

Anoto Group AB



shareholders@anoto.com
Annual report 2002

Yes

No

Yes

Send

ANOTO GROUP AB

Anoto Group AB is a Swedish high-tech company with unique solutions for transmission of handwritten text from paper to digital media, scanning of printed text and intelligent camera surveillance. All products are based on digital camera technology and image processing in real time. The Anoto Group today has three brand names: *Anoto*® – a comprehensive solution entailing paper, pen and server technologies, allowing us to connect all types of writing paper with 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. At the end of 2002 Anoto Group had around 220 employees, offices in Lund (head office), Stockholm, Boston, Tokyo and Hong Kong. Major shareholders are Ericsson, Capital Group and the founder Christer Fähræus. The Anoto share is traded on the O-list, Attract 40 of Stockholmsbörsen (Stockholm Stock Exchange) under the ticker ANOT. For more information: www.anotogroup.com

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Here are the figures!



Annual General Meeting

The AGM will be held at 4 p.m. on May 15, 2003 on the Company's premises at Hus Delta 3, Ideon, Scheelevägen 19C, 223 70 Lund. Shareholders wishing to attend the meeting should notify the company in one of the following ways: By phone +46 46 540 10 00, fax +46 46 540 11 90, e-mail charlotte.laveson@anoto.com, or by post to Anoto Group AB, Scheelevägen 19C, SE-223 70 Lund.

Notification should reach the company no later than Friday, May 9, 2003 at 12 noon. To participate shareholders must also be registered in the share register kept by VPC AB, the Swedish Securities Register Center, no later than May 5, 2003. Shareholders who have their shares registered with a nominee must temporarily register these shares with VPC under their own name no later than May 5, 2003.

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.



Future financial reports:
Interim Report 1: May 15, 2003
Interim Report 2: August 19, 2003
Interim Report 3: November 11, 2003
Year-end Report 2003: February 10, 2004

Year 2002 in brief

Sales rose to SEK 221 million (156m).

Loss before tax was SEK -430 million (-596m).

In October a new share issue with preferential rights valued at SEK 207 million was implemented.

Anoto initiated a strategic collaboration agreement with Microsoft®.

Sony Ericsson's Chatpen™, the first digital pen enabling Anoto functionality connected to mobile phones, was introduced in Sweden, Denmark, UK and Italy.

Logitech® io™, Personal Digital Pen, the first digital pen enabling Anoto functionality for the PC, was introduced in the US, Germany, Sweden and Austria.

Hitachi Maxell announced its intention to manufacture a digital pen enabling Anoto functionality.

C Technologies delivered Argus, the company's proprietary ASIC chip, totalling SEK 79 million and reported positive cash flow in the fourth quarter.

WeSpot™ signed further commercial agreements.

Early 2003

C Technologies receives further orders for Argus.

Nokia announces the Nokia Digital Pen, a digital pen enabling Anoto functionality.

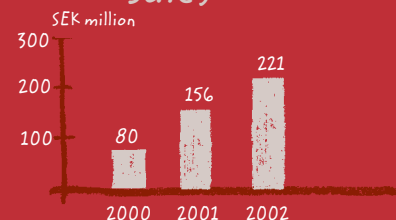
In 2002
Anoto Group
moved from
development
to sales



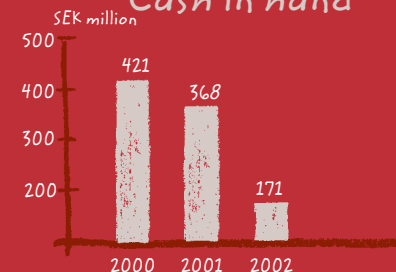
Key ratios, Group

SEK 000 (unless otherwise stated)	2002	2001	2000	1999
Net sales	220 972	156 204	80 014	49 115
Operating profit/loss	- 430 239	- 596 383	- 180 737	- 40 902
Cash flow after investment	- 197 163	- 52 893	390 585	- 13 735
Equity/assets ratio, %	78	83	84	26
Loss per share	- 5.08	- 8.97	- 4.09	- 0.77
Shareholders' equity per share, SEK	5.92	10.44	9.67	0.47
Average No. of employees	310	299	107	48

Sales



Cash in hand



2002 presented the Anoto Group with plenty of challenges. We have moved from being technology-driven and product-oriented to customer-driven and project-oriented.

WE ARE NOW EMPHASIZING ON SALES GROWTH AND IMPROVED MARGINS

The Company has now entered a commercial phase, which is beginning to show as sales are increasing. Sales rose to SEK 221 million with improved margins. Furthermore, we significantly lowered our costs in 2002.

A number of commercial agreements for Anoto

Operations in Anoto Group are focusing on creating a de facto standard for digital pens and paper. The foundation has been laid. Both Sony Ericsson and Logitech® launched their respective versions of digital pens enabling *Anoto* functionality in 2002. This year will see the introduction of digital pens enabling *Anoto* functionality by another two global players, Nokia and Hitachi Maxell. Paper and pen will in the future continue to serve as the main method to process information, whether it be writing notes, scheduling meetings in paper calendars, sending MMS or filling out forms. *Anoto* is probably the only company possessing the technology to satisfy these application areas.

In order to meet various customer needs, our operations are organized under two principal business units, Consumer Products and Infrastructure and Services, of which the latter addresses enterprises. In the consumer business our solutions seek to enhance personal efficiency, where features like user-friendliness, security and searchability are of vital importance to achieve success. Revenues in Consumer Products are drawn mostly from non-recurrent fees in connection with pen development and royalties for every pen sold. Service revenues may gradually be playing a significant role. 2002 saw a change in priorities: having previously focused efforts primarily on telecom products we are now also committing resources to products based on PC. Commercial partnerships were concluded with Logitech®, Nokia and Hitachi Maxell.

The sole object of enterprise solutions within Infrastructure and Services is to streamline forms processing. With *Anoto* functionality a number of forms used for orders, market research, services and medical diagnoses, for instance, may automatically be transferred to enterprise IT environments by minimum use of logistics. In order to achieve effectual market penetration, *Anoto* is focusing its marketing

efforts on strategic customers. Sales are also carried out indirectly through partners. In both cases, the need for comprehensive solutions is considerable and *Anoto* has established good connections with system integrators and application developers. Revenues in enterprise solutions are drawn from non-recurring development fees, pen royalties and service fees generated by customers' use of *Anoto* functionality. In 2002 a partnership agreement was signed with Hitachi regarding development of a solution that will be sold to companies requiring reduced costs for forms processing. The solution, comprising conversion of handwritten text to digital text, will be marketed through Hitachi and *Anoto* commencing in the autumn of 2003. The agreement, which is of vital importance to *Anoto*, gives Hitachi the right to sell, distribute and integrate our products and solutions at their customers'.

Having completed the core technology, the contracts that were signed in 2002 demonstrate that customers' needs more and more drive our technology development. As a result, a clear focus for the business is created, enabling research and development to be financed partly through customers. During the second half of 2003, a minimum of six global players will have products enabling *Anoto* functionality on the market, including Logitech®, Sony Ericsson, Hitachi Maxell, Nokia and Hitachi. This progress is a guarantee for increased revenues that will bring the subsidiary *Anoto* to profit. Sales in *Anoto* for 2002 amounted to SEK 48 million.

Success for C Technologies with the Argus chip

The subsidiary C Technologies sells reading pens and its proprietary ASIC chip, Argus. In 2002 sales of pen models C-Pen® 600C, C-Pen® 800C and C-Pen® 10 were focused on prioritized distributors. C Technologies has furthermore successfully started to work up sales of customized pens for the banking market via Switzerland-based C-Channel.

The C-Pen® concept is based on text being read and translated or transmitted to a computer and the technology is highly suitable for a number of applications. Our

Read more about customer projects on pages 13 & 14



"Today we are working with fewer and larger customers."

challenges include being able to reduce production costs and making the technology even user-friendlier.

In 2002 negotiations were initiated with the leading players in translation technology, with the aim of signing agreements in 2003 regarding a cost adapted family of C-Pen® focusing on OEM and license sales.

The successful Argus sales are due to early investments in high performance and cost-efficient chips for image processing in various consumer products. The chips are for example used in clip-on cameras for mobile phones and we are aiming this year to sign agreements regarding built-in solutions for mobile phones and other camera solutions. The year-end saw a robust increase in sales and C Technologies entered 2003 with continuing high sales volumes. In Q4 positive cash flow was achieved and the Company's sales for the year amounted to about 171 million.

The final development of WeSpot's three main applications progressed well in 2002 and the company is facing a stimulating year in 2003 when the launching of all the application areas is planned. The products will be marketed through industrial partners and their distribution channels.

Outlook 2003

As a result of the fully subscribed new share issue implemented in October 2002 we strengthened our financial position. We stand on firmer ground now that we are committed to increasing sales and creating good future profits. In these efforts we are guided by continuous reductions in costs and focus on revenues, margin and cash flow.

We will continue to concentrate on major customers to establish our solutions and products in the global market. We estimate that at least four digital pens will be present on the market in 2003, that at least two major system houses will be selling systems based on Anoto functionality through their own channels, and that one or two more agreements regarding digital pens will be concluded.

Finally, let me extend my warmest thanks to all employees who did an excellent job in 2002, to all our customers who had the confidence to invest in new technology on a tough market, and to all our shareholders who continue to believe in us.

Christer Fähræus
President and CEO, Anoto Group

The Anoto Group comprises three companies, Anoto AB, C Technologies AB and WeSpot AB, whose operations are based on the same core technology.

GROUP AND ORGANIZATION

Anoto Group's vision is a world where people have access to digital communication tools adapted to suit man's natural human behaviour:

Mission

Through a strong technology platform, Anoto Group develops and commercializes products and services based on advanced image processing for a wide range of target groups.

Objectives

The Group aims to establish its technology platform in the global market, which will be achieved through licensing and OEM agreements and sales of proprietary products.

Financial objectives

The Group's overall financial objective is to have low financial risk at all times, which involves financial stability and swift actions through good liquidity and high equity ratio.

Strategies

The Group's strategy rests on a number of cornerstones:

- Focus on licensing business, based primarily on royalties generated by camera technology, pen technology, pattern licenses, server technology and revenue sharing.
- End-user specified research and development, focus on cost reductions, miniaturization and integration of the Group's core technology.
- Creating a global de facto standard for paper-based digital communication through strong partnerships with world-leading companies.

- Aggressive protection of technologies, applications and business models through patents.

Group structure

The Anoto Group comprises the subsidiaries Anoto AB and C Technologies AB, and WeSpot AB in which the Group has a 54.7 percent holding. Operations are conducted in the subsidiaries.

The various operations are based on the same core technology, which has been developed with regard to different application areas and customer segments. With separate companies, focus is increased on each business. The structure also contributes to promoting the values represented by the different operations. In addition, conditions are created for external financing and alliances. The Group's products and services address broad customer groups.

Anoto functionality is distributed globally through, among others, Anoto's subsidiaries US-based Anoto Inc., Anoto Communications Ltd and Anoto Nippon K.K. in Japan and Anoto Ltd in Hong Kong.

During the preceding year two new share issues directed at two of Anoto's strategic partners, Hitachi and Groupe Hamelin, contributed SEK 15 million and SEK 10 million.

