also received an important order from C-Channel regarding customised C-Pen for the Swiss banking market.

Sony Ericsson's GSM camera CommuniCam is a novel and exciting product, and by collaboration regarding Bz-Mate (previously Magic Stick) with Acer, world-leading OEM producer of laptop PCs, we are moving closer to the highly prioritised PC market.

In the past year the organisation was streamlined to meet the current market conditions, resulting in considerable cost reductions. C Technologies is consequently expecting to reach positive monthly cash flow before investments in the first half of 2002. The lowered costs, improved margins, balanced sales growth and full-scale market launch of new products will contribute to this end.

Vital agreements for WeSpot

Also WeSpot has taken important steps towards commercial success. The company signed its two initial commercial contracts with US-based Overhead Door Corporation for a passage control application and with Sweden-based Attendo Senior Care regarding a surveillance application for the geriatric care market. Additionally, an agreement was signed with Nasdaq-listed Visionics within the field of face recognition.

The future is promising

Despite last year's slight uphill, the future looks bright. We have progressed from concept to finished product. If 2001 was the year when we started to reach the customers, 2002 will be the year when true commercialisation begins. A lucrative future has been well grounded.

Mats Lindoff

CEO of C Technologies AB

more
about this
on page 17



...FOR A PROFITABLE FUTURE

I foresee an exciting 2002. Our partners are releasing the first products enabling *Anoto* functionality on the market and we intend to cement *Anoto* functionality as the industry's obvious de facto standard for digital paper and pens. The odds are in our favour – a fact we have become increasingly aware of.

The *Anoto* concept has been welcomed by both media and industry and we presently cooperate with many world-leading mobile phone manufacturers and network operators, pen producers and companies in the paper industry.

The foundations for a global de facto standard for paper-based digital communication have thus been laid. We are now entering the phase of market introduction and sales of products, services and technology.

Launch to end-users

Business Unit Mobile: A commercial launch of *Anoto* functionality in Sweden will commence in April 2002 in collaboration with EuropolitanVodafone, Sony Ericsson, Esselte and 3M. Europolitan Vodafone's subscribers will then have the opportunity to use a pen to write on paper and transmit their handwritten messages to anyone anywhere in the world with an e-mail address, a fax number or a reasonably up to date telephone. The ability to send e-mails directly from a piece of paper by use of a pen makes communication more spontaneous and a lot easier. Besides, receiving e-mails that have been handwritten instead of typed is more fun and personal.

Telecom operators worldwide have shown a keen interest. They see the chance to catch on to the explosive growth of SMS and its natural successor MMS, illustrating clearly people's interest in using their telephones for other things than just communicating by voice. But operators also realise that *Anoto* functionality for the first time enables people all over the world to send e-mails via a mobile phone to a computer, which is key to a potentially significant source of future revenues. Our business model for mobile operators, implying that we retain a minimum of 30 percent of the service fee and that the use of these services generates income for all

the players in the value chain, therefore constitutes an important part of the company's revenues.

Business Unit PC & Office: In 2002 we are also hoping to introduce, together with partners, the first pen adapted for use in a PC environment, enabling use of pen and paper with the most commonly used PC applications. These pens will assist in securing the global de facto standard while providing a substantial user base for future service applications. Every pen that is produced generates license revenues for *Anoto*.

Business Unit Enterprise: *Anoto* has already sold some twenty Application Development Kit (ADK) and a few more will be sold this year. ADK enables companies to develop solutions for largely improved processing of documents and forms in many areas. The form is completed using a digital pen and the information is transmitted directly from the paper to the database selected by the application developer. Approx. USD 0.1 is generated for *Anoto* every time a form is sent. In 2002 a number of form processing applications will be put into service.

On condition that the AGM approves the suggested change, the parent company, and thereby the group, will change names to *Anoto Group AB*. Given the great potential of *Anoto* it is natural that the name should change. Altering the name implies a change of the company's image, but organisational changes will be less noticeable. C Technologies AB and WeSpot AB will also in the future represent important parts of the group.

The forecasted positive cash flow some time in the first half of 2003 remains. We are looking ahead at an exciting future for the *Anoto Group* and invite you to join us.



Christer Fåhræus
President of *Anoto AB*



The parent company and the Group change names from C Technologies to Anoto Group on condition that it is approved by the Annual General Meeting. This is a natural consequence of the world's view of the Group, reflecting the estimated potential and illuminating the Group's main focus.

GROUP AND ORGANISATION

Vision

Our vision is a world where people have access to intuitive tools for most digital communication – based on the oldest and preferred information technology – paper and pen – adapted to suit natural human behaviour.

Business concept

The Group's business concept is to develop a strong technology platform by combining human intelligence with advanced image processing and commercialise it through partner companies in the form of products, services and licenses that unite paper and pen with the digital world for a broad user base.

Objectives

The objective is to establish the new technology platform in the global market, which will be achieved through licensing and OEM agreements and sales of proprietary products. In the long term the objective is to be a leader on global markets for pocket-sized electronic devices.

C Technologies AB will generate positive cash flow on a monthly basis towards the end of the first half of 2002. The aim for WeSpot is to confirm the company's market potential by securing further commercial contracts. A positive cash flow for the entire Group is expected in the first half of 2003.

Financial objectives

The Group's financial objective is to have low financial risk, implying financial stability and swift actions through good liquidity and high equity ratio. The long-term aim is to achieve an average annual equity ratio of at least 35 percent.

Strategies

The group's strategy rests upon five pillars:

- Focus on licensing business, based primarily on revenue sharing.
- Research and development adapted to end-users behaviour and requirements by cost reduction, miniaturisation and integration of the company's core technology.
- Create a global de facto standard for paper-based digital communication through strong partnership agreements with world-leading companies.
- Extensive brand exposure through Ingredient Branding in well-established and strong trademarks.
- Aggressive protection of technologies, applications and business models by applying for patents.

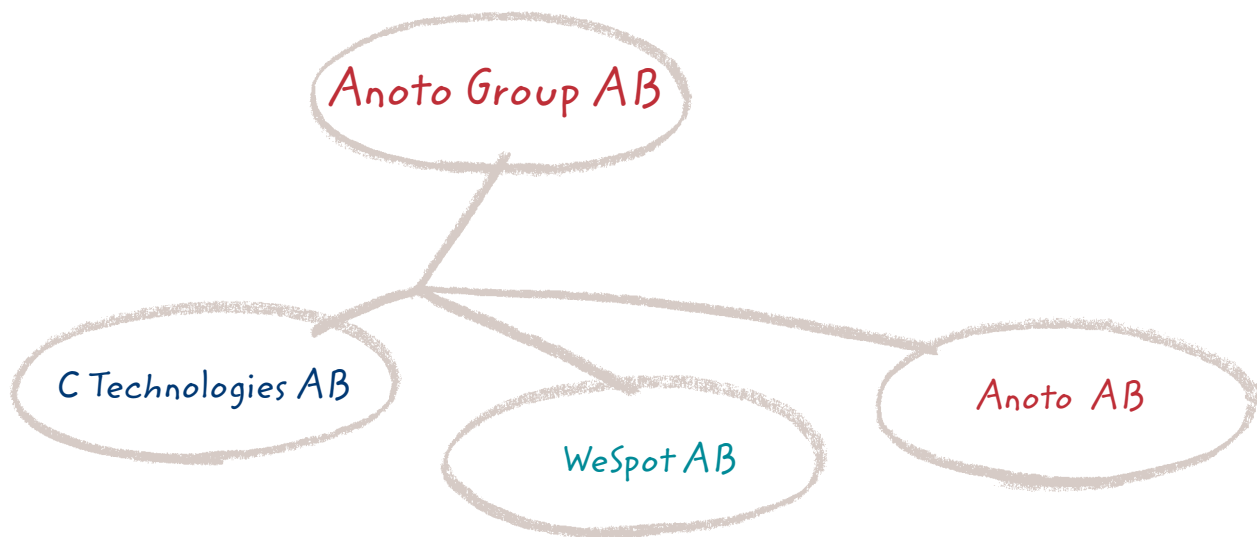
Group structure

In the autumn 2001 *Anoto* became wholly-owned through C Technologies' acquisition of Ericsson's holding in *Anoto*, paid for in C Technologies shares. At the same time a process aimed at creating a more distinct group structure was initiated, whereby the parent company will function solely as a holding company with a limited number of group functions. It is proposed that the parent company's name be changed to Anoto Group AB.

Operations will, subsequent to the proposed change of names, be conducted in Anoto AB, C Technologies AB and WeSpot AB (54.7 percent of the latter is owned by C Technologies).

The various operations are based on the same core technology, but address different application areas and customer segments. With separate companies, focus is increased on each business. The structure also contributes to promoting the values that each operation represents. In addition, conditions are created for external financing and alliances.

Read more about the change of name here!



Overview of group structure in accordance with name proposal to the Annual General Meeting

With the aim of distributing the *Anoto* concept globally, Anoto Inc. (USA), Anoto Nippon K.K. (Japan) and Anoto Ltd (Hong Kong) were formed. In 2001 operations at the American subsidiary C Technologies US, Inc. were closed.

Anoto

Anoto combines the intuitive use of pen and paper with communication possibilities in the digital world. The *Anoto* concept consists of a pattern, a digital pen, advanced image processing and an information structure. The pattern, which can be applied to virtually any type of paper, is read by the digital pen which also registers the pen's pressure against and movement across the paper. The pen's advanced image-processing and information structure tracks the position of the pen on the paper and which service the user has selected. This means that the concept enables users to make, for instance, digital copies of handwritten notes, send graphics directly from paper via e-mail, and place orders straight from a newspaper advert or mail order catalogue.

C Technologies

C Technologies is a hi-tech development company. Since its start-up in 1996, the company has worked with cutting-edge technology in advanced image and data processing and with communication technology. The company has developed a device that enables text and images to be read, entered, processed and stored.

WeSpot

WeSpot's business concept is to develop a technology platform with unique, intelligent and distributable image analysis software, which can be used in a series of different applications and markets. The technology is applicable to four areas: automatic door opening (Smart Door Opener), burglar alarms (Intelligent Intrusion Sensor), surveillance for geriatric care (NurseSensor) and identification of faces (Face Recognition).

2001 was marked by a weak stock market, especially in the IT and telecom sectors, which also affected C Technologies' share.

SHARE PERFORMANCE

C Technologies' share has been listed on Stockholmsbörsen (Exchange in Stockholm), Attract 40, (ticker CTECH) since June 16, 2000. When first listed on March 15, 2000, it was quoted on Nya Marknaden.

C Technologies' share capital amounts to SEK 1 530 538 distributed over 76 526 901 shares each with a nominal value of SEK 0.02. Each share confers the holder with one vote at the AGM and an equal share of the company's assets and profits.

Share performance

During 2001, the share price of C Technologies fell by 64 percent, from SEK 101.50 to SEK 36.50. During the same period Affärsvärlden's general index fell by 17 percent and Stockholmsbörsen's index for the information technology segment by 47 percent.

On December 31, 2001 the market value of C Technologies was SEK 2 793 million. On March 14, 2002 the share price was SEK 36 and the total market value was SEK 2 755 million.

In 2001 a total of 34 129 596 C Technologies shares were traded on Stockholmsbörsen, corresponding to a turnover rate of 73.6 percent.

Shareholders

At the end of 2001 C Technologies had 15 444 shareholders. The ten major shareholders at that time controlled 65 percent of the share capital. Swedish institutions controlled 42 percent and foreign investors 23 percent of the share capital.

Dividend policy

No dividends will be considered over the coming years. The future dividend policy of the company will be adapted to profit levels, financial position and funding requirements. Proposed dividends will be balanced between shareholders' demands for a reasonable return and operational requirements for self-financing.

Warrants program

At present there are eight outstanding warrants programs in the parent company (of which one is a so-called staff program of subordinated debentures with detachable warrants) directed at employees.

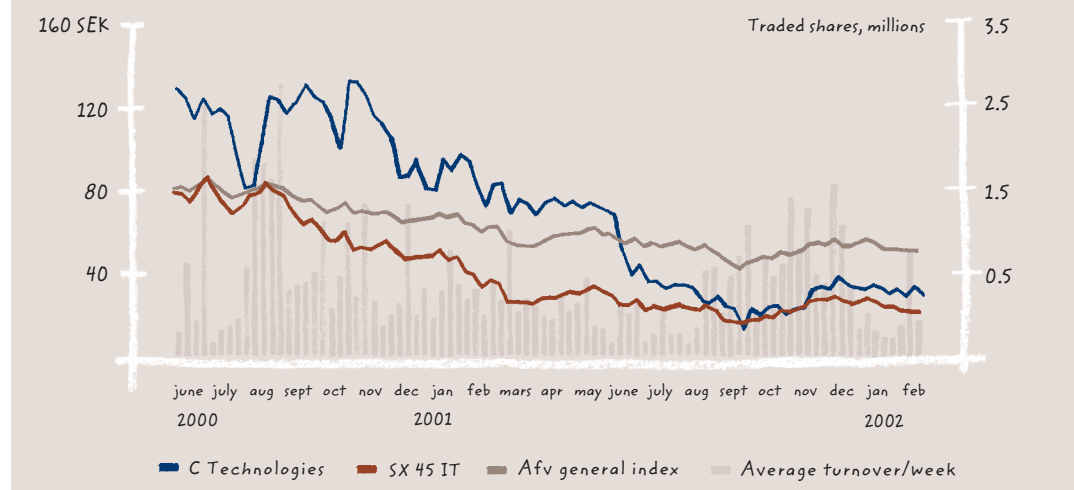
The programs, comprising a total of 4 435 090 warrants, will mature between May 31, 2002 and December 15, 2005.

If these warrants are fully exercised, a maximum of 4 435 090 new shares could be subscribed for, resulting in the company's share capital being increased by SEK 88 702, and a 5.8 percent dilution of existing shares.

Analysis

C Technologies is analysed by several banks and stock-brokers including Alfred Berg, Carnegie, Crédit Agricole Indosuez Cheuvreux Nordic, Deutsche Bank, Hagströmer & Qviberg, Nordberg Capital Inc., Nordea, Remium Securities and SHB.

C Technologies' share performance



Data per share ¹⁾

	2001	2000 ¹⁾	1999 ¹⁾
Number of shares ²⁾	76 526 901	45 343 870	32 141 020
Number of outstanding warrants ²⁾	2 698 650	2 602 150	4 897 500
Average number of shares ³⁾	49 132 068	41 340 803	32 141 020
Average number of warrants ³⁾	2 694 450	2 716 467	4 582 083
Loss per share, SEK	- 8.97	- 4.09	- 0.77
Do. incl. warrants, SEK	- 8.50	- 3.84	- 0.68
Cash flow for the year per share, SEK	- 1.08	9.45	- 0.43
Do. incl. warrants, SEK	- 1.02	8.87	- 0.37
Shareholders' equity per share, SEK	10.44	9.67	0.47
Do. incl. warrants, SEK	10.08	9.15	0.40

1) After taking effects due to changed accounting principle into consideration.

2) Refers to status at the end of the respective years.

3) Weighted average number for the respective years.

See further definitions on page 53.