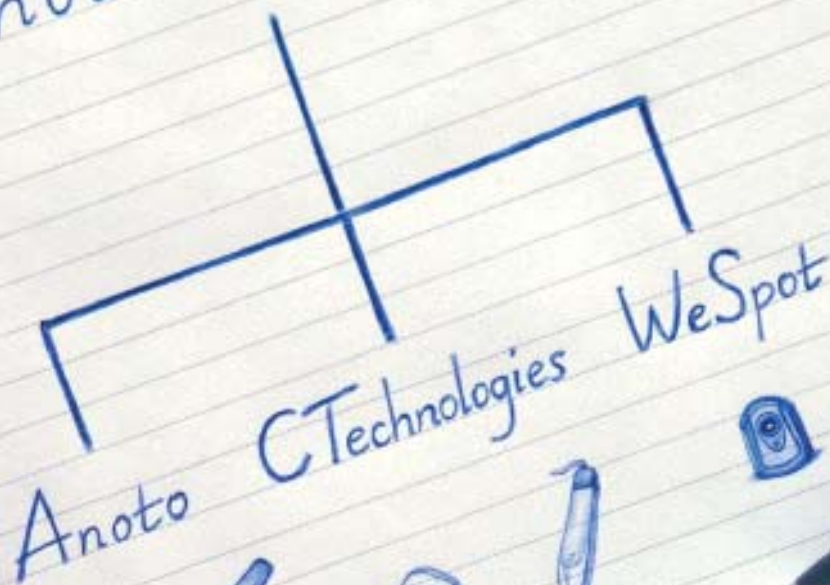
Anoto

The subsidiary Anoto combines the intuitive use of pen and paper with the communication possibilities that the digital world offers, having developed a technology and infrastructure that enable transmission and connection between handwritten text and the digital world. Anoto functionality is enabled through a proprietary pattern, a digital pen, advanced image processing and information

The four cornerstones of the strategy



Anoto Group AB



The Group's products and services address broad customer groups.

structure. The pattern, which can be printed on virtually any type of paper, is read by the digital pen, which also registers the pressure of the pen against and movement across the paper. The digital pen's advanced image processing and information structure traces the position of the pen on the paper and the service selected by the user. The functionality enables users to digitally store their handwritten notes, send e-mails, fill in forms and place electronic orders directly from the paper.

C Technologies

C Technologies is a high-tech company with mobile solutions that connect printed text directly to the digital world. Products from C Technologies enable text and pictures to be read, processed and stored. The company's

technology can be used in areas such as mobile telephony, consumer electronics and personal computers industry. There is high interest in C Technologies' system circuit Argus, the proprietary ASIC (Application Specific Integrated Circuit). Argus is an energy-efficient, high performance microcontroller and image processor, which can be used in mobile products, for example mobile phones with integrated cameras.

WeSpot

WeSpot™ is an innovation company whose business concept is to develop and commercialize novel and cost-effective intelligent camera solutions. Most areas covering digital image processing can be developed by use of the WeSpot™ Smart Camera platform.

Year 2002 was marked by the continued weakness on the global stock market, especially for shares in the IT and telecom sectors, which also impacted the Anoto Group share.

QUOTED ON THE O LIST

The Anoto Group share has been traded on Stockholmsbörsen's O list, Attract 40, since June 16, 2000 under the ticker ANOT. Prior to this the share was quoted on Nya Marknaden where it was initially listed on March 15, 2000.

Anoto Group's share capital amounts to SEK 2 071 384 distributed over 103 569 201 shares each with a nominal value of SEK 0.02. Each share entitles the holder to one vote at the AGM and an equal share of the company's assets and profits.

Share performance and turnover

During 2002 the price of the Anoto Group share fell by 68 percent, from SEK 36.50 to SEK 11.70. At the same time Affärsvärlden's general index fell by 37 percent and Stockholmsbörsen's index for the information technology segment by 79 percent. Total market value of the Anoto Group on December 31, 2002 was SEK 1 212 million.

On March 14, 2003 the share price was SEK 11.40 and the total market value SEK 1 181 million.

During 2002, 27 950 647 Anoto shares were traded on Stockholmsbörsen, corresponding to a turnover rate of 34.4 percent.

Shareholders

At the end of 2002 Anoto Group had a total of 15 120 shareholders. The ten major shareholders at that time held shares equivalent to 64 percent of the capital and voting rights, institutional investors in Sweden held 39 percent and foreign shareholders 30 percent.

Dividend policy

No dividends will be considered during the next few years. The company's future dividend policy will be adapted

to profit levels, financial position and funding requirements. Proposed dividends will be weighed against shareholders' demands for a reasonable yield and operational self-financing requirements.

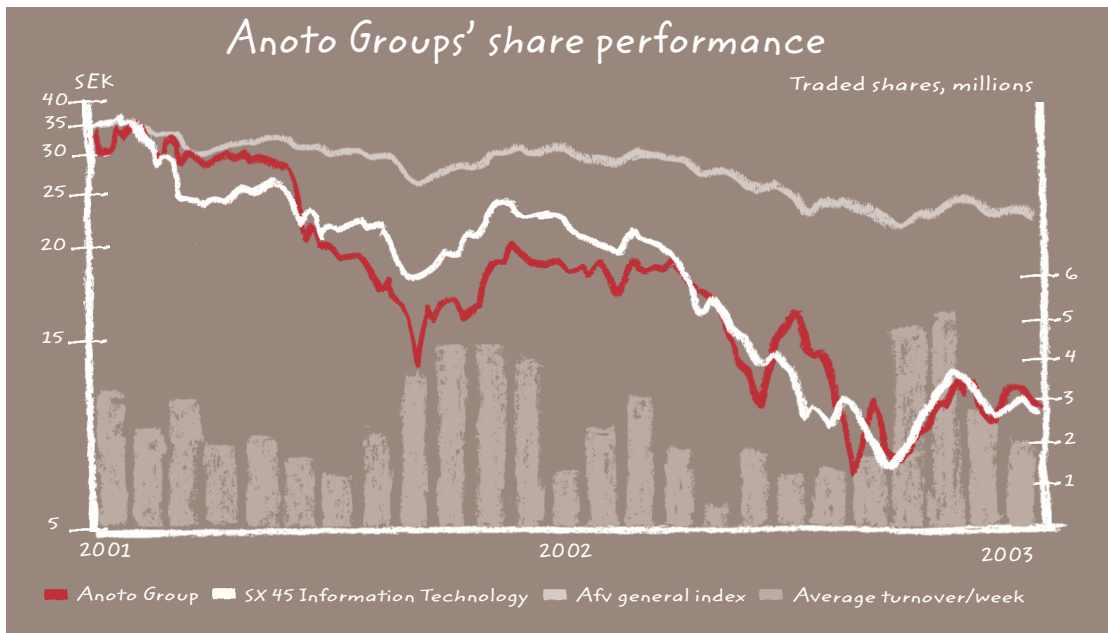
Options programs

At present there are three outstanding options programs in the Parent Company (of which one regards a so-called employee stock option program and two traditional options programs) directed at employees. These programs comprise a total of 8 666 379 subscribed options extending to between January 31, 2004 and December 15, 2005.

Full utilisation of all the subscribed options in these programs could result in the subscription of a maximum of 8 939 887 new shares, which would entail an increase of the share capital by SEK 178 798 and a dilution of capital and voting rights of 8.6 percent. The strike prices of the options within the three programs are in the interval SEK 25.40–131.80.

Analyses

Anoto Group is analysed by several banks and stockbrokers including Alfred Berg, Carnegie, Crédit Agricole Indosuez Cheuvreux Nordic, Hagströmer & Qviberg, Nordberg Capital Inc., Nordea, Remium Securities and SHB.



Data per share

	2002	2001	2000 ¹⁾
Number of shares	103 569 201	76 526 901	45 343 870
Number of outstanding options	11 977 641	2 698 650	2 602 150
Average number of shares	81 279 784	49 132 068	41 340 803
Average number of outstanding options	11 251 757	2 694 450	2 716 467
Loss per share, SEK	- 5.08	- 8.97	- 4.09
Do. incl. options, SEK	- 5.08	- 8.97	- 4.09
Cash flow for the year per share, SEK	- 2.43	- 1.08	9.45
Do. incl. options, SEK	- 2.43	- 1.08	8.87
Shareholders' equity per share, SEK	5.92	10.44	9.67
Do. incl. options, SEK	5.30	10.08	9.15

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

Ownership structure at December 31, 2002

No. of shares owned	Total number of shareholders	% of total no. of shareholders	Shares owned, total	% of share capital
1-1 000	12 081	79.9	3 630 307	3.5
1 001-10 000	2 720	18.0	7 304 509	7.1
10 001-100 000	239	1.6	6 603 473	6.4
100 001-	80	0.5	86 030 912	83.1
Total	15 120	100.0	103 569 201	100.0

Major shareholders at December 31, 2002

Name	%	Total
Ericsson	23.5	24 338 065
Capital Group	12.0	12 426 000
Christer Fähræus	6.0	6 252 870
4:e AP-fonden	4.7	4 871 794
Robur fonder	4.3	4 410 544
Skandia Carlson fonder	3.7	3 849 526
Skandia	3.2	3 300 050
Other shareholders	42.6	44 120 352
Total	100.0	103 569 201

Ownership by country

Country	%
Sweden	69.9
USA	14.5
Norway	6.5
Luxembourg	2.5
Switzerland	2.0
Other	4.6
Total	100.0

A common core technology is the platform that forms the basis for the Company's products and services. The core competence is advanced image processing in real time focusing on lens systems/cameras, image processing and digital communication.

PATENTED HIGH TECHNOLOGY

Based on the core technology, the Group's three subsidiaries develop components, products and concepts for the mobile community.

The components may, separately or integrated in a product, be marketed to target different customer groups. This is illustrated by the Group's proprietary System-on-a-chip ASIC (Application Specific Integrated Circuit) Argus, which is an energy-efficient, high performance micro controller and image processor for embedded systems. Such integrated products include C Technologies' C-Pen®, digital pens enabling Anoto functionality and WeSpot's cameras.

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

Argus II – unique circuit

October saw the launching of the second generation of Argus. The very high performance of Argus II combined with integrated image processing acceleration and communications hardware make it the perfect core of image processing systems like digital pens, digital cameras and intelligent surveillance systems. Argus II can also be integrated in other portable products such as MP3 players, Bluetooth™ products and PDAs. Products based on Argus II allow for smaller, more electricity-saving units and less expensive system solutions than before.

Focus on customized projects

In recent years the Group has moved from fundamental research and development to focusing on development within the framework of customized projects where the customer provides capital. This is a natural change, given that the basic development supporting systems and pro-

ducts has been completed. The emphasis is now on further developing the existing product portfolio and on research aimed at developing attractive services and products in cooperation with partners.

Strong patent portfolio

Anoto Group has a strong patent portfolio offering adequate protection against copying for its basic technologies. At the end of 2002 the Company had submitted 587 patent applications, of which 62 to date have been allowed, the major part of these in Sweden. Different patent authorities are still processing the remainder and it is likely that the corresponding applications for patents filed abroad will also be allowed.

Anoto's patent portfolio comprises a total of 423 patent applications, 39 of which have been allowed. The patent portfolio covers protection for the pattern, pen, infrastructure and concept.

C Technologies has submitted 129 patent applications, of which 18 have been allowed. The patent portfolio covers the basic technology for reading and interpreting text, including lens system, sensor technology, image processing, OCR interpretation and communication.

WeSpot™ has submitted a total of 35 patent applications, of which 5 have been allowed. The submitted patent applications cover distributed intelligence in surveillance cameras, image processing algorithms, door automation and remote control for defining various zones in different applications.

Anoto is undertaking long-term work to strengthen its patent portfolio. A strong patent portfolio provides Anoto with freedom of action, thereby providing a cornerstone for licensing revenues, while at the same time preventing other players from taking advantage of Anoto's investment in developing novel technology. The company aims to



Anoto Group's core competence is advanced image processing in real time.

own or hold licenses for the greater part of the essential patents covering the areas of coded paper, digital pens for reading coded paper, and infrastructure for data transmission from digital pens to servers providing services. In order to achieve this goal *Anoto* is continuously filing for patent protection of its own inventions. Efforts are also ongoing to obtain patent rights for inventions that are developed in collaboration with partners and that fall within the company's core competence area. Also the competitors' patent rights are continuously being monitored and evaluated. Where appropriate, the obtaining of a patent or license is negotiated. There is however no guarantee that *Anoto* will obtain rights for all relevant patents within the above mentioned areas.

To avoid disputes in relation to third party patent rights, *Anoto* and other group companies are pro-actively

evaluating third party patent activities. When novel technology is commercialized, it is however standard procedure for other owners of allowed patents, for reasons more or less legitimate, to claim the sole right to parts of such innovative technology. Such disputes may often be settled by negotiation, but can also result in legal actions. In view of this the company has for many years carried insurance against litigation costs and damages that may arise from, for instance, infringement of the company's patents. The insurance also covers costs with regard to disputes in respect of agreements between group companies and other parties. The Group is consequently well prepared in case of a dispute.

Anoto is the first company to establish a functionality based on and adapted to, how people actually work with pen and paper. This means that there is no need to change your natural behavior or learn a new way of working.

ANOTO

Anoto functionality unites the intuitiveness of pen and paper with the possibilities that digital communication offers. With *Anoto* functionality you can send whatever you write or draw directly to your mobile phone or personal computer, or send your handwritten notes or images directly from paper via a mobile phone or PC to any personal computer, mobile phone or data base in the world.

Anoto aims to establish a global de facto standard for paper-based digital communication.

Many application areas

The user-friendliness afforded by *Anoto* functionality allows for significant opportunities regarding personal communication as well as streamlining business activities such as forms processing, for example.

The components enabling *Anoto* functionality are *Anoto* pattern, a digital pen and infrastructure to forward the information. The pattern, which can be applied to virtually any type of paper, tracks and records the pen's pressure and movement across the paper. The advanced image processing of the pen and the infrastructure traces both the pen's position on the pattern and which service the user has chosen to activate.

Everything written on paper enabling *Anoto* functionality is stored in the digital pen. The information can then be forwarded to a mobile phone, PC or data base as e-mail, fax, MMS or other desired format.

The digital pen writes using ink, but unlike a traditional ballpoint pen, it is equipped with a digital infrared camera and an advanced image processing system. In addition the digital pen contains a communication unit.

Anoto functionality can also be applied to a multitude of application areas and industries and serve as a powerful, competitive alternative to applications in which PDAs and

ordinary pens and paper are being used. *Anoto* functionality enables calendar manufacturers to connect the calendar to the digital world. One example is synchronizing the paper calendar with the calendar functions of Microsoft Outlook® and Lotus Notes®.

In addition there are many solutions and systems to streamline the flow of forms, and major interest is expressed by companies wishing to utilize *Anoto* functionality to achieve cost reductions by streamlining e.g. information input in connection with the processing of forms.

Anoto functionality is scaleable, inexpensive and easily tailored to suit companies' specific requirements. The development kit ADK, a software enabling partners to develop their own applications by use of *Anoto* functionality, is offered to companies. The ADK is intended to facilitate speedy and extensive penetration of an array of potential application areas in logistics, inventory management and healthcare prescriptions and records.

Business model based on partnerships

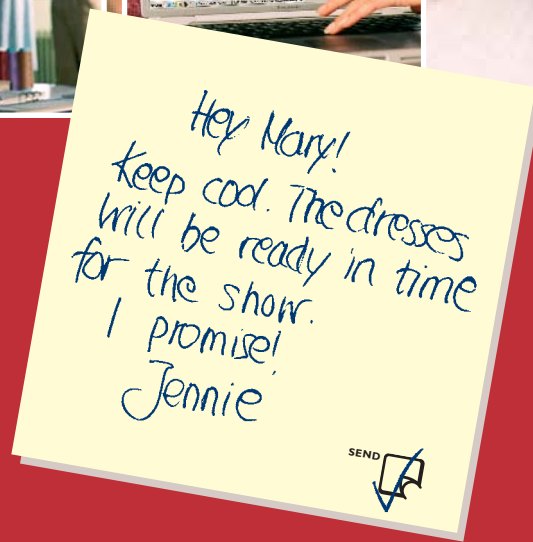
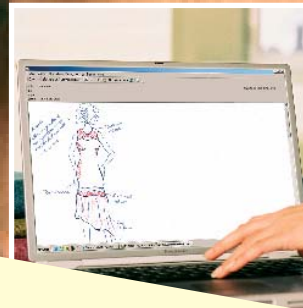
The business model that is applied by *Anoto* means that services and products are offered to end-users primarily via *Anoto's* partners. *Anoto* markets and sells products, services and service platforms to companies, which in turn enhance them and offer products enabling *Anoto* functionality to their customers.

Revenues are primarily generated through license fees for products, partner development projects and sharing of profits from services. Significant customers in 2002 were Hitachi, Logitech®, Sony Ericsson and Vodafone™ Sverige.

Two business units

Anoto's operations are organized under two business units: Infrastructure and Services, and Consumer Products.

Check out
the illustration
on page 12



This happened in 2002

- Strategic alliance was entered into with Microsoft®.
- Commercial introduction of Sony Ericsson's digital pen enabling *Anoto* functionality took place.
- Logitech® introduced a digital pen enabling *Anoto* functionality.
- Digital services enabling *Anoto* functionality was introduced on a number of markets.
- Agreements were signed with two more pen producers.

What is expected in 2003

- Digital pens enabling *Anoto* functionality by Hitachi Maxell and Nokia.
- Launching of EPLS.
- Additional system developers to launch solutions.
- Market introduction in Japan.
- Market introduction in China.
- Agreements with additional pen producers.

Business unit Infrastructure and Services focuses on customized services and products that address enterprises. Customers comprise operators, system integrators, software development companies, IT consultants and infrastructure companies who in turn provide their customers with customized solutions enabling *Anoto* functionality.

This is the case in Sweden and Italy where mobile operators Vodafone™ and TIM (Telecom Italia Mobile), offer services enabling *Anoto* functionality to private consumers and enterprises. *Anoto* has also evolved a so-called hosting solution, whereby an independent distributor provides mobile consumer and enterprise services enabling *Anoto* functionality, and *Anoto* operates the infrastructure. Mil-Com, a Danish distributor of mobile phones and accessories, was the first company to introduce this type of solution. Sysnet offers *Anoto* functionality based on the same concept in the UK.

A customized solution is offered by Medimediapro, which launched digital prescription pads enabling *Anoto* functionality for private practitioners in France. Through the OedipSystem doctors automatically get patient information stored in their computer systems.

Business unit Consumer Products focuses on developing and selling products that help people improve their productivity and communication on a daily basis. Such

products, which are offered through partners, target end-users exclusively and comprise digital pens, PC applications and applications for mobile phones. These products and solutions also serve as building stones for services and customized solutions offered by the Company's other business unit.

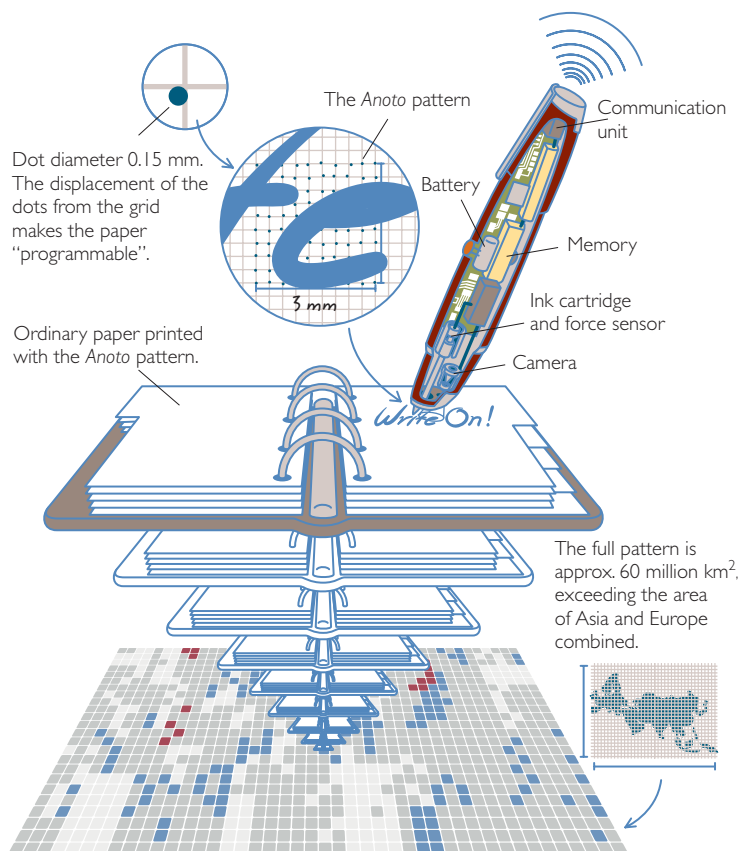
The various solutions are developed and marketed by partners in collaboration with *Anoto*. With its Logitech® io™ Personal Digital Pen, Logitech® provides a PC solution, co-operating with FranklinCovey® that makes a digital paper calendar; 3M, MeadWestvaco and Groupe Hamelin, that supply the market with digital paper products enabling *Anoto* functionality.

Sony Ericsson's solution focus on mobile applications. Nokia has announced its intention to introduce a solution focusing on both mobile and PC applications. These are also sold together with digital notebooks and paper products provided by *Anoto* partners.

Agreements with world-leading companies

Together with *Anoto*, Hitachi develops a new infrastructure service for corporate in-house solutions, EPLS (Enterprise Paper Look-up Service). The new product enables companies to create customized forms solutions enabling *Anoto* functionality within their firewalls. Hitachi

Each minute portion of the total pattern uniquely defines the pen's position. These portions can be assigned different functions and applications, such as e-mail, fax or SMS, while others can be predefined for planners, order forms, medical case records, etc.



Logitech® io™ Personal Digital Pen – Anoto functionality for PC

In the autumn of 2002 Logitech® io™ Personal Digital Pen was introduced, the first digital pen enabling Anoto functionality directly connected to a PC. Logitech® io™ Personal Digital Pen is marketed and sold in the US, Germany, Austria and Sweden. The digital pen is sold together with digital paper supplied by a number of leading paper partners: 3M, MeadWestvaco and FranklinCovey® in the US and Groupe Hamelin in Europe.

Today iScribe, FranklinCovey's digital planners enabling Anoto functionality

are sold in 175 FranklinCovey® stores all over the United States.

"The digital pen and paper market is still in its very early stages. However, digital writing is something that people have been trying to master for a number of years. If digital pens prove popular, this could easily be a triple-digit million dollar business for Logitech®", says Guerrino De Luca, CEO of Logitech®.

see page 49



Medimediapro's digital forms solutions for physicians

Medimediapro, market-leading provider of prescription pads and clinical forms, recently launched its first service enabling Anoto functionality in France. The OedipSystem is a prescription pad solution making it possible for private practitioners to easily meet expanding demands for patient record-keeping. By using the OedipSystem, a digital pen and a prescription pad enabling Anoto functionality, physicians can access a secure and timesaving method to capture and store information about their patients.

"We see healthcare applications as ideal for Anoto functionality. The medical practice is still largely paper-based, but is looking for reliable and secure methods of transferring information from paper into more sophisticated electronic systems.

Our Anoto based initiative emphasizes the major role being played by our company in helping healthcare professionals to improve their productivity and to strengthen their decision-making skills by offering innovative and user friendly services backed by cutting edge technological innovation", says Frank Bracq, CEO of Medimediapro.



Thanks to Anoto functionality Medimediapro can help physicians get more efficient.





Vodafone™ Notera Blankett streamlines enterprises

Mobile communication is much more than just talking on the phone. With the service Vodafone™ Notera Blankett, Vodafone™ customers are given the possibility to use Anoto functionality in order to streamline the processing of forms in their business activities.

Spärrservice Svenska AB is a company deriving advantage from Vodafones services.