Ownership structure at December 31, 2001

No. of shares owned	Total no. of shareholders	% of total no. of shareholders	Shares owned, total	% of share capital
1 - 1 000	13 481	87.3	3 929 544	5.2
1 001 - 10 000	1 720	11.1	5 277 935	6.9
10 001 - 100 000	175	1.1	5 763 462	7.5
100 001 -	68	0.5	61 555 960	80.4
Total	15 444	100.0	76 526 901	100.0

Major shareholders at December 31, 2001

Name	%	Total
Ericsson	23.9	18 253 549
Capital Group	12.0	9 171 368
Christer Fähræus	9.1	6 952 870
Fjärde AP-fonden	4.8	3 653 846
Robur fonder	4.5	3 469 408
Other	45.7	35 025 860
Total	100.0	76 526 901

Ownership by country

Country	%
Sweden	74.2
USA	13.0
Norway	4.6
Luxembourg	2.5
UK	0.8
Other	4.9
Total	100.0

The core technology of C Technologies comprises several building blocks which together form a shared platform for the diverse product families.

CORE TECHNOLOGY

The core competence is advanced image processing in real time. The company has developed advanced algorithms for image processing that recreate images and calculate movement patterns in real time. At present up to 100 images per second can be processed. Further development of this algorithm takes place continuously and the company aims to be the world leader in this area.

ARGUSTM – System-on-a-chip ASIC (Application Specific Integrated Circuit) – is a proprietary energy-efficient, high performance microcontroller and image processor for embedded systems, used for example in digital pens, digital cameras and mobile telephones.

PICODOUSM is a proprietary cost-effective chip developed for BluetoothM communication. The chip can be massproduced and is qualified for Bluetooth standard 1.1.

ARIPOSM (Advanced Realtime Image Processing Operating System) is developed by C Technologies to optimise the integration of images and image processors in hardware solutions.

The company also possesses in-depth expertise in software development for host computers, from complex server solutions in a Solaris environment to client software for Windows® and Macintosh®.

Communication protocols

Products are wirelessly integrated into external environments using infrared beams, short frequency radio links for broadband (BluetoothM) or via cables (RS232/USB). The company has also implemented protocols to enable text to be sent as e-mail, fax and SMS via a mobile phone.

Application areas

The technology platform enables development of products and services for the mobile community. The primary application areas are:

Anoto

- *Writing and drawing.* Calculations of the digital pen's movements mean that everything that is written and drawn on paper enabling Anoto functionality may be stored and/or transferred to a PC, mobile phone or PDA.
- *Services linked to absolute position.* Seeing that the digital pen can sense its exact position on the full pattern, every small area of the pattern can be specifically dedicated or linked to a specific service.

C Technologies

- *Reading text.* Using the image processing technology a line of printed text can be read, interpreted with OCR and transferred to any digital platform, such as the Internet, PC or mobile phone.

This one's new!

this is the foundation!

~~Annual report~~



RECREATING AN IMAGE

The technology recreates a series of overlapping images, taken by a digital camera that does not need to move linearly. The image is recreated in real time.



CALCULATING MOVEMENT

Based on a series of images, taken by a digital camera on a patterned base, the movement of the camera can be calculated.

- *Digital movement patterns.* A digital camera can be used as a computer mouse since the relative position of the camera can be calculated in real time.
- *Image interpretation.* The technology enables text and symbols to be interpreted. For example, a symbol can be used to activate a service.
- *Taking pictures.* The camera can take digital VGA pictures. VGA (Video Graphics Array) is a common standard for image resolution on graphics cards and computer screens.

WeSpot

- *Changes in images.* The technology is based on continual comparison of images, enabling a camera to register changes in a room or a picture.

Technical development

The Group continually develops its competence for the integration of electronic hardware and software using digital camera technology, focusing on development of products for computerised image processing.

- *Development of image processing.* To remain at the cutting edge of technology the company develops its own optic sensors, used in C-Pen I0 for example. The functionality is developed to cost-effectively meet the requirements of the product.
- *Portability in other products.* The company is adapting its platform further in order to improve integration possibilities with other products.
- *User-friendly.* Special attention is paid to ensure that products are user-friendly. Ergonomists and special designers are commissioned to add the human touch.
- *Ease of production.* The company's products are designed to combine a high degree of innovation with ease of production.

Quality assurance

C Technologies uses a development model with emphasis on continuous improvements. The company's products qualify for CE labelling in Europe and UL certification in the US. The CE label is intended as a signal to national authorities that the manufacturer guarantees that the product meets requirements for safety, health and environment and that control procedures are complied with.

Patents

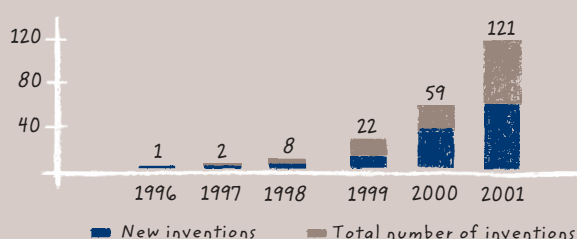
C Technologies aims to have a strong patent portfolio. The company believes that the protection of the intellectual property that has been built for its basic technology is very robust. The strategy when establishing the patent portfolio is to reinforce intellectual property rights so that a further layer of protection is erected around the basic patent, that new areas on the periphery of the basic technology and combinations of new technologies and applications are protected. Future applications are protected at the principle and method levels and the realisation of the technology is also patented.

To ensure the highest quality of patent work C Technologies has its own patent department with a staff of three. The company also works with AWA PATENT AB in Sweden, Cooper & Dunham LLP in the US and Endo Patent Office in Japan.

At the end of 2001 the Group had filed 396 patent applications, of which eleven have been granted. The remainder is still being processed. Further descriptions of patents will be found in the chapters for each company.

strong patent portfolio!

Number of patented inventions



C Technologies has submitted 396 patent applications for 121 inventions (December 31, 2001).

Anoto® is the first company to unite handwriting with digital communication, without having to change the natural use of paper and pen. The application areas are endless. It is just a matter of letting your imagination loose.

ANOTO

Handwriting has been a natural part of man's communication practise for thousands of years, but concurrently with increasing globalisation and digitalisation, individual ways of expressing ourselves have become rare. Pen and paper are still superior to the digital writing tools of today to share emotions, ideas and thoughts. Furthermore, the majority of the world population has languages that are picture based rather than alphabetical. This complicates adapting the keyboard and the keypad to these languages, making digital communication even harder.

What telephony has done for speech is now awaiting its parallel for handwriting. *Anoto* connects the immediate inspiration offered by paper and pen with all the possibilities offered by modern, digital communication. Handwritten text, sketches and drawings can now be transmitted directly from paper to any computer, mobile phone or PDA anywhere. *Anoto* is the first company to establish a hi-tech concept based on, and adapted to, how people actually use pen and paper, which means that there is no need to change the natural behaviour or learn new methods.

Application areas

Anoto functionality can be used in many different services and applications. The primary areas are e-mail, SMS, notes and fax. By using a digital pen enabling *Anoto* functionality and paper printed with the *Anoto* pattern you can send messages simply by ticking the box of the

selected service and writing the e-mail address, fax number or mobile phone number (for SMS) of the recipient. Transmission is activated when the user makes a mark in the "send" box. The information is sent from the digital pen to the recipient's mobile phone or PC (for example via a Bluetooth™ radio transceiver). When the message is re-routed to a distant recipient the mobile phone connects itself to the Internet and forwards the handwritten message, via a mobile operator, to the recipient's mobile phone, fax or PC.

Various vertical applications are also possible. *Anoto* functionality opens up a new and user-friendlier market for paper-based e-business. A newspaper can offer advertisers the possibility to print an advert containing the *Anoto* pattern. A reader with a digital pen can then simply make a decision to buy or receive more information by making a mark in a box.

Everything that is written or drawn on paper with *Anoto* functionality can also be stored directly in a computer. Calendar manufacturers can by use of digital paper with *Anoto* functionality link the paper calendar with the digital world. It will, for instance, be possible to synchronise the paper calendar with the calendar functions in Microsoft® Outlook.

Businesses can use *Anoto* functionality to process forms including data collection and goods registration. The system is scaleable, inexpensive and is easily tailored to suit specific requirements. An Application Development Kit (ADK) will be available, consisting of

Pen and paper allows intuitive use



This happened in 2001

- Initial prototype system enabling *Anoto* functionality was delivered.
- Patent portfolio was further extended.
- Agreements were signed with a number of significant partners.
- The first development tool (ADK) was delivered.

Early 2002

- Strategic alliance with Microsoft®.
- Agreement was entered with Logitech.

What is expected in 2002

- Commercial launch of initial system.
- Five additional mobile operators adopt the *Anoto* concept.
- Further agreement with pen manufacturers.
- Extended partnership with PC manufacturers.
- Patent portfolio reinforced further.

We just got engaged!!!
And by the way,
Paris is wonderful...
Big kisses from Sonny & Lee

friend@mail.com



3M

CAP GEMINI
ERNST & YOUNG

hiQ

PARASCRIPT
The Total Recorder Company

adobe

CHEE WAH
CORPORATION BERHAD

HITACHI

PILOT

APP
ASIA PULP & PAPER CO. LTD.

CROSS.

D
John Dickinson

READSOFT®

ASKUS

C BIRD

KOKUYO

SANFORD

AT-A-GLANCE

DAIGO

know it

SIGMA
Education

AU-SYSTEM

Decuma
CAPTURING YOUR HAND

Letts

sonera

AVERY
DENNISON

ecsoft
Sverige

Logitech

Sony Ericsson

ESSELTE

Microsoft®

sysnet

establish

Mead

teleca

EUROPOLITAN
vodafone

mitsubishi pencil co., ltd.

MONT
BLANC

Telefonica
Móviles

FILOFAX®

Neceville

TietoEnator®
Building the Information Society

A'ZONE

FranklinCovey.

netMage

TMI®
Time Manager International

BRUNNEN

GRANLUXE

Nippon

Time/system®

BT wireless

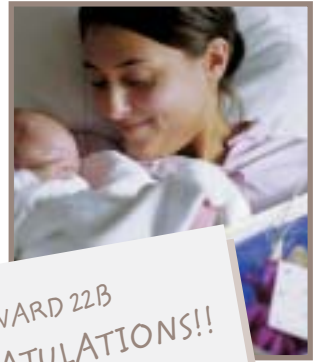
GRUPPE HAMMELN

Panasonic®

3M MICHA SOLUTIONS

Together with
our partners
we create
a global de facto
standard





software enabling partners to develop their own applications with *Anoto* functionality. The development tool is meant to facilitate fast and extensive penetration of an array of potential application areas in logistics, inventory management and healthcare prescriptions and journals. By January 2002 some twenty beta versions of the AKD tool had been sold to partners.

Functionality

The components enabling *Anoto* functionality are a pattern, a digital pen, advanced image processing and infrastructure. The pattern that can be applied to virtually any type of paper is read by the digital pen, which also registers the pressure and movement of the pen over the paper. The advanced image processing of the pen and the infrastructure, developed by *Anoto*, tracks the position of the pen on the paper and which service the user has selected.

Everything written on paper enabling *Anoto* functionality is stored in the digital pen and sent via the nearest communication unit (such as a mobile phone), as e-mail, fax or SMS. The information can also be saved directly in a computer.

The digital pen writes using normal ink, but unlike a traditional ballpoint pen it is equipped with a digital infrared camera and an advanced image processing system. The digital pen also has a communications unit (e.g. Bluetooth™ wireless technology).

When the digital pen is used on digital paper enabling *Anoto* functionality about 70 snapshots a second are taken of the pattern on the paper by the built-in camera. Each picture contains sufficient information about the pattern to calculate the exact position of the pen. The positioning of the dots on the paper forms

a digital trace of the handwritten text or picture. The pen not only reads what was written, but also how it was written by registering speed, angle between the pen and the paper; pressure and accurate time. The concept can therefore be applied to verification and identification of signatures and initials.

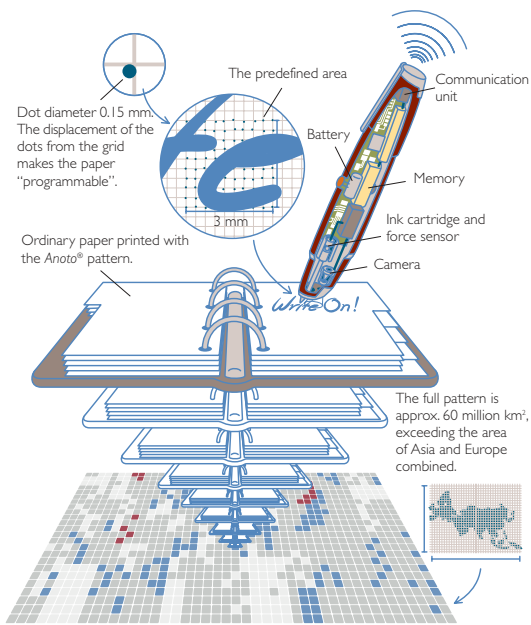
The pattern, visible to the eye as a dim grey shade, is printed using standard offset printing methods and costs the same as printing ordinary black text.

Seeing that the pattern can be printed in more or less unlimited combinations, each sheet of paper can be made unique, making it possible to be just as spontaneous as before. You can start by jotting down a few lines in a notebook, then enter the time for the next project meeting in the paper calendar; get the shopping list down on a Post-It® note and finally finish the line of thoughts in the notebook. All this without having to activate every application – the pen and paper keep track of where you are writing.

Markets

The market potential is vast. *Anoto* considers anyone who uses pen, paper, mobile phone and/or PC or PDA in their everyday activities a potential user for its primary services.

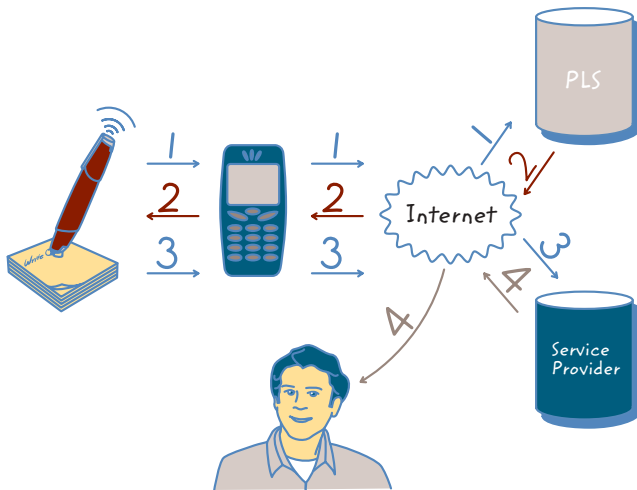
The speedy increase in the number of e-mails and SMS signals a rapidly expanding market for *Anoto*. In December 2001 there were around 30 billion SMS messages worldwide, compared with some 4 billion in



A very small portion of the pattern defines the pen's exact position on the full pattern. These areas can be adapted to different functions and applications. One area may be predefined to activate e-mail, fax or SMS, while others may be predefined for calendars, order forms, medical case records etc.

January the same year, according to GSM Association. SMS usage generates an important part of the mobile phone operators' revenues and it is therefore of interest to offer users value-added SMS services. Also e-mailing has seen a considerable increase. In Western Europe alone 511 billion e-mails were sent in 2000, according to IDC and for 2005 1.6 trillion are estimated. Western Europe accounts for 20 percent of the e-mails worldwide.

The market potential is considerable for vertical applications in advertising, e-business and forms processing in quality assurance, logistics, inventory management, market surveys and medical services. Throughout the world businesses are investing thousands of millions in processing forms. According to Gartner Group, annual costs for manual processing of forms amount to 360 billion dollars in the US alone, providing Anoto functionality with a concrete area in which to improve efficiency.



The handwritten digital message from paper to recipient only takes 20 seconds.

1. Text written with the pen is forwarded via for instance a Bluetooth™ enabled mobile phone to the Paper Look-up Service (PLS).
2. The PLS unit returns an instruction to the pen, telling it which service provider to contact.
3. The information from the pen is sent to the server at the provider supplying the service in question.
4. The message is sent from the service provider to the recipient.

Revenue Model

Revenues for Anoto will be generated primarily by license fees and profit sharing from partners who offer products, applications and services based on Anoto functionality.

Anoto will license the pattern, pen technology and various services. The strategy is based on non-exclusive license agreements. Initially the sales strategy will focus on license and service sales to mobile operators, mobile phone companies and paper manufacturers.

Mobile operators will be able to offer customers the possibility to send handwritten and drawn e-mails, fax and SMS directly from ordinary paper. The revenues from services will be shared between the operators, Anoto and other service providers. In addition to the agreement with Europolitan Vodafone, negotiations with other operators are ongoing.

To be able to offer services based on Anoto functionality mobile operators need to install software platforms in their systems. The technical solution will be supplied by Anoto who will also offer consulting services regarding integration of platforms.

For mobile phone producers the digital pen is a way of increasing the use and penetration of mobile phones. Anoto will sell hardware licenses for digital pens to com-

panies, who will in turn manufacture and market the pens under their own name. The first license holder is Sony Ericsson. But other partners such as Montblanc, Cross and Pilot, today world-leading producers of traditional pens, are potential license holders.

Paper companies will be offered licenses for products including notepads, organisers and special forms for inventories or medical records.

Partners

Anoto has in the past year signed a significant number of agreements with major international companies and has in a short time established a global de facto standard uniting pen and paper with the digital world, including Sony Ericsson, Europolitan Vodafone, Telefónica Móviles and Hitachi. Chatpen™, the world's first digital pen enabling Anoto functionality, was presented by Sony Ericsson in June 2001. At the same time Europol-

tan Vodafone announced that services based on the Anoto concept would be launched on the market in 2002. A prototype system was delivered and tried in the GPRS net during the autumn.

Collaboration with Hitachi was during the year initiated for the development of services enabling Anoto functionality. Hitachi is present globally and is a market-leader in several industrial segments. The company is prominent in forms processing, OCR (Optical Character Recognition) and ICR (Intelligent Character Recognition) of Japanese characters.

Anoto also signed an agreement with Matsushita, world-leading in development and manufacture of electronic products, with well-known trademarks such as Panasonic, Technics and National. The collaboration is beneficial for the establishment of a complete platform at the commercial introduction of the Anoto concept in Japan.

explained in the glossary on page 52!



World première for services enabling Anoto functionality

EuropolitanVodafone, Sony Ericsson and paper partners will in spring 2002 be carrying out a commercial launch of services with Anoto functionality, enabling Europolitan Vodafone's customers to send handwritten text directly from a paper as a graphical e-mail, fax or SMS.

The notes are written on ordinary paper provided with Anoto functionality, and forwarded by use of a digital pen, via a mobile phone. The first digital pen to reach the market will be Chatpen™ from Sony Ericsson.

"We want to provide our customers with useful services that are easy to use and that facilitate com-

munication. Chatpen represents a concept that we find very interesting and we believe that the digital pen and paper concept has great potential. Being able to offer the services to our entire customer group presents tremendous opportunities", says Jon Risfelt, CEO of Europolitan Vodafone.

When digital pens enabling functionality are more widely spread, the application areas will be almost unlimited. Some of the possibilities include being able to place electronic orders via a paper catalogue or link the company's paper forms, such as inventory forms, directly with databases.

Sending e-mails directly from paper by use of a digital pen is entirely novel. It has great potential, offering us increased opportunities to provide value-added services.

Jon Risfelt
Europolitan Vodafone



In addition, *Anoto* collaborates with Japan-based Cybird regarding establishment of a service infrastructure for *Anoto* functionality in Japan. Cybird is a leading contents and service provider for mobile Internet operators NTT DoCoMo, J-Phone and KDDI in Japan.

Cap Gemini Ernst & Young will be offering consulting services based on the *Anoto* concept with emphasis on the ADK (Application Development Kit) tool. The *Anoto* concept will be part of CGE&Y's mobile business solutions offered worldwide.

Cooperation has also been initiated with Groupe Hamelin regarding manufacturing and distribution of digital paper products. Groupe Hamelin is the leading European producer of office supplies.

In February 2002 a strategic partnership agreement was signed with Microsoft®. The deal means that the *Anoto* platform is adapted to Microsoft® .NET platform, offering developers the opportunity to create a new generation of paper-based, digital web-based services. In 2002 *Anoto* also entered an agreement with Logitech, world-leading producer of PC accessories. Logitech will be producing and marketing digital pens enabling *Anoto* functionality adapted to PC environments.

Patents

In 2001 *Anoto* extended its patent portfolio by filing another 165 patents covering 51 inventions. A total of 256 patent applications regarding 91 inventions were submitted. The first three patents covering three inventions were granted during the period. The patent portfolio covers the pattern, pen, infrastructure and concept. *Anoto* pursues a determined and aggressive patent strategy in order to protect its unique functionality.

Manufacturing

Anoto does not have in-house production, preferring instead to cooperate with well-established manufacturers of electronic products who will be used to create a network of suppliers who provide production and distribution. By using the company's proprietary ASIC processor, production costs can be minimised while performance and quality are optimised.

Competitors

Digital pens is an old dream and attempts to develop functioning pens have been pursued for the past twenty years. Several companies are engaged in the development of digital pens with varying results. There is however a fundamental difference between *Anoto* functionality and that of its competitors. The competing technologies are focusing solely on digitalising the pen as a tool, by methods like triangulating, pressure sensitive plates, accelerometers or relative positioning. These methods enable handwritten text to be copied to a digital medium but make the handling of applications and services complicated. Since the paper itself lacks functionality in all these technologies, applicability is significantly limited as is the ability to use the pen in the same intuitive and spontaneous way as a traditional pen. *Anoto* is the only company having developed a technology enabling the use of paper and pen the same way people have done for thousands of years.

Competitors include Smartquill, Vpen and Crosspad.

Market Potentials

The *Anoto* concept is unique by allowing for intuitive and individual use in spite of advanced technology. With *Anoto* functionality all paper functions can be digitalised without any new learning processes, and all digital processes can be performed by use of pen and paper without getting impersonal. *Anoto*'s position in respect of patents is strong and the system is exceedingly scaleable. Having already established a global de facto-standard for paper-based digital communication, *Anoto* has created a solid ground for continued development and commercialisation.

In cooperation with partners, the commercial introduction of products and services enabling *Anoto* functionality will begin in 2002. Given that products and services enabling *Anoto* functionality are increasing, *Anoto* is expected to generate positive cash flow in the first half of 2003.



*With C-Pen
I work efficiently
wherever I am*

C TECHNOLOGIES

C Technologies' products enable text and pictures to be read, processed and stored. The technology can be used in several areas such as mobile telephony, consumer electronics and PC accessories.

C Technologies unites human intelligence with advanced image processing to create mobile technology that links pen and paper with the digital world. The aim is to establish the technology platform on global markets.

The products are based on digital camera technology with integrated advanced image processing, containing small and energy efficient components. C Technologies products enable text and pictures to be read, processed and stored. The technology can be used in several areas such as mobile telephony, consumer electronics and PC accessories.

C-Pen

There are three basic C-Pen models: C-Pen 600C, C-Pen 800C and C-Pen 10. C-Pen 600C has both reading and translation capabilities. It has an address book

that contains space for details of up to 150 contacts and memory for up to 1500 pages of text. C-Pen 800C, like C-Pen 600C, has both reading and translation capabilities. C-Pen 800C also has a calendar; the ability to send text via a mobile phone, an address book for details of up to 250 contacts and memory for up to 2000 pages of text. For C-Pen 600C and C-Pen 800C there is C Dictionary, software enabling translation or explanation of words in a second.

C-Pen consists of several components with different functions, creating conditions for designing less complicated than expensive products for specific purposes and applications. C-Pen 10 is such a product. It is connected directly to a computer and functions as a reading tool for applications such as Microsoft® Word and Microsoft® Excel. C-Pen 10 is priced to reach large customer groups.

Magic Stick becomes BzMate

In addition to the basic models there are customised products developed for certain applications or markets. In 2002 C Technologies is expecting to double C-Pen sales generating a good gross margin.

BzMate

In 2001 a big step towards a commercial launch of BzMate (previously Magic Stick) was taken. BzMate is a further development of C-Pen, which is combined with a miniaturised digital camera. Wistron NeWeb (part of the Acer Group) is planning to introduce BzMate as a standard laptop accessory towards the end of 2002.

BzMate has several application areas. You can take pictures with BzMate and send them as attachments in e-mails together with scanned text. Or take a picture of someone and store it together with a scanned copy of his/hers business card or scan a newspaper article into a Microsoft® Word document and add a picture. With BzMate you can also take a picture and add it to your virtual photo album and navigate with a computer mouse.

CommuniCam

C Technologies' technology is suitable for integration as a reading device in a mobile phone. Several services can be added to the basic functions. For example, advertisements with a web address or symbol enables the reader to order more information from the advertiser.

CommuniCam, which was introduced in 2001, is a digital camera that is connected directly to Sony Ericsson's mobile phones. CommuniCam is the result of the OEM partnership with Ericsson. C Technologies' System-on-a-chip ARGUS is the primary component of the camera. CommuniCam enables pictures to be sent

via a mobile phone to an e-mail address or saved in a virtual photo album. CommuniCam is marketed by Ericsson on several European markets.

Marketing and sales

Products are marketed directly to consumers and to the OEM market.

C-Pen Important customer groups for C-Pen are students and professional users such as lawyers, journalists and researchers. Sales to end-users strengthen the brand and gets the technology noticed. Attractive pricing will pave the way for high volumes, while extensive marketing will establish the brand. C Technologies is building increasingly effective distribution channels, usually in the form of non-exclusive distribution agreements.

License and OEM sales Sales of software, hardware and applications to OEM customers are carried out to swiftly achieve high volumes on the global market and are primarily directed at manufacturers of mobile phones, laptop computers and PDAs. Prospects are good for reaching very large and growing markets, since the technology is highly suitable for integration in other products via license and OEM agreements.

Partners

Several significant partnership agreements were initiated in 2001, such as the collaboration with Wistron NeWeb (Acer), world-leading OEM producer of PCs with vast experience of integrating wireless technology with PCs.

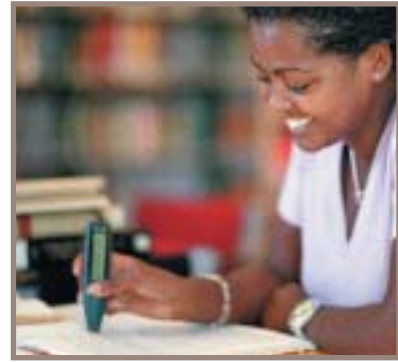
In the third quarter an agreement with Korean partner Fusion Road was signed regarding delivery of C-Pen. The agreement forms part of C Technologies'

This happened in 2001

- C-Pen sales volumes doubled.
- C-Pen 10 was introduced.
- Collaboration with Acer NeWeb, world-leading OEM manufacturer of laptop computers.
- Ericsson presents the very first GSM camera, CommuniCam, developed by C Technologies.

What happens in 2002

- Positive cash flow in the second quarter.
- C-Pen again double sales volumes with a good gross margin.
- BzMate (previously Magic Stick) to be sold with laptop computers nearing the end of the year.
- Continued product and marketing partnership with Sony Ericsson regarding camera accessories.



strategy to focus C-Pen sales on large markets and profitable sales channels. C Technologies will be delivering the pen whereas marketing, sales, packaging, distribution and support are handled by Fusion Road. The agreement is estimated to correspond to a sales value of SEK 60 million in the first half of 2002.

C Technologies received its first pilot order for the American banking market valued at SEK 12 million. C Technologies will develop software to enable integration of the C-Pen platform in Wildcard Wireless' security system. Wildcard Wireless, market leader in wireless security systems, will be marketing the new pen under its own brand name.

Switzerland-based C-Channel in August placed an order for 20 000 C-Pen 10 products that combine the traditional reading pen with an "active" mousepad. C-Pen 10 creates opportunities for further development of services in Internet banking. Agreements regarding Internet banking services were also entered with Sweden-based FöreningsSparbanken.

Agreements were signed with four renowned Nordic publishing companies – Gyldendal of Denmark, Kunnskapsforlaget of Norway, Norstedts Förlag of Sweden and WSOY of Finland.

In addition, agreements were entered with Merriam-Webster of the US, Klett-PONS of Germany and Van Dale of the Netherlands.

C Technologies also cooperates with Ergona Data in Sweden, Activium in Norway and Partnership Service in Finland, covering the entire Nordic region.

Patents

C Technologies' registered patents and patents pending cover the basic technology for reading and interpreting text, including lens system, sensor methods, image processing, OCR interpretation, communication and translation functions. In 2001 C Technologies filed another eight patent applications for six inventions. A total of

122 patent applications covering 22 inventions have been submitted. Two patents were granted, implying that C Technologies has been awarded eight patents; six in Sweden, one in Australia and one in the US.

Manufacturing

C Technologies has no manufacturing capability of its own. The company commissions manufacturers that specialise in the production and distribution of electronic products. By outsourcing production the company achieves primarily greater flexibility and tied-up capital. C Technologies works with several companies including PartnerTech.

Competitors

Most competitors use a one-dimensional scanning method that does not allow for characters to be written and interpreted as ASCII code. Competitors include WizCom, which markets several scanning pens. WizCom has developed Quicklink Pen, a scanner pen utilising one-dimensional scanner technology. Competitors' products contain mobile components and are poorly suited for integration in, for example, mobile phones.

Market potentials

The need for new applications in wireless communications is tremendous, a fact that creates great opportunities for C Technologies. In 2001 several significant partnerships were established, creating foundations for continued commercialisation of C Technologies' technology platform.

C Technologies expects C-Pen sales to double in 2002 generating a good gross margin and, approaching the end of the year, BzMate to be marketed together with laptop computers. Increased revenues in combination with cost reduction measures implemented in 2001 are forecasted to contribute to positive cash flow on a monthly basis in the second quarter 2002.

Most areas that include digital image processing can be developed by use of WeSpot Smart Camera. Continual evaluation of new applications and markets are ongoing. C Technologies controls 54.7 percent of WeSpot.