By making one single call, private consumers and enterprises are offered to freeze all their cards, identification papers and mobile phone subscriptions in Sweden through Spärrservice Svenska AB. The company's salespersons encounter

customers in places like shopping malls. Nowadays such salespersons use agreements printed on digital paper which are completed and signed by the customers and subsequently forwarded via the salesperson's mobile phone to the company's order department. There are numerous advantages; invoices can be forwarded to customers after only one day instead of five to ten days as previously, sales statistics are improved and allow for quicker follow-up, and the company's administrative work is reduced. In addition customer satisfaction is increased since the customers swiftly and without problem can start utilizing the services.



TIM launches Anoto functionality in Italy

In December 2002 Italy's leading mobile operator, TIM (Telecom Italia Mobile), began selling My Notes by TIM, i.e. paper-based services enabling Anoto functionality. Initially services allowing handwritten text to be sent directly from paper as graphical e-mail or fax were introduced.

The Sony Ericsson Chatpen®, digital paper by Esselte® and 3M Post-it® Notes for Digital Pen, are sold in all Il Telefonino, Buffetti and Media World stores throughout Italy and via TIM's webpage. No special subscription is necessary.

"TIM is proud to be one of the first European countries to launch this service, which once again bears witness to the major role being played by our company in leading the market towards the frontiers of technological innovation. The launch has generated huge interest and we are certain that MyNotes by TIM, as innovative and user friendly as it is, will consolidate our position in Italy", says TIM's Managing Director Mauro Sentinelli.



will be using EPLS to build e-Government solutions for the processing of forms (electronic administration service in the government and local government sectors) in Japan.

In February 2002 *Anoto* entered into a strategic alliance with Microsoft®. The agreement was signed with the purpose of offering systems developers the possibility to build a new generation of pen-based digital services. It comprises *Anoto*'s adoption and incorporation of the Microsoft®.NET Platform into its technologies. The agreement also covers integration with Windows® and Microsoft® Office.

Anoto also signed a license agreement with Nokia, which has announced the development of digital pens enabling *Anoto* functionality.

Anoto of particular interest in Asia

Countries such as Japan, China and Korea, in which languages are based on characters instead of letters, are estimated to be of particular interest to *Anoto*. The digital pen and paper solve the problem of characters being difficult to input into a computer or mobile phone.

Anoto functionality in Japan

During 2002 *Anoto Communications Ltd.* was established in Japan to manage planning and development of services enabling *Anoto* functionality. *Anoto Communications* will also initiate marketing activities to enable *Anoto* functionality to penetrate the Japan market. *Anoto Nippon K.K.* will remain a wholly owned subsidiary of *Anoto AB* and continue to market and sell *Anoto*-enabled pen, paper and server technology to companies.

Anoto functionality in China

China, the largest mobile phone market in the world, is a major market showing strong growth. In December CNUC Unicom Group and Tong Fang Group formed the AiNiDo company to provide services enabling *Anoto*

functionality for the China market. The Chinese companies have provided AiNiDo with significant funds to enable development of services and products. AiNiDo will be offering services that include sending e-mails and storing handwritten notes digitally. Such services will be offered via the networks of China Mobile and China Unicom. In addition AiNiDo will be developing customized forms solutions for the China market themselves and together with third-party developers.

No competitors offering the same functionality

The company estimates that there is no other project of the same distinction as that of *Anoto*. *Anoto* is the only company offering digital services based on paper and pen. The company has an extensive patent portfolio, that offers adequate protection against copying. A few competitors developing digital pens do however exist, primarily Ipen, Vpen, Smartquill and Crosspad. The significant difference being that the technologies developed by these companies do not utilize paper enabling functionality (with a pattern), which means that a number of services enabled by *Anoto* functionality cannot be offered, or that they are very complicated to develop using present competing technologies.

Partnerships create potential

The market potential for products and services is estimated to be substantial. Virtually anyone who uses pen, paper, mobile phone and/or PC is considered as a target group for the services.

With success, *Anoto* has established commercial partnerships with world-leading companies in various strategic segments of importance. Further agreements with prominent companies are expected in the future.

C Technologies unites digital camera technology with high-speed processors and advanced image processing. C Technologies is presently one of the major providers of mobile camera technology.

C TECHNOLOGIES

C Technologies is a high-tech company focusing on mobile solutions for the digital world. C Technologies has developed a device that enables text and images to be read, processed and stored. The technology can be used in several areas such as the mobile phone, consumer electronics and personal computers industries. During the year, the company's most successful application was camera solutions for mobile phones.

Application areas

The company's technology is applicable to a multitude of areas. It is sold as single components as well as finished products.

Sales of software, hardware and applications address OEM and license customers and the customer groups include producers of mobile phones, laptop computers and PDAs.

The best-selling OEM product is the company's proprietary ASIC chip, Argus, which can be used in various mobile camera solutions for mobile phones. It has so far been integrated in cameras that are clipped onto the mobile phone.

Argus saw a commercial breakthrough in the second half of 2002. In the third and fourth quarters of 2002, C Technologies received orders for chips valued at SEK 75 million. Chip sales are yielding a good profit and will also generate royalties per unit sold to end-users.

The company's consumer products are sold under the C-Pen® brand name. The C-Pen® consists of a digital camera, processor and memory component. It is sold in two versions: Portable and Desktop. The C-Pen® reads, stores, processes and sends text to a personal computer through infrared light or by cable. When the C-Pen® is moved over printed text, a built-in image sensor registers the text and stores it in the pen's memory. The C-Pen® 600C and C-Pen® 800C can also translate, send e-mail, SMS, fax and

read bar codes. The translation function offers excellent opportunities for growth since it attracts a broad target group, from those interested in languages to business travellers and tourists.

C-Pen® 10 is the latest contribution to the C-Pen® family. The main function of the pen is to transfer printed text from paper directly to a computer. It is connected to the USB port using a cable. The pen also works as a mouse by use of buttons situated on an active mouse pad, and by simply clicking on the mouse pad one can activate programs, access the Internet and process e-mails.

In 2002 C Technologies received orders for 20 000 MyPen Light from Switzerland-based C-Channel. MyPen Light is a customized C-Pen® 10 designed for banking applications such as reading OCR numbers.

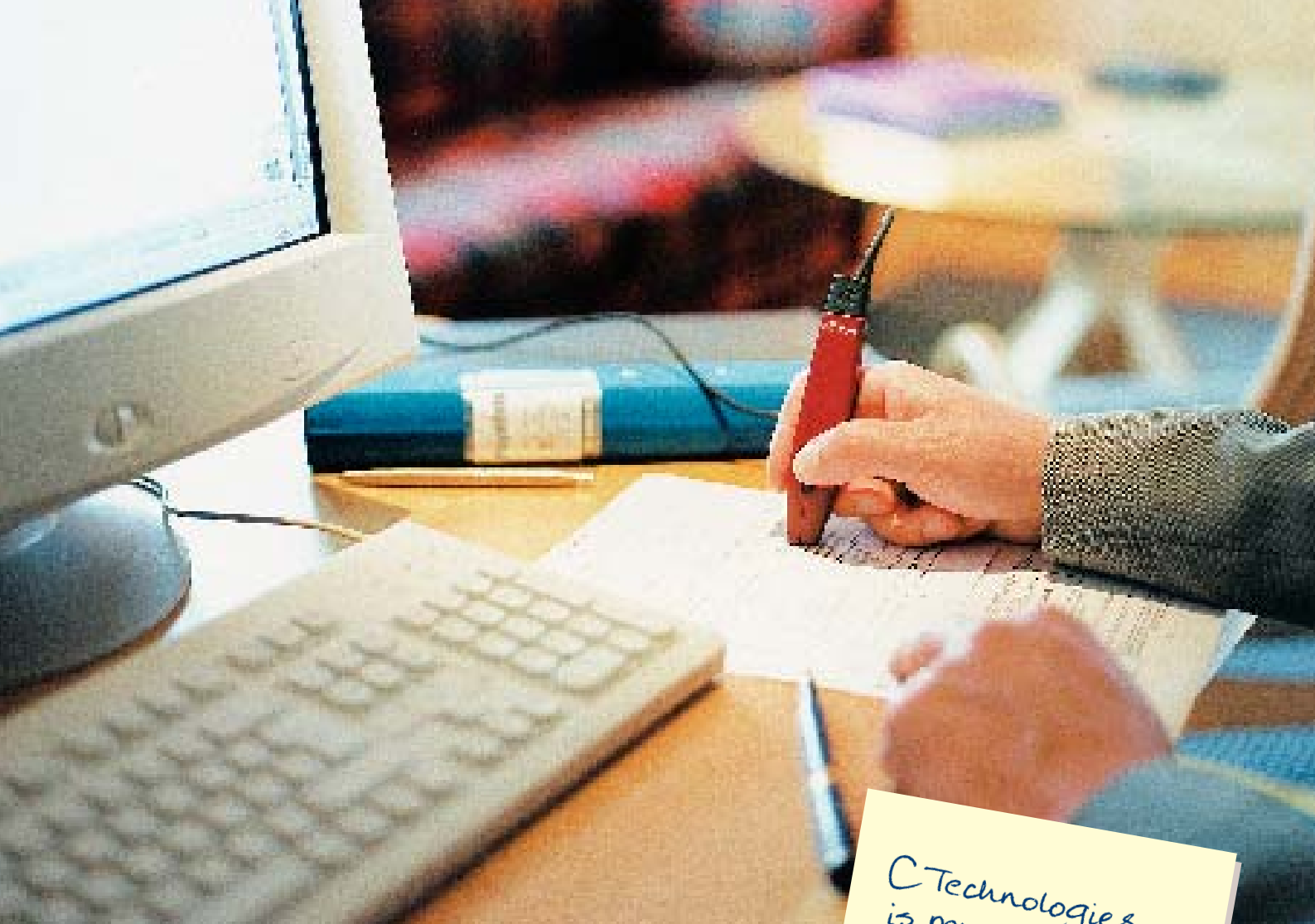
The business model focuses on license and OEM markets

C Technologies has moved from marketing its own products, above all C-Pen®, to focusing on OEM and license agreements and collaboration with distributors. Marketing and sales of the company's consumer products to end-users will primarily be carried out through distributors and retailers as well as the companies that are OEM and license customers.

Since the company's technology and software are suitable for integration in other products, it is licensed to other companies. In the case of license sales, C Technologies' partners develop products that are marketed under their own trademarks. Revenues are generated by Argus sales, development projects and royalties when products are sold to end-users.

In respect of OEM customers, C Technologies sells licenses giving customers the right to develop proprietary products based on C Technologies' existing products and technology. Also these generate royalties when sold to end-users.

Commercial breakthrough for Argus!



C Technologies
is much more
than C-Pen,
although it is
probably the
best known product.

This happened in 2002

- Proprietary ASIC chips, Argus, valued at SEK 79 million were delivered.
- C-Pen® 10, the banking pen, penetrated the market successfully, primarily in Switzerland.
- Positive cash flow in the fourth quarter.

What happens in 2003

- Further positive cash flow from C Technologies.
- Agreements with leading mobile phone manufacturers regarding proprietary ASIC chips.
- Agreements with leading companies concerning C Technologies' unique image processing technology.
- Launching of C-Pen® – MyPen Pro.



Mobile camera solutions

C Technologies delivers large amounts of clip-on camera solutions to mobile phone manufacturers. There are several ongoing parallel camera projects and the intermediate goal for C Technologies is to broaden the product portfolio further by adding additional innovative image processing solutions.

C Technologies co-operates with leading mobile phone manufacturers. The company acts mainly as provider of technology, and supplies comprehensive technical solutions, including Argus (C Technologies' proprietary integrated chip), operating systems, image processing and applications, and communication software.

C Technologies is also responsible for project management and product design in accordance with customer requirements.

"Our digital image processing solutions are leading edge. Solutions based on proprietary ASIC is a profitable business for us, which also generates royalties per sold unit", says Christer Johansson, CEO of C Technologies.