WESPOT

WeSpot's business concept is to develop and commercialise intelligent camera systems that are sophisticated and cost-effective. WeSpot aims to be recognised as market leader in intelligent cameras utilising advanced digital image processing. Superior technology in combination with low costs make WeSpot's camera platform unique.

Application areas

The camera platform, WeSpot Smart Camera Platform, is suitable for a large number of application areas in many markets. Most areas that include digital image processing can be developed by use of WeSpot Smart Camera. New applications and markets are continually being evaluated.

WeSpot's main applications are: Smart Door Opener, Intelligent Intrusion Sensor, Nurse Sensor and Facial Recognition, all based on the basic functions in the camera platform.

Smart Door Opener

WeSpots Smart Door Opener presents new opportunities for automatic door opening by the accurate calculations performed by the camera. With the technology of the camera platform only one sensor is required to register presence, movement and size, direction and speed. Smart Door Opener results in lower purchase price, simplified installation, improved security and intelligent access control, reducing energy consumption and wear.

Intelligent Intrusion Sensor

The Intelligent Intrusion Sensor detects unauthorised objects or movements. Pictures are transmitted to a security center for verification. The Intelligent Intrusion Sensor enables security staff to avoid the many false alarms produced by the passive infrared sensors common today, resulting in reduced workload and lowered costs as well as increased security. With the Intelligent Intrusion Sensor priority can be given to alarms requir-

ing immediate action. The solution of visual alarm verification is unique, highly cost-effective and it can be integrated in existing alarm systems. The WeSpot Intelligent Intrusion Sensor is a more secure and less expensive alternative to many existing systems.

NurseSensor

NurseSensor is a new type of sensor for home environments, developed to create a safer environment for the elderly and disabled. NurseSensor can detect movement patterns and alarming situations and trigger alarms dependent on the situation. NurseSensor optimises routine checks for nursing staff and increases efficiency in emergency situations. The market offers a large potential for development of new applications.

Face Recognition

Facial recognition is used to identify individuals by observing their faces and comparing them with patterns stored in the WeSpot camera. Owing to the ASIC processor, facial recognition can be built into the WeSpot camera, enabling the same functionality as in a traditional PC solution at significantly lower cost. By bringing the processing functions into the camera itself, many barriers to entry for the large-scale installation and integration of facial recognition capabilities have been eliminated. The technology enables broad market applications such as access control systems and activating/de-activating alarm systems.

Technology

WeSpot Smart Camera comprises lens system, image sensor, ASIC processor and communication – all in the same unit. The powerful processor eliminates the need for an external PC or server. WeSpot's advanced software enables analysis and decision to be processed directly in the camera. The camera delivers accurate calculation of the size, speed and direction of the object, resulting in a smart camera suitable for a wide array of applications.

*Important!!
This must be
emphasised*



WeSpot has also succeeded in making the camera smaller and less expensive to produce. The software can be upgraded remotely, resulting in good, recurring sales opportunities. WeSpot technology creates opportunities to commercialise a number of products within a wide variety of markets and applications, including military, industrial, traffic and other surveillance situations.

Partners

WeSpot aims to cooperate with partners in manufacturing, distribution and sales. All manufacturing will be outsourced. Manufacturing costs can be significantly lowered owing to the ASIC produced by C Technologies. Distribution will be carried out by industrial partners to reach end users, businesses and homes.

In 2001 WeSpot established several significant agreements with global corporations. A long-term agreement was concluded with Overhead Door Corporation regarding the Smart Door Opener, which is expected to be ready for delivery in 2002.

Collaboration with Attendo Senior Care was also initiated, to rapidly bring NurseSensor to the market. In addition, an agreement was signed with Visionics Corporation. Visionics' facial recognition application Facelt will be ported to WeSpot's Smart Camera Platform.

Patents

In 2001 WeSpot submitted ten patent applications regarding five inventions. WeSpot has submitted a total

of 18 patent applications in respect of eight inventions. The inventions cover distributed intelligence in surveillance cameras, image processing algorithms, door automation and remote control function for verification of zones in various applications.

Competitors

There are no systems that can compete with the price and functionality offered by the WeSpot camera. This in combination with a high degree of adaptability makes WeSpot's platform highly competitive on markets that intelligent camera technology has not yet been able to penetrate.

Venture capital

On several occasions in the past year, WeSpot has raised further venture capital. In April SEB Företagsinvest, Bure Equity/CR&T Ventures and Malmöhus Invest contributed SEK 13 million. In the fourth quarter these minority shareholder invested another SEK 10 million, at which time Industrifonden contributed another SEK 10 million as well, half of which in the form of a convertible loan. Towards the end of the year WeSpot raised an additional SEK 4 million relating to utilisation of warrants.

Subsequent to the above investments C Technologies controls 54.7 percent, Malmöhus Invest, Bure Equity/CR&T Ventures and SEB Företagsinvest each control 11.3 percent and Industrifonden 4.6 percent of the shares in WeSpot.

This happened in 2001

- WeSpot launched the world's smallest and smartest surveillance camera.
- Agreement was signed with Overhead Door Corporation regarding Smart Door Opener.
- Agreement was signed with Attendo Senior Care regarding NurseSensor.

- Agreement was signed with Visionics regarding facial recognition.

- WeSpot is provided with further venture capital.

What happens in 2002

- Start of production at the end of the year.
- Further commercial contracts.

With their advanced skills, great creativity and determination, staff working for the C Technologies Group have paved the way for success. Developing existing staff and recruiting new people are key goals for the Group.

HUMAN RESOURCES

Salary relinquishment program

In January 2002 it was resolved to implement a salary relinquishment program. The employees of the group were offered to acquire, at market price, warrants in the parent company and in return accept a reduced salary for a maximum of 18 months. Some 170 employees accepted the offer and have within the scope of this acquired a total of 1 856 440 warrants in the parent company.

Right expertise and profile

Ever since C Technologies was formed, the need for cutting-edge skills has always been a top priority. Hence the educational level is high. Among employees there are many engineers, economists and others with a university education. In addition to the high formal level of education, the Group employes many people with extensive professional experience in their respective spheres of authority: patents, quality assurance, marketing, finance, management and purchasing/logistics. Collaboration with colleagues and universities is close and stimulating. During the year, students from universities and colleges have carried out large parts of their studies within the C Technologies Group.

Many employees are also owners

Since the formation of the company, strong commitment and belief in the future have been defining char-

acters of C Technologies' staff. This has been in evidence in individual commitment and a willingness to invest in the business. Many employees are also owners of the business, either through shares or options.

Several types of incentive programs have been implemented to further stimulate the work situation.

Developing talent

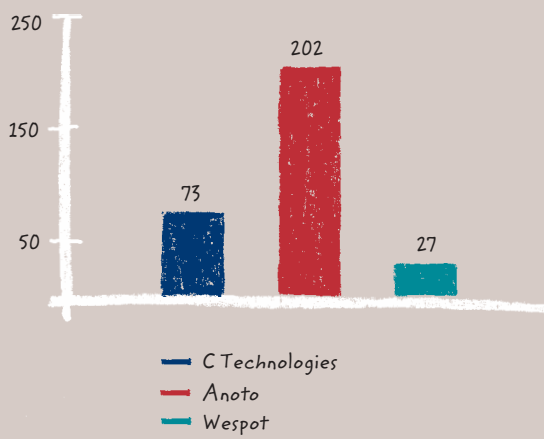
Training has so far focused on the extensive research and development undertaken within the Group. Assignments are highly challenging and the working environment is extremely creative. To enhance the value of working for C Technologies, individual career plans have been established in cooperation with management and colleagues.

Rewards

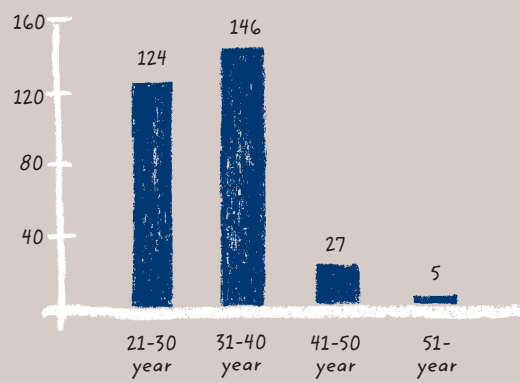
C Technologies has a benefit policy granting, among other things, a pension allocation to all staff from age 21. The Group also offers staff employed for more than one year greater remuneration when taking parent leave. Investing in a benefit package should be seen as an expression of the basic values of the Group. Considering the average age of employees it is only natural that the Group makes itself a highly attractive employer. The Group has an objective to increase further the recruitment of women.



Number of employees



Age distribution





Group history

- 1995** The year when it all starts. Christer Fähræus starts investigating the possibility of making a pen-like tool for reading text, based on advanced image processing, digital camera technology and a fast processor.
- 1996** C Technologies is formed. A feasibility study confirms that C-Pen can be produced at the right size and with reasonable cost. An application is made for a general patent covering a method for a wireless pen-like tool that can read text using a two dimensional sensor.
- 1997** The first lab prototype of C-Pen is completed. An application is made for a patent covering a new algorithm for real-time image processing that is key to the pen's function.
- 1998** Discussions are held with potential partners regarding licensing of the technology. Trials with the first prototype of a pocket-sized C-Pen are carried out. Additional patent applications are submitted. A successful test launch of C-Pen is carried out in Sweden. Christer Löwgren is recruited as the new CEO.
- 1999** C-Pen is launched internationally. New functions, such as translation, e-mail, SMS and fax are added to C-Pen. Several license and partnership agreements are signed, including Ericsson, who also becomes part owner of the newly formed Anoto. WeSpot och C Technologies US Inc. are formed. C-Pen 600 (second generation) is successfully launched in the US, and conditions are created for a penetration of the Chinese market subsequent to an agreement with Hongkong-based GSL.
- 2000** The third generation of C-Pen is launched. The koncept products C-Pen 800 BT, C-Mouse and Magic Stick, comprising Bluetooth™, are presented. A Software Development Kit is developed enabling third party developers to write their own vertical applications for products and technology platform. Anoto creates a global standard for digital paper, and forms subsidiaries in the US and Japan. Mats Lindoff is appointed CEO of the parent company.
- 2001** A new less complicated and expensive C-Pen 10 is launched. Collaboration is initiated with world-leading laptop producer Acer NeWeb to penetrate the PC market with BzMate (previously Magic Stick). WeSpot signs its first two contracts with industrial partners. Anoto delivers the first functioning prototype system, and is nearing a commercial launch.

F A Q

FREQUENT QUESTIONS FROM SHAREHOLDERS

What are you doing to increase the stock market's understanding of the company's value?

By continually presenting new partners, for example, those who create and will create revenues and cash flow together with us.

How do I go about buying C Technologies stock if I live in the US?

Contact one of the large stockbrokers and state that the company's share is traded on Stockholmsbörsen (Stockholm Stock Exchange) with a so-called ticker "CTEC" (subsequent to the proposed change of name: "ANOT").

When will the Group achieve positive cash flow?

We have communicated that we forecast positive cash flow for the Group in the first half of 2003.

Where can I get hold of the latest financial information on C Technologies?

All financial information is presented on our website, www.ctrtechnologies.se, and subsequent to the proposed change of name, www.anoto.com. The website is updated continuously, also with information other than purely financial. In 2002 interim reports will be published on the following dates: Q1: April 24, Q2: August 22 and Q3: October 30.

What does your business model look like, that is, how do you make money?

We refer to page 16, the section covering Revenue model.

Why are you changing the name?

There are several reasons, including the fact that the company's focus is on *Anoto*. But also as a natural consequence of the market's view of the Group as being almost synonymous with *Anoto*, both in terms of business and basis of valuation.

What is happening to C Technologies and WeSpot?

C Technologies is focusing on its new partnership strategy implying few but profitable market channels and will be launching two new products – C-Pen 10 and BzMate – during the year. The aim is to achieve positive cash flow in the first half of 2002.

WeSpot is planning to raise capital in parallel with technical and commercial development, which in 2002 is expected to result in further contracts with customers and start of production.

FIVE-YEAR SUMMARY

Income statements in summary

Amounts in SEK 000	1997 ¹⁾	1998 ¹⁾	1999 ¹⁾	2000 ¹⁾	2001
Net sales	—	2 305	49 115	80 014	156 204
Gross profit/loss	—	863	14 892	-4 517	14 698
Depreciation of intangible fixed assets	—	-126	-1 006	-1 757	-10 809
Depreciation of tangible fixed assets	-38	-389	-1 647	-4 233	-12 735
Operating loss	-6 449	-23 170	-55 252	-220 993	-596 383
Profit from participation in Group companies	—	—	30 771	27 638	68 210
Other financial items	-108	-2 096	-468	10 935	7 938
Loss after net financial items	-6 557	-25 266	-24 949	-182 420	-520 235
Taxes	—	—	-37	-47	-488
Minority share	—	—	105	13 359	80 042
Net loss	-6 557	-25 266	-24 881	-169 108	-440 681

Balance sheets in summary

Amounts in SEK 000	1997.12.31 ¹⁾	1998.12.31 ¹⁾	1999.12.31 ¹⁾	2000.12.31 ¹⁾	2001.12.31
Assets					
Intangible fixed assets	1 116	3 624	7 970	19 307	432 366
Tangible fixed assets	328	2 003	5 234	20 495	48 531
Financial fixed assets	—	—	—	1 939	1 982
Total fixed assets	1 444	5 627	13 204	41 741	482 879
Inventories	—	1 132	2 561	24 795	46 949
Accounts receivable	—	1 025	16 424	26 424	30 826
Other current assets	849	1 909	5 979	21 851	33 613
Liquid assets and investments	7 542	44 356	30 621	421 206	368 313
Total current assets	8 391	48 422	55 585	494 276	479 701
Total assets	9 835	54 049	68 789	536 017	962 580
Shareholders' equity and liabilities					
Share capital	5 026	42 521	15 000	438 489	798 963
Minority interest	—	—	2 767	12 139	2 568
Provisions					
Non-interest bearing	—	176	1 047	3 061	3 001
Long-term liabilities					
Non-interest bearing	—	185	39	52	94
Interest bearing	1 821	1 817	4 383	417	5 000
Current liabilities					
Non-interest bearing	2 671	6 646	22 297	80 192	152 537
Interest bearing	317	2 704	23 256	1 667	417
Total liabilities	4 809	11 528	51 022	85 389	161 049
Total shareholders' equity and liabilities	9 835	54 049	68 789	536 017	962 580

Cash flow statements in summary

Amounts in SEK 000	1997 ¹⁾	1998 ¹⁾	1999 ¹⁾	2000 ¹⁾	2001
Operating loss before depreciation	- 6 411	- 22 655	- 52 599	- 215 003	-572 841
Non liquidity-affecting income/expenses	—	176	939	1 967	- 548
Changes in operating funds	3 434	3 146	15 305	- 11 800	32 777
Cash flow from current activities	- 2 977	- 19 333	- 36 355	- 224 836	- 540 612
Cash flow from investment activities	- 1 385	- 4 697	- 10 231	- 34 526	- 83 379
Cash flow before financing	- 4 362	- 24 030	- 46 586	- 259 362	- 623 991
Cash flow from financing activities	11 902	60 843	32 851	649 947	571 098
Cash flow for the year	7 540	36 813	- 13 735	390 585	- 52 893

Key ratios

	1997 ¹⁾	1998 ¹⁾	1999 ¹⁾	2000 ¹⁾	2001
Sales growth, %	n/a	n/a	2 031	63	95
Gross margin, %	n/a	37	30	neg	9
Operating margin, %	n/a	neg	neg	neg	neg
Profit margin, %	n/a	neg	neg	neg	neg
Capital employed, SEK 000	7 164	47 042	26 406	452 712	806 948
Return on capital employed, %	neg	neg	neg	neg	neg
Return on shareholders' equity, %	neg	neg	neg	neg	neg
Share of risk-bearing capital, %	51	79	26	84	83
Equity/assets ratio, %	51	79	26	84	83
Net debt/equity ratio, multiple	- 1.08	- 0.94	- 1.24	- 0.93	- 0.45
Interest coverage ratio, multiple	- 7.9	- 9.4	- 24.0	- 153.7	- 399.5
Net debt, SEK 000	- 5 404	- 39 835	- 21 982	- 419 122	- 362 896
Average number of employees	6	20	48	107	299
Sales per employee, SEK 000	n/a	115	1 023	748	522
Salaries and remuneration, including social security costs, SEK 000	2 149	9 910	23 358	73 114	242 754
(of which pension premiums)	15	500	1 023	4 535	23 252

For definitions see page 53.

1) Regarding 1997–2000 after adjustments due to effects owing to change of accounting principle with regard to R&D costs, implying that development costs are carried as a continuous expense in accordance with the Swedish Financial Accounting Standards Council Recommendation 15 (RR15).

DIRECTORS' REPORT

The Board of Directors and Chief Executive Officer of C Technologies AB (publ.) herewith submit the Annual Report and consolidated accounts for the financial year January 1, 2001–December 31, 2001.

Operations

C Technologies is an innovative hi-tech company within the fields of digital camera technology, image processing and digital pens. The Company is today best known for its subsidiary *Anoto*, whose operations were announced in April 2000. *Anoto* has in a short time created a global de-facto standard that unites pen and paper with the digital world.

The technology presented by *Anoto* enables handwritten e-mails, SMS and electronic orders to be transmitted directly from paper by use of a digital pen. The initial products with *Anoto* functionality will be available on the market in the second quarter 2002.

In 2001 *Anoto* signed a significant number of collaboration agreements of strategic importance for the establishment of the global de-facto standard for paper-based digital communication and the Company's long-term commercial growth. Among these agreements, comprising all key markets on which the *Anoto* concept is focusing, Sony Ericsson, Europolitan Vodafone, Telefónica Móviles and Hitachi should be particularly emphasised. In addition to the aforementioned partners, further *Anoto* agreements are underway, which on request by the respective partners, for the time being will remain confidential for reasons of secrecy and competition.

Anoto has during the past year established a wholly-owned subsidiary in Hong Kong, *Anoto Ltd*, in addition to the existing subsidiaries in the U.S. and Japan.

The Parent Company's products, of which the reading pen C-Pen is best known, are based on the integration of digital camera technology with advanced image processing in products with low energy consumption and high speed processing. Since the end of 1998 the Company has established its technology platform in the global market through licensing and OEM partnerships and sales of proprietary products.

In 2001 a change of the Parent Company's marketing strategy was initiated and implemented. It is now focusing on commercial collaboration with a limited number of partners, implying fewer but more powerful market channels and a significant risk reduction for the Company. As part of this process, operations at the American subsidiary C Technologies US, Inc. were closed. The new marketing strategy was substantiated by C Technologies obtaining its largest order to date from the Korean partner Fusion

Road, corresponding to an estimated market value of SEK 60 million in the first half of 2002, involving delivery of C-Pen adapted to the Korean market. During the year a significant order was also secured with C Channel regarding a customised C-Pen for the Swiss banking market.

By cooperating with world leading laptop producer Acer, C Technologies in 2001 approached the highly prioritised PC market. The cooperation regards the launch of the new product "Bz-Mate" (previously presented under the name "Magic Stick"), belonging in the notebook computers category. Bz-Mate is a further development of the reading pen C-Pen, equipped with e.g. a digital camera and Bluetooth™ functionality. Acer's high-end PC notebooks will include Bz-Mate, which works as a wireless scanning device that captures text and photos and as an optical wireless mouse.

The subsidiary WeSpot is developing applications based on so-called intelligent camera technology, advanced digital image processing and the Company's proprietary ASIC-chip. WeSpot has in the past year signed its first two commercial contracts with US-based Overhead Door Corporation (part of Japanese Sanwa Group) regarding a passage control application, and with Sweden-based Attendo Senior Care AB for a surveillance camera application for the geriatric care market. In addition an agreement was signed with Nasdaq-traded Visionics regarding a surveillance system intended for identification of objects.

The Group

At the end of the fourth quarter it was resolved to effectuate, as at December 31, 2001, an intra-group restructuring implying that the greater part of the assets and liabilities in the Parent Company were assigned, as at the above mentioned date, to the wholly-owned subsidiary C Technologies Intressenter AB which at the same time took over the main part of the Parent Company's employees.

The assignment of assets and liabilities was effectuated at book value and formed part of a process aimed at creating a more distinct group structure, whereby the Parent Company C Technologies AB in future will assume the role of solely a holding company with a limited number of group functions. The operating units are subsequent to this transaction working as wholly or partly owned subsidiaries.

At the Annual General Meeting on April 24, 2002 the Board intends to propose that the Parent Company's name be changed to *Anoto Group*, as a logical consequence of the world's view of the Group, reflecting where the main part of its value and future potential is estimated to be and emphasising further the main focus of the Group's business.

Organisation

The headcount within the Group rose from 180 to 302 over the period, corresponding to an increase of 68%. This increase reflects a major build-up of the subsidiary *Anoto* and the resolved and effectuated downsizing of the Parent Company's organisation at the end of the fourth quarter. Parallel to the latter, a significant number of employees were transferred from the Parent Company to *Anoto* as a result of the Group's priority on *Anoto*.

Sales and results

Net sales for the period were SEK 156 million in comparison with SEK 80 million for the previous year, an increase of 95%. Of this, 97% (100%) is attributable to the Parent Company. 69% (67%) of sales is attributable to C-Pen, while the remainder refers to contracted consulting services, licenses and component sales. C-Pen sales consequently grew by 100%.

The operating loss for the period was SEK -596 (-221) million reflecting the planned substantial investments made primarily in the subsidiary *Anoto* to meet market responses and expectations on future technologies and products, resulting in *Anoto* developing, according to plan, the first generation of a technology platform regarding pen and server.

The Group's loss includes charges of SEK 19 million for the above mentioned staff reductions and the changed marketing strategy in the Parent Company.

Financing, liquidity and cash flow

Ericsson during the period exercised its remaining option to increase its holding in the Group's subsidiary *Anoto* to 30% via a directed new share issue which raised just over SEK 88 million for *Anoto*. This directed new share issue produced a Group profit of just over SEK 49 million after taking the minority holding into consideration.

In the fourth quarter the Parent Company acquired Ericsson's thirty percent stake in *Anoto* via a non-cash issue, whereby Ericsson received just over 13,8 million shares in C Technologies AB in payment. By the transaction *Anoto* was made a wholly-owned subsidiary. This acquisition resulted in an item for goodwill on consolidation amounting to SEK 381 million.

In connection with and on the terms stipulated for the above-mentioned non-cash issue, a new share issue directed at primarily Swedish and international investors, was implemented. The issue provided SEK 438 million after issue expenses.

The subsidiary WeSpot during the period carried out a number of directed new share issues, raising a total of SEK

25 million. In addition WeSpot was provided with fully SEK 4 million via a new share issue in relation to utilisation of warrants and SEK 5 million through a convertible debenture. The directed new share issues at minority holders in WeSpot during the year resulted in a Group profit of SEK 19 million.

C Technologies AB's holding in WeSpot as at December 31, 2001 was 54,7%.

At year-end the Group's liquid assets, including short-term investments, were SEK 368 million compared to SEK 421 million on December 31, 2000. These liquid assets are estimated to meet all capital requirements until operations in *Anoto* and C Technologies generate positive cash flow. As for WeSpot, activities for funding in 2002 are being planned.

Shareholders' equity amounted to SEK 799 million at year-end, compared to SEK 438 million on December 31, 2000, corresponding to an equity assets ratio of 83% (84%).

The Company's cash flow before funding amounted to SEK -624 (-259) million and for the year to SEK -53 (391) million.

Investments

Net investments in 2001 regarding capitalised expenditure for development and patents and tangible fixed assets totalled SEK 84 (35) million. In addition a consolidated goodwill of SEK 381 million arose in connection with the Parent Company's acquisition of the outstanding minority share in the subsidiary *Anoto*.

Research and development

Research and development in the Group is aimed at further developing skills in the integration of electronic hardware and software in digital camera technology to produce computerised image processing products. As a result of this work, opportunities to strengthen intellectual property by submitting patent applications are created continuously.

The Group submitted a total of 183 new patent applications during the period, of which 8 by the Parent Company, 165 by the subsidiary *Anoto* and 10 by the subsidiary WeSpot. In addition the Parent Company has obtained one patent. At year-end the total number of patent applications was 396, of which *Anoto* had applied for 256, the Parent Company for 122 and WeSpot for 18. At the end of the period eleven patents had been granted.

33% (38%) of the Group's costs are attributable to research and development.

Description of the Board's work

The Board of C Technologies AB has had nine recorded meetings in total during the year. In addition there has been a large number of contacts between the Company and its Board Members. Throughout the year there have been rules of procedure for the Board, as well as instructions for the President.

The Board Members have continuously received written information regarding the Company's operations, economic and financial position and anything else of importance to the Company.

The following committees have worked during the year: A Nomination Committee (preparation of proposals regarding board members), a Compensation Committee (preparation and decisions for remuneration to management) and an Audit Committee (for continuous discussions with the Company's auditors). All committees have given an account of their work to the entire Board.

Evaluation of the Board's works is made once a year.

Significant events after December 31

- The subsidiary *Anoto* entered a strategic alliance with Microsoft®, implying that *Anoto* will adapt its platform to the Microsoft® .NET Platform, thereby providing developers with the possibility to create a new generation of pen-based digital web services.

The agreement also comprises integration with Microsoft® Windows and Microsoft® Office. The agreements with Microsoft® specifically implies that:

- Developers at Microsoft® can develop new applications and services by use of the *Anoto* Application Development Kit (ADK) for .NET using Visual Studio.NET;
- The pen is integrated and will automatically be installed in Windows® XP and future operating systems;
- Information generated by the pen can be used and enhanced directly by Microsoft® Office;
- *Anoto's* profit sharing business model for telecom can also be applied to the PC industry.

- *Anoto* has entered an agreement with Logitech, world-leading producer of PC accessories. Logitech will manufacture and sell digital pens with *Anoto* functionality for the PC environment. By using digital pens and paper with *Anoto* functionality, the user will be able to send handwritten information directly to the PC and use pen and paper with the most common PC applications.

Logitech plans to introduce digital pens with *Anoto* functionality later this year. In view of this introduction Logitech has entered strategic relationships with existing *Anoto* partners including 3M Post-It® Notes, MeadWestvaco, Groupe Hamelin and Time/system International.

The Company estimates that Logitech's market launch will provide *Anoto* with pen license incomes ranging between a total of SEK 40 and 80 million in 2002 and 2003.

- *Anoto* widens its venture in the Japanese market by forming a new company, *Anoto Communications Ltd* for the coming introduction of the *Anoto* concept in Japan. The new company will form a consortium consisting of a large group of industrial partners. The consortium will establish the *Anoto* de-facto standard and function as platform for the market introduction in Japan in 2002–2003.

- The Extraordinary General Meeting on January 16, 2002 resolved, in accordance with the proposals submitted by the Board, the following:

- To issue a maximum of 5 170 714 debentures with detachable warrants. The warrants shall be used in connection with an offer directed at holders of stock options in the subsidiary *Anoto*, entitling the holders, if accepted, to exchanges these shares for shares in C Technologies AB, in connection with subscription for shares in *Anoto*, in accordance with the same exchange ratio that was applied when the Parent Company acquired Ericsson's minority share in *Anoto* at the end of 2001, implying that 8,1915 shares in *Anoto* will correspond to one share in C Technologies AB.
- That the Board be authorised to resolve to issue a maximum of 4 800 000 debentures with detachable warrants, each conferring the holder with the right to subscribe for one new share in C Technologies AB. The warrants shall be utilised for an optional salary relinquishment program directed at employees in the Parent Company and wholly-owned subsidiaries, whereby a salary cut for a maximum period of 18 months will entitle the employee to acquire said warrants at market price. Warrant terms of two or three years apply.

Outlook for 2002

Anoto

Following the heavy focus on development in 2001, and the completion and delivery of both server systems and the first generation of the digital pen and digital paper as scheduled, *Anoto* will in 2002 gradually enter the commercial phase. Income in 2002 will be predominated by the development tool for new services (ADK), server software and new pen licenses. Profit sharing will also generate income, but it is estimated that this source of income will represent a minor part in 2002 and sustain added growth over the years, becoming increasingly predominant.

One of the objectives this year is to establish further agreements with leading pen partners in the telecom and PC industries and have an estimated five to ten operators with pen-based services operating before the end of this year.

In parallel the effects of a far-reaching cost-cutting program implemented in the second half of 2001 are realised. The result will bring costs in line with previous forecasts, implying monthly costs as from the second quarter 2002

of approx. SEK 25 million. Cost reductions were effectuated with development resources intact.

The previous forecast outlining positive cash flow in the first half of 2003 remains.

C Technologies

In the first half of the year two new products will be introduced: C-Pen 10 and Bz-Mate. Both are estimated to generate both volumes and better margins than previous product generations and also contribute to the aim of doubling volumes in 2002. These launches, in combination with the implementation of the cost effective partnership strategy, have to date proved positive, resulting in the forecast for positive cash flow in the first half of 2002 to be maintained. Continued product and sales cooperation with Sony Ericsson with regard to camera modules for mobile phones is also expected.

The significant adjustment of the workforce effectuated in the fourth quarter 2001 as well as synergies resulting from the new corporate structure imply that the gradual reduction of costs to approx. SEK 6 million per month will be met in the first quarter, which is faster than previously announced.

The Group

The Group is expected to achieve positive cash flow in the first half of 2003. Concurrently with the gradual cost reductions in Anoto and C Technologies described above, and in combination with the expected sales growth, cash flow in 2002 is estimated to improve continuously over the quarters.

SUGGESTED TREATMENT OF ACCUMULATED DEFICIT

Suggested treatment of accumulated deficit in the Parent Company (SEK):

Loss brought forward	– 39 986 000
Net loss for the year	– 167 807 518
Total	– 207 793 518

The Board and the Chief Executive Officer propose that the accumulated deficit of SEK –207 793 518 be set-off against the share premium reserve which will be reduced by the same amount.