C-Channel and C Technologies simplify banking

C-Channel is a Switzerland-based company specializing in IT solutions for the banking and finance industry. C-Channel cooperates with C Technologies developing, MyPen and MyPen Light, scanning pens customized for the banking market, which are able to read OCR numbers, which in Switzerland can contain up to 80 digits.

MyPen also functions together with an active mouse pad, simplifying bank transactions and making it possible to start programs, jump to web pages and manage e-mail. MyPen Light, without active mouse pad, is marketed and sold by Swiss banks.

"MyPen Light has proved to be a highly popular product that facilitates easier payments for our customers.

We have great confidence in C Technologies and their technology, and have a long-term perspective and commitment to our cooperation. Right now we are working on a joint development project for a new pen. It will be called MyPen Pro, and it can read the new two-dimensional bar code for payments within the EU. MyPen Pro targets individuals and smaller businesses", says Paul Gnos, CEO, President of C-Channel.

C Technologies' new product platform offers the banking industry opportunities to develop services within Internet Banking. The platform enables text and figures to be read, as well as offline and online communication.

C H A N N E L



The company's consumer products are marketed and sold by distributors, usually in the form of non-exclusive license agreements.

Continuous development

In September 2002 C Technologies launched a development tool, Software Development Kit (SDK), for C-Pen® 10. SDK creates numerous possibilities to adapt C-Pen® 10 to meet new needs like automatic text formatting for input fields, integration of pen with accounting software, integration with Internet banking, new functions for active buttons and adoption for speech synthesis and machine translation. The SDK broadens the user base and opens up new business opportunities, especially aimed at business to business.

Since January 2003, C-Pen® 10 can also be used with the latest Macintosh computers equipped with MacOS X. Users save time and work more efficiently when transferring printed text to software.

Within the European Union a standard payment slip used to process payments among banks in different countries, International Payment Instruction (IPI), has been introduced. IPI is a standard that increases automation of and compatibility between systems for cross border payments. Together with Switzerland-based C-Channel C Technologies is developing a pen that can process the two-dimensional barcode on the forms. The new pen will be marketed to target primarily individuals and smaller businesses.

Technology with advantages

The company's core technology is protected against copying by patents. In respect of OEM solutions, the Argus (a proprietary ASIC chip) presents a major advantage for the company by allowing image processing and communication to be integrated in one chip. In this field the com-

pany competes with large producers in the electronics industry, which develop their own technical solutions for the consumer market.

However, competitor's products comprise mobile components and are thus poorly suited for integration in products such as mobile phones. With regard to C-Pen®, a competitor is WizCom, which markets several reading pens.

Manufacturing and distribution

Similar to the other subsidiaries within the Group, C Technologies does not have any production of its own. The company utilises large, well-established manufacturers of technical products to create a network of sub-contractors for production and distribution. Outsourcing production allows for greater flexibility and less tied up capital. Distribution to end-users is carried out through industrial partners.

High interest in ASIC chip, Argus

C Technologies is anticipating expanded sales of products based on C-Pen® technology and continued high interest in the proprietary ASIC chip. The positive progress regarding C Technologies' mobile camera solutions, which accelerated considerably in the last quarter 2002, and new orders for Argus indicate continuous interest in C Technologies' technology. In the beginning of 2003 C Technologies received further orders for Argus for mobile camera solutions totalling approximately SEK 60 million. Royalties per unit sold will be generated at a later stage.

Our technology can be used in a number of new products.

WeSpot™ is an innovation company whose business concept is to develop and commercialize novel and cost-effective intelligent camera solutions.

WESPOT

The company strives to be the global leader of intelligent cameras using advanced digital image processing analysis.

Several application areas

The camera platform, WeSpot™ Smart Camera Platform, is suitable for a multitude of application areas in many markets. Most areas covering digital image processing can be developed by use of the WeSpot™ Smart Camera Platform. Today WeSpot™ Smart Camera has three main uses:

- Smart Door Opener
- Intelligent Intrusion Sensor
- NurseSensor™

Solutions are marketed primarily to OEM and license customers responsible for marketing and sales to end-users.

Core technology completed

The WeSpot™ Smart Camera comprises lens system, image sensor, process technology and communication – all in the same unit. The powerful Argus processor (developed within the Group) means that no external computer power is needed for image processing. The advanced software enables analysis and decision to be processed directly in the camera, which delivers accurate calculations of the size, speed and direction of the object. The software can be upgraded, resulting in recurring sales opportunities for WeSpot™.

Image analysis was refined during the year and the camera now processes shadows and variations in light more effectively. Basic research and development has now been completed and the company is focusing on development within the framework of specific customer projects.

WeSpot™ technology also creates opportunities to commercialize products within a wide array of markets, including military, industrial, traffic and other surveillance matters.

Smart Door Opener is launched

Smart Door Opener presents new opportunities for automatic door opening through the accurate calculations made by the camera. With the technology of the camera platform only one sensor is required to register the object's presence, movement and size, direction and speed. In many installations the need for multiple sensors is eliminated. Smart Door Opener results in lower purchase price, simplified installation, improved security and intelligent access control, thereby reducing energy consumption and wear.

In December WeSpot™ concluded a commercial agreement with Switzerland-based Bircher Reglomat, world-leading producer of door sensors, covering all European markets. Bircher Reglomat will market and sell existing products while WeSpot™ develops new smart door sensors adapted to meet the needs of European end-customer.

Intelligent Intrusion Sensor

Intelligent Intrusion Sensor is a camera that can detect unauthorized objects and movements. Images are automatically transmitted to a security center for verification. The camera enables security staff to eliminate the multitude of false alarms produced by the passive infrared sensors of today, resulting in reduced workloads and costs while at the same time increasing security. With the Intelligent Intrusion Sensor priority can be given to alarms requiring immediate action. The visual alarm verification solution is unique, highly cost-efficient and allows for integration in existing alarm systems. The camera is a more secure and less expensive alternative to many existing systems on the market.

In October 2002 WeSpot™ entered a development partnership with Securitas Direct, one of Europe's leading security providers. WeSpot™ believes that the Intelligent Intrusion Sensor has great potential.

In September WeSpot™ announced collaboration with Compatec, an intelligent surveillance camera that



This happened in 2002

- Commercial agreement with Bircher Reglomat.
- Initial order received from Attendo Senior Care.
- Collaboration agreement signed with Securitas Direct.

What happens in 2003

- Start of production BedSensor.
- Start of production Smart Door Opener.
- Start of production Intelligent Intrusion Sensor.

Development is now being focused on customized projects.

both detects and sends images to a mobile phone. The user is alerted by a telephone call or SMS. The camera uses the GPRS network and is easily installed on the location to be monitored. The camera transmits the image as e-mail or directly to a mobile phone using the new MMS technology. The mobility enables visual surveillance, also temporarily, without costly distributors or complicated technology.

NurseSensor in a commercial phase

WeSpot™ NurseSensor™ is an entirely new type of intelligent sensor with a wide range of uses for hospitals and nursing homes. It has been designed to create a safer environment for the elderly and disabled. NurseSensor™ can interpret movements and dangerous situations and trigger alarms depending on the nature of the situation. The primary focus is on and around the bed – i.e. being able to know whether the patient is in bed, has returned after a certain period of time or even fallen out of the bed. Should a predefined situation occur, the NurseSensor™ sends an alarm to the nursing staff.

As a result of the agreement signed in 2001, WeSpot™ secured a significant initial order from Attendo Senior

Care. The first product, BedSensor, is being launched during spring 2003.

No competing systems

There are no other systems able to compete with the price and functionality offered by the WeSpot™ camera, making the company competitive on markets that intelligent camera technology has not yet been able to penetrate and where old systems are to be replaced by more up-to-date ones.

Long-term financing

Anoto Group AB controls 54,7 percent of the shares in WeSpot™. Other owners include Malmöhus Invest, SEB Företagsinvest, Industrifonden, Bure Invest, CR&T Invest and employees. WeSpot™ has secured funds into 2003 through its major shareholders. Activities to secure the company's long-term capital requirements are ongoing. Anoto Group's holding in WeSpot™ will probably be less than 50 percent, whereby WeSpot would no longer be consolidated and would instead be accounted as an associated company.

In a high-tech knowledge company such as Anoto Group, the staff's competence level is the company's most important asset. Offering challenging work that develops the employees' creative power, and being able to utilize and invest further in employee development is therefore of vital importance.

EMPLOYEES WITH SPECIALIZED COMPETENCE

The company has competent and committed employees who are genuinely committed to and possess knowledge of digital communication and have in-depth comprehension of communication between people. They focus on working toward the goals that have been set and possess the driving force required to accomplish the assignments presented to the company as well as themselves.

High educational level

Ever since the company started, employee profile and the need for cutting-edge skills have been heavily focused upon. The educational level is generally very high. Most of the employees (about 65 percent) have master's degrees, and several doctor's degrees, in engineering from universities, 20 percent possess other equivalent academic degrees and 5 percent engineering degrees from colleges. Apart from the high level of education, most employees have extensive professional experience in several competence areas and industries such as patents, quality assurance, marketing, finance, management and purchasing/logistics. The Group also co-operates with several leading universities and colleges.

Adapting the organization

When moving from development to sales in 2002, cost-cutting measures were taken. During the autumn the Anoto staff was reduced when the number of employees at the Stockholm office was cut down from approximately 100 to 35. Also C Technologies downsized its organisation during the year. These downsizing measures have resulted in cost reductions totalling some SEK 120 million on a yearly basis.

Salary relinquishment

In order to reduce costs and stimulate employees to acquire shares in the company, it was resolved in January 2002 to implement a salary relinquishment program. Employees were offered to acquire, at market price, options in the parent company and in turn accept a reduced salary for a maximum period of 18 months. About 170 employees accepted and have within the scope of this offer acquired a total of 1 856 440 options in the parent company.

Individual development plans

Development has so far taken place within the framework of the extensive research and development efforts that have been undertaken and which have been characterized by stimulating and challenging assignments in a creative environment. To further increase the power of attraction, individual skills development plans have been made through dialogue among superiors and employees.

Staff benefits

The Anoto Group has a benefit policy granting, among other things, a pension allocation to all staff from age 21 and a guaranteed high (90 percent) sickness benefit in case of protracted illness. The company also offers staff employed for more than a year greater compensation when taking parent leave. The company aims to attract female staff to achieve a more even distribution according to sex, particularly within the development units.



DIRECTORS' REPORT

The Board of Directors and Chief Executive Officer of Anoto Group 556532-3929 AB (publ) herewith submit the Annual Report and Consolidated Accounts for the financial year January 1, 2002–December 31, 2002.

Operations

Anoto Group is an innovative high-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.

With *Anoto* functionality you can send whatever you write or draw directly to your mobile phone or personal computer, or send your handwritten notes and images directly from paper via a mobile phone or PC to any personal computer, mobile phone or data base in the world. During the year the first products enabling *Anoto* functionality were launched. Development of customer specified solutions are continuing in collaboration with *Anoto* and its partners.

In 2002 *Anoto* continued its efforts to conclude significant agreements with world-leading corporations. Such agreements are of strategic importance both for the establishment of the global de-facto standard for paper-based digital communication, and for the company's long-term commercial growth. Among these agreements, comprising all key markets on which the *Anoto* concept is focusing, Hitachi, Hitachi Maxell, Logitech®, Nokia, Sony Ericsson, Telecom Italia Mobile and Vodafone™ should be emphasized in particular. In addition to the aforementioned partners, further agreements pertaining to *Anoto* are underway, which, at the request of the partners, for the time being will not be disclosed for reasons of competition and confidentiality. Initial license revenues regarding production of digital pens were also received during 2002.

Anoto downsized its organisation and cut costs the previous year.

C Technologies' 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 2002 a change of the marketing strategy was implemented. It is now being concentrated on commercial collaboration with a limited number of partners, implying fewer but more powerful market channels and considerably reduced risks. This is illustrated by the agreement concluded with C-Channel regarding a C-Pen® designed for the banking market. C Technologies during the year delivered ASIC chips totalling SEK 79 million for mobile camera solutions. There is high interest in C Technologies' technology.

The subsidiary WeSpot™ develops applications based on so-called intelligent camera technology, advanced digital image processing and the Group's proprietary ASIC chip. In 2002 the company signed a commercial agreement with Switzerland-based Bircher Reglomat, world-leading producer of door sensors, covering all European markets.

Bircher Reglomat will market and sell existing products while WeSpot™ develops new smart door sensors adapted to meet the needs of European end-customers.

In the autumn WeSpot™ entered into a development agreement with Securitas Direct, a leading European provider of security products and services.

Group structure

The previously decided group structure in C Technologies and the change of name to Anoto Group was implemented during the first six months. With this a distinct groups structure was created, where the parent company Anoto Group AB operates exclusively as a holding company with a limited number of corporate-level staff functions. The operating units became wholly owned and partly owned subsidiaries. The change of name has provided substance, reflecting where the principal value of operations and future potential is estimated to be and further emphasizing the main focus of the Group's business.

Organisation

The Group's average number of employees in 2002 increased slightly from 299 to 310. However, this does not reflect developments within the organisation, which at year-end had 220 employees. The previous year was marked by cost savings in the form of staff reductions on a number of occasions. During the autumn substantial cost-cutting measures were implemented, and as a result staff was reduced by approx. 75 in the *Anoto* subsidiary. The subsidiary C Technologies also reduced its staff on several occasions, decreasing the headcount by about 20. At the end of the year it was decided to transfer some 20 employees to the parent company Anoto Group, comprising corporate functions such as management, finances, legal, patents and office services.

Sales and results

Net sales for the period amounted to SEK 221 million in comparison with SEK 156 million for the previous year, displaying an increase of 41 %. Of total net sales, SEK 171 (151) million was attributable to C Technologies, SEK 48 (4) million to *Anoto* and SEK 2 (1) million to WeSpot™. The Group's gross margin for the year was 34 % (9,4 %). The operating loss for the period was SEK -430 (-596) million, reflecting increased revenues and gross margin. Savings effectuated during the period had a minor impact in 2002, in addition to which divestment costs totalling SEK 44.4 million affected the period. The operating loss also includes write-down of goodwill amounting to SEK -38 (-6) million. The

tough investment climate in the mobile operators market had a negative impact on the sales growth in the *Anoto* subsidiary. The company subsequently reduced its costs by more than SEK 100 million on a yearly basis.

Financing, liquidity and cash flow

In the second half of 2002 a preferential rights issue was implemented providing SEK 207 million prior to deduction of issue expenses. The issue was fully subscribed. In addition two smaller directed new share issues to industrial partners Hitachi and Groupe Hamelin were implemented, contributing a total of SEK 25 million. At the beginning of the year employees of the parent company and wholly owned subsidiaries were offered to acquire options at market price in the parent company. Fully exercised these options would contribute SEK 123 million to the parent company. A voluntary reduction in pay accepted by employees subscribing for options will over 18 months correspond to cost reductions for the Group totalling some SEK 15 million.

The subsidiary C Technologies achieved positive cash flow in the fourth quarter of 2002.

In the second quarter the major shareholders of the partly owned subsidiary WeSpot AB (including Anoto Group AB) decided to, pro rata, and in the form of interest-bearing loans, advance a total of SEK 16,5 million in respect of the next new share issue in WeSpot™, thereby securing WeSpot's capital requirement during the first four months of 2003. Of this advance SEK 7,3 million is attributable to minority shareholders, thereby constituting a contribution to the Group's liquidity.

Anoto Group AB's holding in WeSpot™ on December 31, 2002 was 54,7 %.

At year-end the Group's liquid assets, including current investments, were SEK 171 million compared with SEK 368 million on December 31, 2001.

Shareholders' equity at year-end amounted to SEK 613 million, compared with SEK 799 million on December 31, 2001, corresponding to an equity assets ratio of 78 % (83 %).

The Company's cash flow prior to funding was SEK -427 (-624) million and cash flow for the year was SEK -197 (-53) million.

Investments

Net investments in 2002 regarding capitalized expenditure for development and patents and tangible fixed assets totalled SEK 82 (83) million.

Research and development

Research and development within the Group are aimed at further developing skills in the integration of electronic hardware and software in digital camera technology to produce computerized image processing products. The Company's costs in respect of research and development in 2002 amounted to SEK 191 million, comprising also depreciation of previously capitalized research and development costs amounting to SEK 12.6 million. During the year the Company capitalized research and development costs totalling SEK 62.3 million. Capitalization has been made in accordance with

the Company adopting the Swedish Financial Accounting Standards Council's Recommendation 15 (RR15) and consequently no expenses pertaining to research have been capitalized in the balance sheet. As a result of research and development, opportunities to strengthen intellectual property by submitting patent applications are continuously being created.

The patent portfolio is strong, and at the end of 2002 the Company had submitted a total of 587 patent applications, of which 62 were approved, most of them in Sweden. Of the total number of patent applications, 423 are attributable to *Anoto*, 129 to C Technologies and 35 to WeSpot™.

41 % (33 %) of the Group's costs for the previous year pertain to research and development.

External factors

Anoto Group's subsidiaries have most of their sales outside Sweden and a large part of all agreements are in USD or EURO. To a large extent the subsidiaries (primarily C Technologies) have costs of goods sold in USD. The margin is therefore sensitive primarily to USD exchange rate fluctuations, and to a certain extent to changes in EURO exchange rates. The Anoto Group has rolling hedge contracts covering changes in the USD exchange rate extending over approx. six months. In 2002 approx. 50 % of the revenues were related to USD.

Description of the Board's work

The Board of Anoto Group AB has had twelve 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, which also established instructions for the Chief Executive Officer.

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 members of the board), a Compensation Committee (preparation and recommendations for remuneration to senior executives) and an Audit Committee (for continuous discussions with the Company's auditor). All committees have given an account of their work to the entire Board.

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

Significant events after December 31

- The C Technologies subsidiary received further orders for ASIC chips (the company's proprietary System-on-a-chip Argus). In January 2003 the total order volume was about SEK 60 million, and will at a later stage also generate royalties.
- *Anoto* partners launched and demonstrated products and services enabling *Anoto* functionality at the CeBIT trade show. Among others, Nokia introduced a digital pen enabling *Anoto* functionality, the Nokia Digital Pen.

- *Anoto* and a leading system integrator have concluded a license agreement to create possibilities for developing new paper-based value-added services. At our partner's request the name will remain confidential until later this year.
- WeSpot™ have received a significant initial order from Attendo Senior Care as a result of the collaboration agreement signed in 2001. The first product, BedSensor, will be launched in the spring of 2003.

Outlook

Anoto

The Board and Management continue to have great confidence in *Anoto*, especially taking into account that the Company has established commercial collaboration with all world-leading companies in the targeted segments. This progress is continuing. Development of customer-specified services has been continuous, however at a somewhat slower rate than expected. In the fourth quarter 2002, Logitech® launched its PC solution for consumers in the form of the digital pen: Logitech® io™ Personal Digital Pen. This type of solution will probably make up the bulk of pen sales in 2003. Nokia has announced the introduction of the Nokia Digital Pen, in the third quarter. In addition a digital pen from Hitachi Maxell, will be launched. *Anoto* will have a total of four digital pens from various pen producers on the market 2003. Monthly operating costs in 2003 are expected to amount to less than SEK 16 million for *Anoto*.

C Technologies

The demand for ASIC chips is strong and deliveries during the first quarter were favorable. Sales of C-Pen® products are presenting slightly decreasing volumes in comparison with the previous year, but further products in the C-Pen® family will be introduced in 2003.

C Technologies is expected to generate positive cash flow in all quarters throughout 2003.

WeSpot

WeSpot™ is expected to start generating revenues in 2003. However, the company needs to boost funds and plans to implement a new share issue in the spring. It is still regarded as likely that *Anoto* Group AB's holding in WeSpot™ will have decreased below 50 % within one or two quarters, and that WeSpot™ in such a case will no longer be consolidated and will instead be accounted as an associated company within the *Anoto* Group.

The Group

A sales increase exceeding 50 % is expected for the Group during 2003. The Group's cash flow is estimated to improve significantly compared with previous quarters. The forecast for the year indicates that the company may achieve positive cash flow towards the end of the second half of 2003.

Anoto Group's liquid assets are estimated to meet all capital requirements for the company in accordance with the forecast established for operations in 2003 and beyond.

SUGGESTED TREATMENT OF ACCUMULATED DEFICIT

The Groups accumulated deficit amounts to SEK -736 587 thousands. Provisions to restricted reserves amounts to SEK 0.

Suggested treatment of accumulated deficit in the i Parent Company (SEK):	
Loss brought forward	0
Net loss for the year	- 349 934 653
Total	- 349 934 635

The Board of Directors and the Chief Executive Officer propose that the accumulated deficit of SEK -349 934 653 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 31, 2003

Örjan Johansson
Chairman of the Board

Nils Ljung

Christer Fåhraeus
CEO

Urban Jansson

Christer Johansson

Nils Rydbeck

Lars Berg

Jan Uddenfeldt

My audit report was completed on March 31, 2003

Per-Arne Petterson
Authorised Public Accountant

CONSOLIDATED INCOME STATEMENT

Amounts in SEK 000	Note	2002	2001
Net sales	1	220 972	156 204
Cost of goods sold		– 145 889	– 141 506
Gross profit		75 083	14 698
Selling expenses		– 112 201	– 249 054
Administrative expenses	3, 24	– 168 753	– 164 077
Research and development expenses	24	– 191 047	– 202 632
Items affecting comparability	4	– 44 400	—
Other operating income	5	21 846	9 163
Other operating expenses	6	– 10 693	– 4 481
Share in associated companies' profits	9	– 74	—
Operating loss	2, 7	– 430 239	– 596 383
Profit/loss from participation in Group companies	8	—	68 210
Interest income		5 817	9 237
Interest expenses		– 1 263	– 1 299
Loss after financial items		– 425 685	– 520 235
Minority share		13 116	80 042
Loss before tax		– 412 569	– 440 193
Tax on profits for the year	10	– 278	– 488
Net loss for the year		– 412 847	– 440 681
Loss per share (SEK) ¹⁾		– 5.08	– 8.97
Do. after dilution (SEK) ²⁾		– 5.08	– 8.97
Number of shares, weighted annual average		81 279 784	49 132 068
Do. including current options		92 531 541	51 826 518

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 options for the year. The options will only result in a dilution should the conversion into shares entail an increased loss per share.