Concerning the Group's and Parent Company's results and financial position, we refer to the statements below.

Lund, March 15, 2002

Nils Ljung
Chairman of the Board

Christer Fähræus

Urban Jansson

Örjan Johansson

Christer Johansson

Nils Rydbeck

Lars Berg

Mats Lindoff
CEO

Our audit report was completed March 15, 2002
Arthur Andersen AB

Per-Arne Pettersson
Authorised Public Accountant

CONSOLIDATED INCOME STATEMENT

Amounts in SEK 000	Note	2001	2000
Net sales	1	156 204	80 014
Costs of goods sold		– 141 506	– 84 531
Gross profit		14 698	– 4 517
Selling expenses		– 249 054	– 72 093
Administrative expenses	3, 22	– 164 077	– 60 111
Research and development expenses	22	– 202 632	– 81 345
Other operating income	4	9 163	2 862
Other operating expenses	5	– 4 481	– 5 789
Operating loss	2, 6	– 596 383	– 220 993
Income from participation in Group companies	7	68 210	27 638
Interest income		9 237	12 114
Interest expenses		– 1 299	– 1 179
Loss after financial items		– 520 235	– 182 420
Minority share		80 042	13 359
Loss before tax		– 440 193	– 169 061
Tax on profits for the year	9	– 488	– 47
Net loss for the year		– 440 681	– 169 108
Loss per share (SEK) ¹⁾		– 8.97	– 4.09
Do. after dilution (SEK) ²⁾		– 8.50	– 3.84
Number of shares, weighted annual average		49 132 068	41 340 803
Do. including current warrants		51 826 518	44 057 270

1) Loss for the year divided by weighted average number of shares for the year.

2) Loss for the year divided by the total of weighted average number of shares for the year and weighted average number of outstanding warrants for the year.

CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK	2001	2000
Cash flow from operating activities		
Loss after financial items	- 520 235	- 182 420
Adjustment for items not included in cash flow:		
Adjustments for warranty provisions	- 60	2 014
Depreciation of fixed assets	23 542	5 990
Income from participation in Group companies ¹⁾	- 68 210	- 27 638
Other financial items	- 7 938	- 10 935
Income taxes	- 488	- 47
Cash flow from operating activities before changes in operating funds	- 573 389	- 213 036
Cash flow from changes in operating funds		
Changes in operating receivables	- 16 164	- 25 872
Changes in inventories	- 22 154	- 22 234
Changes in operating liabilities	71 095	36 306
Total changes in operating funds	32 777	- 11 800
Cash flow from operating activities	- 540 612	- 224 836
Investment activities		
Capitalised expenditure for development	- 24 622	- 3 679
Patents	- 18 873	- 8 484
Goodwill ²⁾	930	- 930
Equipment and tools	- 31 343	- 19 359
Computer software	- 9 428	- 135
Long-term liabilities	- 43	- 1 939
Cash flow from investment activities	- 83 379	- 34 526
Total cash flow	- 623 991	- 259 362
Financing activities		
Interest income	9 237	12 114
Interest expenses	- 1 299	- 1 179
Change in other long-term liabilities	4 625	- 3 953
New share issues	438 338	600 054
New share issues directed at minority share holders in subsidiaries ¹⁾	120 751	35 786
Subordinated debentures	1 732	7 223
Translation differences	- 2 286	- 98
Cash flow from financing activities	571 098	649 947
Cash flow for the year	- 52 893	390 585
Liquid assets at the beginning of the year ³⁾	421 206	30 621
Liquid assets at year-end ³⁾	368 313	421 206

1) Payments at new share issues directed at minority shareholders in subsidiaries are specified under financing activities.

2) Goodwill attributable to non-cash issue is not recorded as the transaction does not result in any payment.

3) Liquid assets refer to cash, bank balance and current investments.

CONSOLIDATED BALANCE SHEET

Amounts in SEK 000	Note	Dec 31, 2001	Dec 31, 2000
Assets			
Fixed assets			
Intangible fixed assets			
Capitalised expenditure for development	10	29 978	7 056
Patents	11	27 442	11 414
Goodwill	12	374 946	837
Total intangible fixed assets		432 366	19 307
Tangible fixed assets			
Equipment and tools	13	39 169	19 667
Computer software	14	9 362	828
Total tangible fixed assets		48 531	20 495
Financial assets			
Other long-term receivables		1 982	1 939
Total financial assets		1 982	1 939
Total fixed assets		482 879	41 741
Current assets			
Inventories			
Finished products and goods for sale		46 949	24 795
Total inventories		46 949	24 795
Current receivables			
Accounts receivable		30 826	26 424
Other receivables		16 729	12 040
Prepaid expenses and accrued income	16	16 884	9 811
Total current investments		64 439	48 275
Total current receivables			
Current investments		274 473	344 232
Total current investments		274 473	344 232
Cash and bank balances		93 840	76 974
Total current assets		479 701	494 276
Total assets		962 580	536 017

Amounts in SEK 000	Note	Dec 31, 2001	Dec 31, 2000
Shareholders' equity and liabilities			
Shareholders' equity	17		
Restricted equity			
Share capital		1 531	907
Restricted reserves		1 335 133	675 874
Total restricted equity		1 336 664	676 781
Accumulated deficit			
Loss brought forward		- 97 020	- 69 184
Net loss for the year		- 440 681	- 169 108
Total accumulated deficit		- 537 701	- 238 292
Total shareholders' equity		798 963	438 489
Minority interest		2 568	12 139
Provisions			
Other provisions	18	3 001	3 061
Total provisions		3 001	3 061
Long-term liabilities			
Liabilities to credit institutions		—	417
Subordinated debentures	20, 21	5 094	52
Total long-term liabilities		5 094	469
Current liabilities			
Liabilities to credit institutions		417	1 667
Subordinated debentures	20	10	44
Accounts payable		79 234	52 116
Tax liabilities		194	9
Other liabilities		6 635	5 473
Accrued expenses and deferred income	19	66 464	22 550
Total current liabilities		152 954	81 859
Total equity and liabilities		962 580	536 017
Assets pledged	23	17 622	11 190
Contingent liabilities	24	149 307	32 000

INCOME STATEMENT, PARENT COMPANY

Amounts in SEK 000	Note	2001	2000
Net sales	1	130 598	84 811
Cost of goods sold		- 117 373	- 86 016
Gross profit		13 225	- 1 205
Selling expenses		- 79 858	- 41 499
Administrative expenses	3	- 70 969	- 44 140
Research and development expenses		- 51 653	- 33 657
Other operating income	4	16 916	1 951
Other operating expenses	5	- 3 618	- 3 000
Operating loss	2, 6	- 175 957	- 121 550
Interest income		8 613	11 492
Interest expenses		- 464	- 1 118
Loss before tax		- 167 808	- 111 176
Tax on profits for the year	8, 9	—	1 003
Net loss for the year		- 167 808	- 110 173
Loss per share (SEK) ¹⁾		- 3.42	- 2.66
Do. after dilution (SEK) ²⁾		- 3.24	- 2.50
Average number of shares		49 132 068	41 340 803
Do. including current warrants		51 826 518	44 057 270

1) Loss for the year divided by weighted average number of shares during the year.

2) Loss for the year divided by total weighted average number of shares during the year and weighted average number of outstanding warrants during the year.

CASH FLOW STATEMENT, PARENT COMPANY

Amounts in SEK 000	Note	2001	2000
Cash flow from operating activities			
Loss after financial items		- 167 808	- 111 176
Adjustment for items not included in cash flow:			
Adjustment for warranty provisions		- 3 061	2 014
Depreciation of fixed assets		8 098	4 670
Financial items		- 8 149	- 10 374
Cash flow from operating activities before changes in operating funds		- 170 920	- 114 866
Cash flow from changes in operating funds			
Changes in operating receivables		- 24 331	- 33 686
Changes in inventories		19 082	- 16 888
Changes in operating liabilities		- 41 284	- 24 227
Total changes in operating funds		- 46 533	- 74 801
Cash flow from operating activities		- 217 453	- 189 667
Investment activities			
Capitalised expenditure for development		5 355	- 3 678
Patents		4 400	- 3 247
Participations in Group companies ¹⁾		- 288 183	- 103 409
Equipment and tools		2 536	- 5 726
Computer software		- 66	- 135
Long-term liabilities		- 4 200	- 5 812
Cash flow from investment activities		- 280 158	- 122 007
Total cash flow		- 497 611	- 311 674
Financing activities			
Interest income		8 613	11 492
Interest expenses		- 464	- 1 118
Change in other long-term liabilities		- 420	- 3 973
Group contribution received		—	3 583
New share issue		438 337	600 054
Subordinated debentures		—	197
Cash flow from financing activities		446 066	610 235
Cash flow for the year		- 51 545	298 561
Liquid assets at the beginning of the year ²⁾		328 617	30 056
Liquid assets at year-end ²⁾		277 072	328 617

1) Increased participation in Group companies as a result of non-cash issue is not recorded as it has not resulted in any payment.

2) Liquid assets refer to cash, bank balance and current investments.

BALANCE SHEET, PARENT COMPANY

Amounts in SEK 000	Note	2001	2000
Assets			
Fixed assets			
Intangible fixed assets			
Capitalised expenditure for development	10	—	7 056
Patents	11	—	5 283
Total intangible fixed assets		—	12 339
Tangible fixed assets			
Equipment and tools	13	—	7 156
Computer software	14	—	828
Total tangible fixed assets		—	7 984
Financial fixed assets			
Participations in Group companies	15	766 946	131 747
Receivables from Group companies		10 012	5 812
Total financial fixed assets		776 958	137 559
Total fixed assets		776 958	157 882
Current assets			
Inventories			
Finished products and goods for sale		—	19 082
Total inventories		—	19 082
Current receivables			
Accounts receivable		—	17 632
Receivables from Group companies		77 092	26 782
Other receivables		3 279	5 650
Pre-paid expenses and accrued income	16	1 740	7 716
Total current receivables		82 111	57 780
Current investments			
Other current investments		264 590	277 232
Total current investments		264 590	277 232
Cash and bank balances		12 482	51 385
Total current assets		359 183	405 479
Total assets		1 136 141	563 361

Amounts in SEK 000	Note	2001	2000
Shareholders' equity and liabilities			
Shareholders' equity	17		
Restricted equity			
Share capital		1 531	907
Share premium reserve		1 332 771	673 286
Statutory reserve		2 057	2 057
Total restricted equity		1 336 359	676 250
Accumulated deficit			
Loss brought forward	8	– 39 986	– 55 057
Net loss for the year		– 167 808	– 110 173
Total accumulated deficit		– 207 794	– 165 230
Total shareholders' equity		1 128 565	511 020
Provisions			
Other provisions	18	—	3 061
Total provisions		—	3 061
Long-term liabilities			
Liabilities to credit institutions		—	417
Subordinated debentures	20	—	3
Total long-term liabilities		—	420
Current liabilities			
Liabilities to credit institutions		417	1 667
Accounts payable		—	30 371
Other liabilities		2 169	3 822
Subordinated debentures	20	3	10
Accrued expenses	19	4 987	12 990
Total current liabilities		7 576	48 860
Total equity and liabilities		1 136 141	563 361
Assets pledged	23	10 569	11 190
Contingent liabilities	24	94 307	32 000

VALUATION PRINCIPLES

General accounting principles

The Company follows general advice, statements and recommendations from standard-setting bodies. The accounting principles are the same as the previous year, with the exception of the Swedish Financial Accounting Standards Council Recommendation 15 (RR15), which, as at January 1, 2001, is applied by the Group. It is explained further under "Intangible assets". Adjustment of previous years has been done in accordance with the Swedish Financial Accounting Standards Council's Recommendation 5 (RR5). The Swedish Financial Accounting Standards Council's Recommendations RR1:00 and RR17 as well as RR15 have been applied in advance as of the financial year 2001.

Consolidated accounts

The consolidated accounts include the parent company C Technologies AB and those companies in which the parent company, directly or indirectly, at year-end owns more than 50% of the voting rights.

The consolidated accounts are drawn up in line with the acquisition method. This implies that assets and liabilities of acquired companies are shown at the market value according to established acquisition analysis. Should the acquisition value of shares in subsidiaries exceed the estimated value of the company's net assets according to the acquisition analysis, the difference will be made up of Group goodwill, written off over an estimated time of economic life. Deferred tax is calculated at 28% of the difference between estimated market value of assets and liabilities and taxable residual value to that which the difference does not make up of the untaxed reserves. Only profits occurring after the time of acquisition are included in the Group's profits and shareholders' equity.

Internal sales, internal profits and internal transactions in the Group are eliminated from the Group's accounts.

Minority shares in subsidiary profits and shareholders' equity are eliminated from the Group's accounts.

C Technologies AB applies the current method of translating foreign subsidiaries' accounts. This means that all the subsidiaries assets and liabilities are translated according to the closing day rate, whereas items in the income statement are translated at the average rate. The translation differences that occur are partly an effect of the difference between the income statement's average rates and the closing day's rates at the end of the year and partly due to net assets being translated at different rates at year end compared to at the beginning of the year. The translation rate differences are not carried over to the income statement but directly to shareholders' equity.

Income statement

Income is booked principally when all risks and rights associated with the assignment have been transferred to the buyer, normally in conjunction with delivery.

Intangible assets

Effective as at January 1, 2001 the Swedish Financial Accounting Standards Council principle 15 (RR15) is applied by the Company. RR15 implies in brief that expenses for development of new products are recorded as assets only if these expenses in all probability will generate future income. The fact that RR15 is applied by C Technologies implies that expenses are not recorded as an asset until the new product enters the industrialisation phase. All costs prior to this are carried as a continuous expense. Depreciation plans based on an economic life of five years are started as from market introduction of the respective product. Capitalised expenditure for patents and brand names are managed correspondingly, with depreciation plans of ten years. No market expenses have been capitalised.

Depreciation according to plan

Depreciation according to plan is based upon acquisition value and estimated economic life of the assets, with consideration to the following depreciation periods:

Patents	10 years
Goodwill	10 years ¹⁾
Development expenses	5 years
Equipment and tools	5 years
Computer equipment and software	3 years ²⁾
Leasehold improvements	2–5 years ³⁾

- 1) Goodwill on consolidation resulted from the non-cash issue in 2001 when the outstanding minority share in the subsidiary *Anoto* was acquired. The adopted depreciation period (10 years) is motivated primarily by the extent and contents of *Anoto's* patents, the scope of the company's agreements and partnerships and the value put on *Anoto* in connection with the said non-cash issue.
- 2) Capitalised computer software concerns CAD programs of significant importance for current product development work.
- 3) Straight-line depreciation is carried out through the duration of the respective leasing contracts, varying between two-five years.

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are translated at the closing day rates, at which time unrealised exchanged gains and losses are carried directly against the profits for the year.

Accounts receivable

Accounts receivable are shown as net after provision for bad debts. Provisions for bad debts are based on individual calculations made with regard to expected bad debt losses.

Inventories

Inventories consisting of finished products and critical components have been valued at the lowest of acquisition value according to the first-in first-out principle (FIFO) and real value (lowest value principle).