CONSOLIDATED BALANCE SHEET

Amounts in SEK 000	Note	Dec 31, 2002	Dec 31, 2001
Assets			
Fixed assets			
Intangible fixed assets			
Capitalized expenditure for development	11	79 697	29 978
Patents	12	39 244	27 442
Goodwill	13	336 810	374 946
Total intangible fixed assets		455 751	432 366
Tangible fixed assets			
Equipment and tools	14	24 782	39 169
Computer software	15	6 080	9 362
Total tangible fixed assets		30 862	48 531
Financial assets			
Share in associated companies	17	277	—
Other long-term receivables		1 444	1 982
Total financial assets		1 721	1 982
Total fixed assets		488 334	482 879
Current assets			
Inventories			
Finished products and goods for sale		29 621	46 949
Current receivables			
Accounts receivable		55 941	30 826
Minority share	16	7 264	—
Other receivables		15 025	16 729
Prepaid expenses and accrued income	18	16 477	16 884
Total current receivables		94 707	64 439
Current investments			
Other current investments		120 095	274 473
Cash and bank balances		51 055	93 840
Total current assets		295 478	479 701
Total assets		783 812	962 580

Amounts in SEK 000	Note	Dec 31, 2002	Dec 31, 2001
Shareholders' equity and liabilities			
Shareholders' equity	19		
Restricted equity			
Share capital		2 071	1 531
Restricted reserves		1 347 405	1 335 133
Total restricted equity		1 349 476	1 336 664
Accumulated deficit			
Loss brought forward		- 323 740	- 97 020
Net loss for the year		- 412 847	- 440 681
Total accumulated deficit		- 736 587	- 537 701
Total shareholders' equity		612 889	798 963
Minority shareholding		—	2 568
Provisions			
Other provisions	20	38 177	3 001
Total provisions		38 177	3 001
Long-term liabilities			
Subordinated debentures	22, 23	23	5 094
Other liabilities		7	—
Total long-term liabilities		30	5 094
Current liabilities			
Liabilities to credit institutions		8 524	417
Subordinated debentures	22	5 071	10
Accounts payable		60 240	79 234
Tax liabilities		12	194
Advance payments from customers		2 313	—
Other liabilities		5 495	6 635
Accrued expenses and deferred income	21	51 061	66 464
Total current liabilities		132 716	152 954
Total equity and liabilities		783 812	962 580
Assets pledged	25	64 443	17 622
Contingent liabilities	26	139 992	149 307

CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK 000	2002	2001
Cash flow from operating activities		
Loss after financial items	– 425 685	– 520 235
Adjustment for items not included in cash flow:		
Adjustments for provisions	35 176	– 60
Depreciation of fixed assets	7 76 514	23 542
Share in subsidiary profits	74	—
Income from participation in Group companies ¹⁾	—	– 68 210
Financial items	– 4 554	– 7 938
Taxes paid	– 278	– 488
Cash flow from operating activities before changes in operating funds	– 318 753	– 573 389
Cash flow from changes in operating funds		
Changes in operating receivables	– 23 004	– 16 164
Changes in inventories	17 328	– 22 154
Changes in operating liabilities	– 20 238	71 095
Total changes in operating funds	– 25 914	32 777
Cash flow from operating activities	– 344 667	– 540 612
Investment activities		
Capitalized expenditure for development	11 – 62 292	– 24 622
Patents	12 – 16 379	– 18 873
Goodwill ²⁾	13 —	930
Equipment and tools	14 – 4 549	– 31 343
Computer software	15 990	– 9 428
Participation in associated companies	17 – 351	—
Long-term receivables	538	– 43
Cash flow from investment activities	– 82 043	– 83 379
Total cash flow	– 426 710	– 623 991
Financing activities		
Interest income	5 817	9 237
Interest expenses	– 1 263	– 1 299
Change in other long-term liabilities	– 5 064	4 625
New share issues	19 220 911	438 338
New share issues directed at minority shareholders in subsidiaries ¹⁾	—	120 751
Subordinated debentures	19 8 117	1 732
Translation differences	19 1 029	– 2 286
Cash flow from financing activities	229 547	571 098
Cash flow for the year	– 197 163	– 52 893
Liquid assets at the beginning of the year ³⁾	368 313	421 206
Liquid assets at year-end ³⁾	171 150	368 313

1) Payments from directed placements to minority owners in subsidiaries during 2001 are stated 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.

INCOME STATEMENT, PARENT COMPANY

Amounts in SEK 000	Note	2002	2001
Net sales	1	15 394	130 598
Costs of goods sold		—	– 117 373
Gross profit		15 394	13 225
Selling expenses		—	– 79 858
Administrative expenses	3	– 30 035	– 70 969
Research and development expenses		—	– 51 653
Other operating income	5	11 948	16 916
Other operating expenses	6	– 313	– 3 618
Operating loss	2,7	– 3 006	– 175 957
Profit/loss from participation in Group companies	8	– 351 872	—
Interest income		4 963	8 613
Interest expenses		– 20	– 464
Loss before tax		– 349 935	– 167 808
Tax on profits for the year	10	—	—
Net loss for the year		– 349 935	– 167 808
Loss per share (SEK) ¹⁾		– 4.31	– 3.42
Do. after dilution (SEK) ²⁾		– 4.31	– 3.42
Average number of shares		81 279 784	49 132 068
Do. including current options		92 531 541	51 826 518

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 options during the year. The options will only result in a dilution should the conversion into shares entail an increased loss per share.

BALANCE SHEET, PARENT COMPANY

Amounts in SEK 000	Note	Dec 31, 2002	Dec 31, 2001
Assets			
Fixed assets			
Intangible fixed assets			
Equipment and tools	14	345	—
Total intangible fixed assets		345	—
Financial fixed assets			
Participation in Group companies	16	766 946	766 946
Receivables from Group companies		96 753	10 012
Total financial fixed assets		863 699	776 958
Total fixed assets		864 044	776 958
Current assets			
Current receivables			
Accounts receivable		340	—
Receivables from Group companies		5 544	77 092
Other receivables		481	3 279
Pre-paid expenses and accrued income	18	3 906	1 740
Total current receivables		10 271	82 111
Current investments			
Other current investments		120 735	264 590
Cash and bank balances		16 209	12 482
Total current assets		147 215	359 183
Total assets		1 011 259	1 136 141

Amounts in SEK 000	Note	Dec 31, 2002	Dec 31, 2001
Shareholder's equity and liabilities			
Shareholders' equity	19		
Restricted equity			
Share capital		2 071	1 531
Restricted reserves		1 347 405	1 334 828
Total restricted equity		1 349 476	1 336 359
Accumulated deficit			
Loss brought forward		—	– 39 986
Net loss for the year		– 349 935	– 167 808
Total accumulated deficit		– 349 935	– 207 794
Total shareholders' equity		999 541	1 128 565
Current liabilities			
Liabilities to credit institutions		—	417
Accounts payable		5 820	—
Other liabilities		239	2 169
Subordinated debentures	22	—	3
Accrued expenses and deferred income	21	5 659	4 987
Total current liabilities		11 718	7 576
Total equity and liabilities		1 011 259	1 136 141
Assets pledged	25	46 000	10 569
Contingent liabilities	26	68 364	94 307

CASH FLOW STATEMENT, PARENT COMPANY

Amounts in SEK 000	2002	2001
Cash flow from operating activities		
Loss after financial items	– 349 935	– 167 808
Adjustment for items not included in cash flow:		
Adjustment for provisions	—	– 3 061
Depreciation of fixed assets	7	8 098
Share in subsidiary profits	8	—
Other financial items	– 4 943	– 8 149
Cash flow from operating activities before changes in operating funds	– 2 920	– 170 920
Cash flow from changes in operating funds		
Changes in operating receivables	71 840	– 24 331
Changes in inventories	—	19 082
Changes in operating liabilities	4 142	– 41 284
Total changes in operating funds	75 982	– 46 533
Cash flow from operating activities	73 062	– 217 453
Investment activities		
Capitalised expenditure for development	—	5 355
Patents	—	4 400
Participation in Group companies ¹⁾²⁾	16	– 288 183
Equipment and tools	14	2 536
Computer software	—	– 66
Long-term receivables at Group companies	– 86 741	– 4 200
Cash flow from investment activities	– 439 044	– 280 158
Total cash flow	– 365 982	– 497 611
Financing activities		
Interest income	4 963	8 613
Interest expenses	– 20	– 464
Change in other long-term liabilities	—	– 420
New share issues	19	438 337
Cash flow from financing activities	225 854	446 066
Cash flow for the year	– 140 128	– 51 545
Liquid assets at the beginning of the year ³⁾	277 072	328 617
Liquid assets at year-end ³⁾	136 944	277 072

1) Participation in Group companies pertaining to unconditional shareholders' contribution submitted to the subsidiaries Anoto AB and C Technologies AB.

2) Increased participation in Group companies 2001 as a result of non-cash issues is not recorded as it has not resulted in any payment.

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

VALUATION PRINCIPLES

General accounting principles

The Company follows the Swedish Annual Accounts act and general advice, statements and recommendations from the Swedish Financial Accounting Standards Council. The accounting principles are the same as the previous year.

Consolidated accounts

The consolidated accounts include the parent company Anoto Group AB (publ) 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 have been made in line with the acquisition method. This means that assets and liabilities of the acquired companies are shown at market value according to the 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 reserve. Only profits occurring after the time of acquisition are included in the Group's profits and shareholders' equity.

All internal transactions within the Group are eliminated from the Group's accounts. Internal transactions refer to internal sales, internal profits, internal transactions, shareholders' contributions to subsidiaries and write-down of participation in Group companies.

Minority shares in subsidiary profits and shareholders' equity are eliminated in the Groups' accounts.

The Anoto Group AB (publ) 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 thereby occurring are partly an effect of the difference between the income statement's average rate 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 the beginning of the year. The translation rate differences are not carried over to the income statement but directly to the shareholders' equity.

Income statement

Income is derived from sales of products, royalties and development projects. Income from sales of products is booked principally when all risks and rights associated with the assignment have been transferred to the buyer, normally in connection with delivery. Royalties are booked in the same month as the actual sale takes place at the partner company. Income attributable to development projects is booked in the same period as the work is carried out.

Research and development expenses

Costs attributable to research and development are carried as continuous expenses. Development expenses are capitalised as assets in accordance with the Swedish Financial Accounting Standards Council's Principle 15 (see further under Intangible fixed assets).

Items affecting comparability

Events and transactions affecting earnings which are important to observe when profit/loss for the period is compared with other periods is reported under a separate heading in the income statement (Items affecting comparability).

Intangible fixed assets

Effective as at January 1, 2001 the Swedish Financial Accounting Standards Council's principle 15 (RR15) is applied by the Company. RR15 in brief implies that expenses for development of new products are recorded as assets if these expenses in all probability will generate future income. The Anoto Group's interpretation of RR15 means 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 stated as from market introduction of the respective products.

Capitalised expenditure for patents and brand names are managed correspondingly, with depreciation plans over ten years. No market expenses are being capitalised.

Tangible fixed assets

Tangible fixed assets consisting of equipment and tools, computer equipment and software are accounted at acquisition value with deduction for accumulated depreciation according to plan.

Depreciation according to plan

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

Patents	10 years
Goodwill	10 years ¹⁾
Development expenses	5 years
Equipment and tools	5 years
Computer equipment, 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 AB was acquired. Goodwill on consolidation is subject to straight-line depreciation through the expected economic lifetime. The adopted depreciation period (10 years) is motivated primarily by the extent and contents of Anoto AB's patent portfolio, the scope of the agreements and partnerships concluded by the Company and the value put on Anoto AB in connection with the said non-cash issue.

- 2) Capitalized computer software regards so-called 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 and five years.

Receivables and liabilities in foreign currencies

Current receivables and liabilities in foreign currencies have been translated at the closing day rates, at which time unrealized exchanged gains and losses are carried directly against the profits for the year: Exchange gains (losses) relating to operating receivables and liabilities are recorded as other operating income (other operating expenses). Translation differences regarding financial receivables and liabilities are recorded among financial items.

During the year the Group adopted the principle of holding USD hedge contracts for six months at a time.

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 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.

Liquid assets

Liquid assets comprise cash, bank balance and current investments.

Shareholders' contribution

Submitted shareholders' contribution is reported at the contributor's as an increase of the item Participation in Group companies, whereupon it is considered whether a write-down of the share value is required.

At the recipient's submitted shareholders' contribution is booked directly against shareholders' equity.

Taxes

The Group's taxes consist of current taxes on the taxable profits for the year in foreign subsidiaries.

Deferred income taxes recoverable are accounted as idle deficit deduction to the extent that they are expected in all probability to be utilized in the foreseeable future.