Pensions

All pension commitments have been taken over by insurance companies.

NOTES – Amounts in SEK 000 unless otherwise stated. TSEK stands for SEK 000.

Note 1 Sales

The Group's sales per operating unit and market in 2001 were:

	C Technologies	Anoto	WeSpot	Total
Sweden	69 613	2 259	310	72 182
Other EU	24 929	774	43	25 746
USA	25 888	674	568	27 130
Other	31 146	—	—	31 146
Total	151 576	3 707	921	156 204

The Parent Company's sales to subsidiaries totalled TSEK 4 567 (19 318).

Note 2 Employees

	2001		2000	
	Employees	Of which male	Employees	Of which male
The Group	299	176	107	94
of which Parent Company	98	84	62	55

	2001		2000	
	The Board, CEO and Deputy CEO	Other employees	The Board, CEO and Deputy CEO	Other employees
Salaries and other remuneration				
The Group	10 159	160 848	5 919	46 401
of which Parent Company	2 280	49 386	2 050	26 322

	2001		2000	
	Social security	Pension costs	Social security	Pension costs
Social security and pension costs				
The Group	48 495	23 252	16 259	4 535
whereof Board, CEO and deputy CEO	1 541	827	1 099	663
Parent Company	15 163	5 251	9 317	1 890
whereof Board, CEO and deputy CEO	748	185	702	306

Remuneration to CEO Mats Lindoff during the period totalled TSEK 1 680. He also received the benefit of a free car and certain other benefits. The period of notice given by the Company is twelve months and by the CEO 6 months. The maximum period of notice for other senior executives is six months.

In accordance with the resolution by the general meeting of shareholders the Chairman of the Board received TSEK 150 and other members TSEK 75 in remuneration for 2001. Board Members Örjan Johansson and Christer Johansson carried out fee-based consulting services via their own companies for C Technologies AB and Anoto AB. Fees to Örjan Johansson totalled TSEK 2 450 in respect of Anoto AB and TSEK 50 in respect of C Technologies AB and to Christer Johansson TSEK 1 616 and TSEK 80 respectively.

Apart from the above stated periods of notice no commitments with regard to pensions or corresponding, neither for Members of the Board nor for other senior executives, were made.

Note 3 Auditors' remuneration

Remuneration to auditors has charged the profits for the year by:

	2001		2000	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Auditing				
Andersen	415	816	335	410
Other assignments				
Andersen	1 883	3 090	2 379	2 383
Öhrlings PricewaterhouseCoopers	1 834	1 834	—	—
KPMG	188	188	—	—
Total	4 320	5 928	2 714	2 793

Auditing assignments refer to the auditing of the annual report, the accounts and the administration by the Board of Directors and the CEO. Auditing assignments also include what the Company's auditors are required to perform, advise on, or other contributions resulting from observations made during this auditing work or while carrying out these assignments. Other assignments refer to all other activities.

Note 4 Other operating income

	2001		2000	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Exchange rate gains	8 388	8 983	1 951	2 862
Rental income	4 981	—	—	—
Other	3 547	180	—	—
Total	16 916	9 163	1 951	2 862

Note 5 Other operating expenses

	2001		2000	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Exchange rate losses	3 618	3 735	3 000	3 517
Other	—	746	—	2 272
Total	3 618	4 481	3 000	5 789

Note 6 Depreciation

Depreciation of tangible and intangible fixed assets are part of the income statement's sub-items as follows:

	2001		2000	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Selling expenses	2 207	11 567	834	1 290
Administrative expenses	1 975	4 336	955	1 173
Research and development expenses	3 916	7 639	2 881	3 527
Total	8 098	23 542	4 670	5 990

Note 7 Income from participation in Group companies

	2001	2000
	THE GROUP	
Group profit in the minority-directed new share issue in Anoto AB	49 377	23 188
Group profit in the minority-directed new share issues in WeSpot AB	18 833	4 450
Total	68 210	27 638

Note 8 Group contribution received

The Parent Company previous year received a Group contribution of TSEK 3 583 from the subsidiary C Technologies Intressenter AB. This was booked directly against shareholders' equity.

The tax effect due to Group contribution received was TSEK 1 003 in the Parent Company

Note 9 Taxes

The Group have tax losses carried forward that amounted to TSEK 120 660 until 2001's taxation. Taking 2001's tax deficit of TSEK 167 408 into account, the combined loss carried forward is TSEK 288 068 at Dec. 31, 2001. The value of these losses carried forward is TSEK 80 659. The deferred tax recoverable has not been recorded at any value in the Parent Company's balance sheet.

The Group has tax losses carried forward that amounted to TSEK 184 464 until 2001's taxation. Taking 2001's tax deficit of TSEK 548 440 into account, the combined loss carried forward is TSEK 732 904 at Dec. 31, 2001. The value of these losses carried forward is TSEK 205 213. The deferred tax recoverable has not been recorded at any value in the consolidated balance sheet. Tax on profit for the year refers to foreign subsidiaries.

Note 10 Capitalised expenditure for research and development work

	DEC 31, 2001		DEC 31, 2000	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Accumulated acquisition value				
Acquisition value brought forward in accordance with the adopted balance sheet for the previous year	58 896	87 455	34 369	37 570
Effect of changed accounting principle	- 50 790	- 79 349	- 29 942	- 33 143
Acquisition value brought forward adjusted in accordance with new accounting principle	8 106	8 106	4 427	4 427
Acquisitions for the year	13 270	24 622	3 679	3 679
Intra-group transfer Dec. 31, 2001	- 21 376	—	—	—
Accumulated acquisition value carried forward	—	32 728	8 106	8 106
Accumulated depreciation according to plan				
Depreciation brought forward in accordance with the adopted balance sheet for the previous year	- 11 854	- 11 854	- 4 853	- 4 853
Effect of changed accounting principle	10 804	10 804	4 853	4 853
Depreciation brought forward adjusted in accordance with new accounting principle	- 1 050	- 1 050	—	—
Depreciation according to plan for the year	- 1 700	- 1 700	- 1 050	- 1 050
Intra-group transfer Dec. 31, 2001	2 750	—	—	—
Accumulated depreciation carried forward	—	- 2 750	- 1 050	- 1 050
Residual value according to plan carried forward	—	29 978	7 056	7 056

In accordance with the stated accounting principles, effective as of Jan. 1, 2001, the Swedish Financial Accounting Standards Council principle 15 (RR 15) is applied by the Group. With regard to the transitional regulations of this principle a total of TSEK 68 545 (residual value according to plan) has been written down against equity of which TSEK 39 986 (residual value according to plan) regards the Parent Company.

Note 11 Patents

	DEC 31, 2001		DEC 31, 2000	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Accumulated acquisition value				
Acquisition value brought forward	6 299	12 430	3 053	3 946
Acquisitions for the year	4 864	18 780	3 246	8 484
Intra-group transfer Dec. 31, 2001	- 11 163	—	—	—
Accumulated acquisition value carried forward	—	31 210	6 299	12 430
Accumulated depreciation according to plan				
Depreciation brought forward according to adopted balance sheet for the previous year	- 1 016	- 1 016	- 403	- 403
Depreciation according to plan for the year	- 883	- 2 752	- 613	- 613
Intra-group transfer Dec. 31, 2001	1 899	—	—	—
Accumulated depreciation carried forward	—	- 3 768	- 1 016	- 1 016
Residual value according to plan carried forward	—	27 442	5 283	11 414

Note 12 Goodwill

	2001	2000
	THE GROUP	
Accumulated acquisition value		
Acquisition value brought forward	930	—
Acquisitions for the year	381 301	930
Disposal for the year	- 930	—
Accumulated acquisition value brought forward	381 301	930
Accumulated depreciation according to plan		
Depreciation brought forward	- 93	—
Disposal for the year	93	—
Depreciation according to plan for the year	- 6 355	- 93
Accumulated depreciation carried forward	- 6 355	- 93
Residual value according to plan carried forward	374 946	837

Note 13 Equipment and tools

	DEC 31, 2001		DEC 31, 2000	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Accumulated acquisition value				
Acquisition value brought forward	10 539	24 277	4 813	4 918
Acquisitions for the year	10 276	31 342	5 726	19 359
Intra-group transfer Dec. 31, 2001	- 20 815	—	—	—
Accumulated acquisition value carried forward	—	55 619	10 539	24 277
Accumulated depreciation according to plan				
Depreciation brought forward	- 3 382	- 4 609	- 1 192	- 1 192
Depreciation according to plan for the year	- 4 621	- 11 841	- 2 190	- 3 417
Intra-group transfer Dec. 31, 2001	8 003	—	—	—
Accumulated depreciation carried forward	—	- 16 450	- 3 382	- 4 609
Residual value according to plan carried forward	—	39 169	7 157	19 668

Note 14 Computer software

	DEC 31, 2001		DEC 31, 2000	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Accumulated acquisition value				
Acquisition value brought forward	2 487	2 487	2 352	2 352
Acquisitions for the year	1 201	9 428	135	135
Intra-group transfer Dec. 31, 2001	- 3 688	—	—	—
Accumulated acquisition value carried forward	—	11 915	2 487	2 487
Accumulated depreciation according to plan				
Depreciation brought forward	- 1 659	- 1 659	- 842	- 842
Depreciation according to plan for the year	- 894	- 894	- 817	- 817
Intra-group transfer Dec. 31, 2001	2 553	—	—	—
Accumulated depreciation carried forward	—	- 2 553	- 1 659	- 1 659
Residual value according to plan carried forward	—	9 362	828	828

Note 15 Participation in Group companies

	DEC. 31, 2001	DEC. 31, 2000
Opening balance	131 747	31 053
Submitted shareholders' contribution	254 827	2 362
Acquisitions for the year	381 301	102 097
Sales for the year	- 929	- 715
Opening accumulated write-downs	—	- 3 050
Closing balance	766 946	131 747

Company name	Org. Reg No.	Registered office	Total number of shares	Share of capital and voting rights, %	Shareholders' equity	Booked value
WeSpot AB	556576-5822	Lund	1 000 000	54.7	5 669	2 797
Anoto AB	556573-8811	Lund	377 764 350	100.0	67 464	725 843
C Technologies						
Intressenter AB	556586-1670	Lund	1 000	100.0	- 8 266	38 206
C Pen AB	556591-2481	Lund	1 000	100.0	99	100
						766 946

The following companies form part of C Technologies' sub-group:
C Technologies US, Inc. USA • Anoto, Inc., USA • Anoto Nippon K.K. Japan • Anoto Ltd., Hong Kong

Note 16 Prepaid expenses and accrued income

	DEC 31, 2001		DEC 31, 2000	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Prepaid rents	627	6 067	2 522	2 522
Prepaid leasing charges	14	5 106	22	22
Patent insurance premiums	—	—	858	1 624
Accrued interest income	315	333	1 637	1 745
Accrued income	—	1 020	—	—
Other	784	4 358	2 677	3 898
	1 740	16 884	7 716	9 811

Note 17 Shareholders' Equity

PARENT COMPANY						Total
	Share capital	Share premium reserve	Statutory reserve	Loss brought forward	Net loss for the year	
Equity brought forward Jan. 1, 2001 pursuant to the adopted balance sheet for the previous year	907	673 286	2 057	- 29 969	- 95 275	551 006
Effect of change of accounting principle				- 39 986		- 39 986
Equity brought forward Jan. 1, 2001 adjusted pursuant to the new accounting principle	907	673 286	2 057	- 69 955	- 95 275	511 020
Allocation of last year's loss		- 125 244		29 969	95 275	—
Exercised options March	1	974				975
Cash issue October	346	449 654				450 000
Non-cash issue October	277	346 739				347 016
Issue expenses		- 12 638				- 12 638
Net loss for the year					- 167 808	- 167 808
Equity carried forward Dec. 31, 2001	1 531	1 332 771	2 057	- 39 986	- 167 808	1 128 565

The number of shares and their nominal value have changed during the year as follows:

	Increase in number of shares	Number of shares	Nominal value/share
Registered opening balance Jan. 1, 2001		45 343 870	0.02
New share issue reg. March 9, 2001	50 000	45 393 870	0.02
New share issue reg. Dec. 3, 2001	17 307 692	62 701 562	0.02
New share issue reg. Dec. 19, 2001	13 825 339	76 526 901	0.02
Registered closing balance Dec. 31, 2001		76 526 901	0.02

THE GROUP	Share capital	Restricted reserves	Accumulated deficit	Total
Equity brought forward Jan. 1, 2001 pursuant to the adopted balance sheet for the previous year	907	675 874	- 173 726	503 055
Effect of change of accounting principle			- 68 545	- 68 545
Minority share			3 979	3 979
Equity brought forward Jan. 1, 2001 adjusted pursuant to the new accounting principle	907	675 874	- 238 292	438 489
Allocation of last year's loss		- 127 203	127 203	—
Non-cash issue	277	346 739		347 016
New share issue	346	449 654		450 000
Issue expenses		- 12 638		- 12 638
Exercised options March	1	974		975
Subordinated debentures with warrants		1 733		1 733
Minority share of items accounted against shareholders' equity in subsidiaries			- 573	- 573
Minority share of loss for the year not accounted through income statement			16 928	16 928
Translation difference ¹⁾			- 2 286	- 2 286
Net loss for the year			- 440 681	- 440 681
Equity carried forward Dec. 31, 2001	1 531	1 335 133	-537 701	798 963

¹⁾ Translation difference brought forward Jan. 1, 2001 amounts to TSEK -98 and the accumulated translation difference Dec. 31, 200 amounts to TSEK -2 384

Note 18 Other provisions

	DEC 31, 2001		DEC 31, 2000	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Guarantee provisions	—	3 001	3 061	3 061

Note 19 Accrued expenses

	DEC 31, 2001		DEC 31, 2000	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Holiday pay liability	608	12 720	2 646	4 924
Social security liabilities	1 697	7 516	1 879	3 924
Payroll tax	1 447	4 849	453	558
Staff reduction expenses	—	7 793	—	—
Marketing expenses	—	6 577	—	—
Other	1 235	27 009	8 012	13 144
	4 987	66 464	12 990	22 550

Note 20 Subordinated debentures

Within the framework of an options program, the Parent Company and certain subsidiaries have since 1998 issued different types of warrants.

On December 31, 2001 a total of 1 059 425 warrants issued in 1999 and 2000 remained in the Parent Company, each conferring the holder with the right to subscribe for one new share at a subscription price ranging from SEK 75 to SEK 300.

At the Annual General Meeting 2001 the issuance of a promissory note with a total of 1 639 225 detachable warrants to the subsidiary C Technologies Intressenter AB was authorised. These warrants form the basis of a staff warrants program directed at the Company's employees, conferring the holder of one warrant the right to subscribe for one new share in the Parent Company at a subscription price of SEK 75. These warrants may be exercised in increasing numbers every year from 2002 through 2005.

Should all outstanding warrants be exercised, the Parent Company's share capital will be increased by SEK 53 973, implying a 3.5% dilution of the current shares.

In the subsidiary Anoto AB there was, as at December 31, 2001, a total of 847 484 outstanding warrants, each conferring the holder with the right to subscribe for 50 new shares in Anoto AB at a subscription price ranging from SEK 3.20 to SEK 8.20.

In the subsidiary WeSpot AB there was, as at December 31, 2001 a total of 155 000 warrants, each conferring the holder with the right to subscribe for one new share in the company. The final day of exercising said warrants occurs between June 30, 2002–December 31, 2003 inclusive, at subscription prices ranging from SEK 50 to SEK 125.

After the turn of the year, based on authorisation granted by the Extraordinary General Meeting on January 16, 2002, a total number of 5 170 714 warrants were issued, each conferring the holder with the right to subscribe for one share in C Technologies AB. These warrants will be utilised in exchange for shares which, in accordance with the above, may be subscribed for in the subsidiary Anoto AB by exercising outstanding warrants. This exchange is based on agreements with holders of warrants in Anoto AB, whereby the said holders have undertaken to, subsequent to subscription for shares in Anoto, exchange these shares for shares in C Technologies AB. This exchange is based on the same exchange ratio that was applied to C Technologies and Anoto, underlying the non-cash issue through which the Parent Company acquired Ericsson's minority share in Anoto AB in the fourth quarter 2001.

Full utilisation of the latter implies an increase of the share capital by SEK 103 414, corresponding to a 6.8% dilution of the current shares.

At the Extraordinary General Meeting on January 16, 2002 it was further resolved to authorise the Board to issue warrants to be exercised for an optional salary relinquishment program directed at employees, whereby a salary cut for a maximum period of 18 months will entitle the employee to acquire such warrants at market price. The offer comprises a number of programs, with a lifetime of two and three years, respectively, and at a subscription price ranging from SEK 46 to SEK 136.

When the offer expires a total of 1 856 440 warrants have been acquired. Fully exercised they will imply an increase of the share capital by SEK 37 129, corresponding to a 2.4% dilution of current shares.

Note 21 Convertible debt

The subsidiary WeSpot AB has issued a convertible debt to minority shareholder Stiftelsen Industrifonden for SEK 5 000 040 at an interest rate corresponding to the Swedish official discount rate in force at the time in question. The term of the con-

vertible debt is December 31, 2003 inclusive and the conversion rate is SEK 60. At conversion the holder can consequently subscribe for 83 334 new shares in WeSpot AB, corresponding to a 4.6% dilution of the current shares in WeSpot AB

Note 22 Significant leasing costs

Pursuant to a lease agreement the Group has the use of computer equipment at a calculated acquisition value of SEK 27 941. The leasing costs in 2001 amounted to SEK 6 162. The remaining leasing costs amount to SEK 13 971 for 2002 and to SEK 7 808 for 2003.

In addition to the above-mentioned computer equipment the extent of equipment used within the scope of the lease agreement is immaterial in monetary terms.

The Group's commitment in respect of rented premises is SEK 132 495 for 2002 through 2006.

Note 23 Assets pledged

	DEC 31, 2001		DEC 31, 2000	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Blocked bank account	569	7 622	1 190	1 190
Chattel mortgages	10 000	10 000	10 000	10 000
	10 569	17 622	11 190	11 190

Note 24 Contingent liabilities

	DEC 31, 2001		DEC 31, 2000	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Purchase commitment	—	55 000	32 000	32 000
Guarantee commitment for subsidiaries	94 307	94 307	—	—
	94 307	149 307	32 000	32 000

Audit report

**To the annual general meeting of the shareholders of C Technologies AB (publ),
Corporate identity number 556532-3929**

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and chief executive officer of C Technologies AB for 2001. These accounts and the administration of the company are the responsibilities of the board of directors and the chief executive officer. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts, and the administration, based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the chief executive officer, as well as evaluating the overall presentation of information in the annual accounts and consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the chief executive officer. We also examined whether any board member or the chief executive officer has, in any other way, acted in contravention of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and, thereby, give a true and fair view of the company's and the group's financial position and results of operations, in accordance with generally accepted accounting principles in Sweden.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the accumulated deficit of the parent company be dealt with in accordance with the proposal in the directors' report and that the members of the board of directors and the chief executive officer be discharged from liability for the financial year.

Malmö, March 15, 2002
Arthur Andersen AB

Per-Arne Pettersson
Authorised Public Accountant

THE BOARD OF DIRECTORS



Nils Ljung



Örjan Johansson



Lars Berg



Christer Fåhraeus

Nils Ljung, born 1948

Chairman of the Board

Other positions: Chairman of ComMet. Board member of Anoto, Precise Biometrics, Remium and others. Board member since 1997. Shareholding: 800 000 shares in C Technologies.

Christer Fåhraeus, born 1965

Board member, Company Founder

Other positions: Board member of Anoto, WeSpot, CellaVision, Precise Biometrics, Centrecourt and Growinlife. Board member since 1996. Shareholding: 6 952 870 shares and 72 000 warrants in C Technologies and warrants in Anoto corresponding to 127 535 shares in C Technologies.

Lars Berg, born 1947

Board member

Other positions: Chairman of the Board of Net Insight, board member of Anoto, Telefónica Móviles, Eniro, Carnegie, Ratos, Schibsted, Ledstierman and others. Board member since 2000. Shareholding: 10 000 shares and 100 000 call options in C Technologies and warrants in Anoto corresponding to 152 597 shares in C Technologies.

Urban Jansson, born 1945

Board member

Other positions: Chairman of the Board of Plantagen, Proffice and others. Board member of Addtech, Anoto, Ahlstrom Corp, Pyrosequencing, SEB and others. Board member since 2000. Shareholding: 3 000 shares and 150 000 call options in C Technologies.

Christer Johansson, born 1953

Board member

Other positions: Chairman of Anoto Nippon KK and Svenska Elektronik-Förbundet. Board member of Anoto AB, Anoto Communications Ltd. Board member since 2000. Shareholding: Warrants in Anoto corresponding to 61 039 shares in C Technologies.

Örjan Johansson, born 1960

Board member

Other positions: Chairman of Anoto AB. Board member of IT Öresund, Teknopol and others. Board member since 2000. Shareholding: 122 500 shares and 350 000 call options in C Technologies and warrants in Anoto corresponding to 152 597 shares in C Technologies.

Nils Rydbeck, born 1946

Board member

Other positions: Anoto, Axis, Ericsson Technology Licensing Company, Board of NCSU School of Management. Board member since 2000. Shareholding: 5 000 shares in C Technologies.

AUDITOR

Per-Arne Pettersson, born 1959

*Authorised public accountant
Arthur Andersen AB, Malmö.
Auditor of C Technologies
since 2000.*



Christer Johansson



Nils Rydbeck



Urban Jansson

Supplementary information

- The recorded shareholding includes, where appropriate, family holding and holding via proprietary companies.
- Holders of warrants in Anoto AB have entered an agreement with C Technologies AB implying that shares subscribed for in Anoto AB based on said warrants will be exchanged simultaneously for

shares in C Technologies AB. At such an exchange one new share in C Technologies AB will correspond to 8.1915 shares in Anoto AB. This exchange ratio fully reflects the valuation basis of C Technologies AB in relation to Anoto AB in connection with the non-cash acquisition of Ericsson's minority share in Anoto AB in the fourth quarter 2001.

SENIOR EXECUTIVES

Mats Lindoff,
born 1961
CEO C Technologies AB
Employed since 2000
Shareholding: 300 shares,
127 000 warrants and
100 000 call options in
C Technologies and war-
rants in *Anoto* corres-
ponding to 152 597 shares
in C Technologies.

Christer Fåhraeus,
born 1965
CEO Anoto AB
Deputy CEO C Technologies AB
Employed since 1996
Shareholding: 6 952 870
shares and 72 000 warrants
in C Technologies and
warrants in *Anoto* corres-
ponding to 127 535 shares
in C Technologies.

Lars Holmqvist,
born 1955
CEO WeSpot AB
Employed since 1999
Shareholding: 100 000
warrants and 19 400 shares
in WeSpot AB.

Johan Boman,
born 1957
CFO
Employed since 1999
Shareholding: 84 000 shares
and 21 500 warrants in
C Technologies and
warrants in *Anoto* corres-
ponding to 12 208 shares
in C Technologies.

GLOSSARY

(everything that you never dared to ask about...)

Algorithm

A calculation method, a pattern for solving a problem.

ADK (Application Development Kit)

Anoto ADK consists of two parts, one Software Development Kit, aimed at software developers and one Graphical Design Kit, aimed at graphical designers.

The ADK development tool enables partners to develop their own applications/services based on Anoto functionality.

ARGUS™ (System-on-a-chip ASIC, see below) Is an energy-efficient, high performance micro controller and image processor for embedded systems used for example in digital pens, digital cameras and mobile phones.

ARIPOS™ (Advanced Realtime Image Processing) The Company's proprietary operating system. The trademark ARIPOS™ owned by C Technologies.

ASCII (American Standard Code of Information Interchange) De facto global standard governing how computers represent upper and lower case letters, digits and punctuation.

ASIC (Application Specific Integrated Circuit) Integrated circuit (chip) specially constructed for a specific purpose.

Bluetooth™

Data packet technology for high-speed wireless communication over short distances. Bluetooth™ is a registered trademark owned by the telephone company LM Ericsson.

BzMate

Further development of C-Pen, combining the functionality of C-Pen with a miniaturised digital camera with wireless communication (Bluetooth).

CCTV (Closed Circuit Television)

A surveillance camera system.

Chatpen™

Anoto offers hardware licenses for digital pens for, among others, mobile phone producers, who may develop and market the pens under their own names. The First digital pen on the market will be Chatpen™ from Sony Ericsson.

CommuniCam MCA-10

A digital camera connected directly to Sony Ericsson's mobile phones. CommuniCam makes it possible to send images via the mobile phone to an e-mail address or save them in a virtual photo album.

CWrite®

A program in the C-Pen enabling writing with the pen. The trademark is owned by C Technologies.

C-Pen®

Trademark owned by C Technologies AB for the company's main product C-Pen, the digital pen.

Face Recognition

Application for WeSpot camera, used to identify people by observing their faces.

GPRS (General Packet Radio Services)

European packet switched data standard, improving the mobile phones' ability to handle Internet, e-mail, traffic information, etc. The standard was originally produced for the GSM network.

Graphical e-mail and Graphical SMS

Handwritten e-mail and fax, sent directly from a paper enabling Anoto functionality. The message is sent by use of a digital pen enabling Anoto functionality, for example via a mobile phone, and is presented in the recipient's phone, fax or computer as an exact copy of the handwritten message.

i-mode

A transmission protocol for mobile data communication used in Japan.

ICR (Intelligent Character Recognition)

Computer software that interprets human handwriting.

Infrared port

A unit that handles infrared data transmission (wireless).

Intelligent Intrusion Sensor

Application for the WeSpot camera, that recognises unauthorised objects or movements and enables automatic intelligent alarms by visual identification.

IP (Internet Protocol)

The standard that defines the information units which pass between the host computers and packet switched networks which the Internet constitutes. The Internet protocol forms the foundation for packet switching via the Internet.

Reading Eye

C Technologies' name for a component which allows reading and interpretation of text and pictures.

MMS (Multimedia Messaging Services)

Service enabling messages including text, pictures, sounds and video clips to be transmitted between mobile phones.

Nurse Sensor

Application for the WeSpot camera, which is a new type of sensor for home environments, developed to create a safer environment for the elderly and disabled.

OCR (Optical Character Recognition)

A system that recognises and converts printed text into ASCII.

OEM (Original Equipment Manufacturing)

Manufacturing something which another company then sells in its own name. An OEM distributor is allowed to sell other manufacturers' products under its own name.

PICODOUS™

A cost-effective chip developed for Bluetooth™ communication.

PIR detector (Passive Infrared Detector) A device which detects movements via heat radiation.

Protocol

A set of rules and conventions for how messages are to be formatted when they are transmitted between two points of communication within a computer system or in a communication network.

SDK (Software Development Kit)

The name of the development environment which is needed in order to write programs for a certain operative system (ARIPOS for example).

Smart Door Opener

Application for the WeSpot camera to control automatic doors, at lower cost, with simplified installation, increased security and intelligent door automation with reduced energy consumption and wear.

SMS (Short Message Services)

The method used in GSM telephones for sending short text messages to mobile phones.

UMTS (Universal Mobile Telecommunications System)

Third generation mobile phone system, enabling higher data transmission speed and new services.

WAP (Wireless Application Protocol)

Transmission protocol for mobile data communication.

DEFINITIONS

Average number of employees

Average number of employees during the year.

Capital employed

Balance sheet total minus non-interest bearing provisions and liabilities, including deferred tax liabilities.

Cash flow per share

Cash flow for the year in relation to the weighted average number of shares during the year.

Earnings per share

Earnings after taxes in relation to the weighted average number of shares during the year.

Equity/assets ratio

Shareholders' equity, including minority, as a percentage of balance sheet total.

Gross margin

Gross profit as a percentage of financial year's net sales. Gross profit is defined as net sales minus cost of goods sold.

Interest coverage ratio

Profit/loss after net financial items increased by interest expenses as a percentage of interest expenses.

Net debt

Interest bearing liabilities with deductions for liquid assets and current investments.

Net debt/equity ratio

Net liabilities divided by shareholders' equity including minority.

Operating margin

Operating profit/loss after depreciation as a percentage of operation's net sales.

Profit margin

Profit/loss after net financial items as a percentage of operation's net sales.

Return on capital employed

Profit/loss after net financial items increased by interest expenses as a percentage of average capital employed.

Return on equity

The profit/loss for the year as a percentage of average shareholder's equity.

Sales growth

Increase of net sales as a percentage of previous year's net sales.

Sales per employee

Net sales in relation to the average number of employees.

Shareholders' equity per share

Shareholders' equity in relation to the number of shares at year-end.

Share of risk-bearing capital

Shareholder's equity, minority and deferred tax at year-end as a percentage of balance sheet total.

Addresses

C Technologies AB

Scheelevägen 19C
SE-223 70 Lund
Phone +46 (0)46 540 10 00
Fax +46 (0)46 540 10 01

Anoto AB

Scheelevägen 19C
SE-223 70 Lund
Phone +46 (0)46 540 12 00
Fax +46 (0)46 540 12 02

WeSpot AB

Scheelevägen 19C
SE-223 70 Lund
Phone +46 (0)46 540 14 00
Fax +46 (0)46-540 14 02

Anoto Ltd.

3606, Two Exchange Square
8 Connaught Place
Central, Hong Kong
Phone +852 2801 0188
Fax +852 2801 0123

Anoto AB

Mäster Samuelsgatan 56,
3rd floor
SE-111 21 Stockholm
Phone +46 (08) 410 78 500
Fax +46 (08) 410 78 501 (02)
www.anotogroup.com

Anoto Inc.

470 Totten Pond Road
Waltham, MA 02451
USA
Phone +1-781 622 3988
Fax +1-781 890 3361

Anoto Nippon K.K

7F Dai-3 Nishi Aoyama Bldg,
1-8-1 Shibuya, Shibuya-ku,
Tokyo, Japan 150-0002
Phone +81 (0)3-5774-1212
Fax +81 (0)3-5774-1211