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 2002 were:

	C Technologies	Anoto	WeSpot	Total
Sweden	28 917	3 108	651	32 676
Other EU	22 074	18 091	—	40 165
USA	11 155	6 124	191	17 470
Other	109 129	20 777	755	130 661
Total	171 275	48 100	1 597	220 972

The Parent Company's sales to subsidiaries totalled all 15 394 TSEK, of which is attributable to the provision of intra-group services for other group companies. This income has been eliminated in the consolidated accounts.

Note 2 Employees and Senior Executives

Average number of employees	2002		2001	
	Employees	Of which male	Employees	Of which male
The Group	310	251	299	176
of which Parent Company	10	4	98	84

Salaries and other remuneration	2002			2001	
	The Board, CEO and deputy CEO	Other senior executives (two persons)	Other employees	The Board, CEO and deputy CEO	Other employees
The Group	12 054	1 883	148 491	10 159	160 848
of which Parent Company	1 525	877	3 205	2 280	49 386

Social security and pension costs	2002		2001	
	Social security	Pension costs	Social security	Pension costs
The Group	44 013	27 259	48 495	23 252
whereof Board, CEO and Deputy CEO	2 138	658	1 541	827
whereof other Senior Executives (two persons)	618	384	—	—
Parent Company	2 004	1 608	15 163	5 251
whereof Board, CEO and Deputy CEO	500	197	748	185
whereof other Senior Executives (two persons)	288	151	—	—

Salary and other compensation for the Parent Company's president and CEO, Christer Fähræus, during the period totalled TSEK 1 167 distributed among Anoto Group AB (publ) TSEK 699 and Anoto AB TSEK 468 as well as a car and certain other benefits. The notice-of-termination period for both the Company and the president is three months. The maximum notice-of-termination period for other executive personnel is nine months.

In accordance with the resolution by the General Meeting of Shareholders the Chairman of the Board of Directors is paid a fee of TSEK 150 for year 2002 and other Board Members TSEK 75 each. Board Members Christer Johansson, Örjan Johansson and Nils Rydbeck performed fee-based consulting services via their own companies for Anoto Group AB (publ), C Technologies AB and Anoto AB. Fees to Christer Johansson totalled TSEK 536 for services to Anoto AB and TSEK 976 for services to C Technologies AB, fees to Örjan Johansson totalled TSEK 2 120 for services to Anoto AB and KSEK 170 for services to C Technologies AB, and fees to Nils Rydbeck totalled TSEK 99 for services to Anoto AB.

No agreements were signed in respect of pension commitments or the equivalent in addition to the above mentioned notice-of-termination times, neither for Board Members, nor senior executives.

The compensation committee prepares and recommends salaries for Senior Executives. The Board of Directors decides upon the CEO's salary from the Group. The Group applies a fixed salary and no bonus, in addition options programs are used as incentives.

Note 3 Auditors' remuneration

The loss for the year was charged with payment to the Company's auditors according to the following:

	2002		2001	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Auditing				
Deloitte & Touche ¹⁾	95	380	—	—
Andersen ¹⁾	—	119	415	816
Horwath	—	47	—	—
Abou Acc Off.	—	12	—	—
Other assignments				
Deloitte & Touche ¹⁾	405	505	—	—
Andersen ¹⁾	—	229	1 883	3 090
Öhrlings PricewaterhouseCoopers	—	—	1 834	1 834
KPMG	—	—	188	188
Abou Acc Off.	—	56	—	—
Total	500	1 348	4 320	5 928

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.

1) The businesses of Arthur Andersen AB and Deloitte & Touche AB were merged as at June 1, 2002. Subject to the merger, Arthur Andersen AB's operations are managed by staff at Deloitte & Touche AB.

Note 4 Items affecting comparability

	2002		2001	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Restructuring expenses ¹⁾	—	37 200	—	—
Other	—	7 200	—	—
Total	—	44 400	—	—

1) Expenses pertaining to cost cutting programs, whereby the number of staff in Anoto AB was reduced from approx. 100 to 25. Close-down costs for premises have been included.

Note 5 Other operating income

	2002		2001	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Exchange gains	167	6 190	8 388	8 983
Rental income	11 780	10 982	4 981	—
Other	1	4 674	3 547	180
Total	11 948	21 846	16 916	9 163

Note 6 Other operating expenses

	2002		2001	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Exchange losses	313	10 594	3 618	3 735
Other	—	99	—	746
Total	313	10 693	3 618	4 481

Note 7 Depreciation

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

	2002		2001	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Selling expenses	—	10 653	2 207	11 567
Administrative expenses	86	10 652	1 975	4 336
Development expenses	—	55 209	3 916	7 639
Total	86	76 514	8 098	23 542

Note 8 Profit/loss from participation in Group companies

	2002		2001	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Group profit in the minority-directed new share issue in Anoto AB	—	—	—	49 377
Group profit in the minority-directed new share issue in WeSpot AB	—	—	—	18 833
Write-down of shares in C Technologies AB ¹⁾	- 70 434	—	—	—
Write-down of shares in Anoto AB ¹⁾	- 281 438	—	—	—
Total	- 351 872	—	—	68 210

1) Refers to submitted unconditional shareholders' contribution in 2002 to C Technologies AB and Anoto AB. The shareholders' contribution was made to cover the loss for the year in the subsidiaries and restore the subsidiaries' equity so that it corresponds with the share capital.

Note 9 Share in associated companies' profits

	2002		2001	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Participation in Anoto Communications KK	—	- 74	—	—
Total	—	- 74	—	—

Note 10 Taxes

The Parent Company has losses carried forward that amounted to TSEK 323 885 until 2002's taxation. Taking 2002's tax surplus of TSEK 1 976 into account, the combined loss carried forward is TSEK 321 909 at Dec. 31, 2002. The value of these losses carried forward is TSEK 90 135. 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 781 527 until 2002's taxation. Taking 2002's corporate tax deficit of TSEK 413 159 into account, the combined loss carried forward is SEK 1 194 710 at Dec. 31, 2002. The value of these losses carried forward is TSEK 334 519. 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 11 Capitalised expenditure for research and development work

	Dec 31, 2002		Dec 31, 2001	
	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	—	32 728	58 896	87 455
Effect of changed accounting principle	—	—	- 50 790	- 79 349
Acquisition value brought forward adjusted in accordance with the new accounting principle	—	32 728	8 106	8 106
Acquisitions for the year	—	62 292	13 270	24 622
Intra-group transfer Dec. 31, 2001	—	—	- 21 376	—
Accumulated acquisition value carried forward	—	95 020	—	32 728
Accumulated depreciation according to plan				
Depreciation brought forward in accordance with the adopted balance sheet for the previous year	—	- 2 750	- 11 854	- 11 854
Effect of changed accounting principle	—	—	10 804	10 804
Depreciation brought forward adjusted in accordance with the new accounting principle	—	- 2 750	- 1 050	- 1 050
Depreciation according to plan for the year	—	- 12 573	- 1 700	- 1 700
Intra-group transfer Dec. 31, 2001	—	—	2 750	—
Accumulated depreciation according to plan carried forward	—	- 15 323	—	- 2 750
Residual value according to plan carried forward	—	79 697	—	29 978

In accordance with the stated accounting principles, effective as of Jan. 1, 2001, the Swedish Financial Accounting Standard Council's principle 15 (RR15) is applied by the Group. Commensurate with the transitional regulations of this principle, a total of TSEK 68 545 (residual value according to plan) has been written down against equity in 2001, of which TSEK 39 986 (residual value according to plan) concerns the Parent Company.

Note 12 Patents

	Dec 31, 2002		Dec 31, 2001	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Accumulated acquisition value				
Acquisition value brought forward	—	31 210	6 299	12 430
Acquisitions for the year	—	16 379	4 864	18 780
Intra-group transfer Dec 31, 2001	—	—	- 11 163	—
Accumulated acquisition value carried forward	—	47 589	—	31 210
Accumulated depreciation according to plan				
Depreciation brought forward	—	- 3 768	- 1 016	- 1 016
Depreciation for the year according to plan	—	- 4 577	- 883	- 2 752
Intra-group transfer Dec 31, 2001	—	—	1 899	—
Accumulated depreciation carried forward	—	- 8 345	—	- 3 768
Residual value according to plan carried forward	—	39 244	—	27 442

Note 13 Goodwill

	Dec 31, 2002	Dec 31, 2001
	THE GROUP	
Accumulated acquisition value		
Acquisition value brought forward	381 301	930
Acquisitions for the year	—	381 301
Disposal for the year	—	- 930
Accumulated acquisition value carried forward	381 301	381 301
Accumulated depreciation according to plan		
Depreciation brought forward	- 6 355	- 93
Disposal for the year	—	93
Depreciation for the year according to plan	- 38 136	- 6 355
Accumulated depreciation carried forward	- 44 491	- 6 355
Residual value according to plan carried forward	336 810	374 946

Note 14 Equipment and tools

	Dec 31, 2002		Dec 31, 2001	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Accumulated acquisition value				
Acquisition value brought forward	—	55 619	10 539	24 277
Acquisitions for the year	431	5 128	10 276	31 342
Disposal for the year	—	- 969	—	—
Intra-group transfer Dec 31, 2001	—	—	- 20 815	—
Accumulated acquisition value carried forward	431	59 778	—	55 619
Accumulated depreciation according to plan				
Depreciation brought forward	—	-16 450	- 3 382	- 4 609
Depreciation according to plan for the year	- 86	- 18 936	- 4 621	- 11 841
Disposal for the year	—	390	—	—
Intra-group transfer Dec 31, 2001	—	—	8 003	—
Accumulated depreciation carried forward	- 86	- 34 996	—	- 16 450
Residual value according to plan carried forward	345	24 782	—	39 169

Note 15 Computer software

	Dec 31, 2002		Dec 31, 2001	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Accumulated acquisition value				
Acquisition value brought forward	—	11 915	2 487	2 487
Disposal for the year	—	- 1 990	—	—
Acquisitions for the year	—	1 000	1 201	9 428
Intra-group transfer Dec 31, 2001	—	—	- 3 688	—
Accumulated acquisition value carried forward	—	10 925	—	11 915
Accumulated depreciation according to plan				
Depreciation brought forward	—	- 2 553	- 1 659	- 1 659
Disposal for the year	—	—	—	—
Depreciation according to plan for the year	—	- 2 292	- 894	- 894
Intra-group transfer Dec 31, 2001	—	—	2 553	—
Accumulated depreciation carried forward	—	- 4 845	—	- 2 553
Residual value according to plan carried forward	—	6 080	—	9 362

Note 16 Participation in Group Companies

PARENT COMPANY	Dec 31, 2002	Dec 31, 2001
Opening balance	766 946	131 747
Submitted shareholders' contribution ¹⁾	351 872	254 827
Acquisitions for the year	—	381 301
Sales for the year	—	- 929
Opening accumulated write-downs ¹⁾	- 351 872	—
Closing balance	766 946	766 946

1) Refers to unconditional shareholders' contribution submitted in 2002 to C Technologies AB and Anoto AB. The shareholders' contribution was made to cover the loss for the year in the subsidiaries and restore the subsidiaries' equity so that it corresponds with the share capital.

Company name	Org. Reg. No.	Registered office	Total no of shares	Share of capital and voting rights, %	Shareholders' equity	Booked value
WeSpot AB ²⁾	556576-5822	Lund	1 000 000	54.7	11 285	2 797
Anoto AB	556573-8811	Lund	377 764 350	100.0	3 778	725 843
C Technologies AB	556586-1670	Lund	1 000	100.0	101	38 206
C Pen AB	556591-2481	Malmö	1 000	100.0	99	100
						766 946

2) The subsidiary WeSpot AB's corporate equity amounts to TSEK 11 285. When incorporating WeSpot AB in the consolidated accounts for Anoto Group, reporting of research and development expenses are adjusted to be in compliance with the principles of Anoto Group. This adjustment of the accounting principle results in WeSpot AB's equity amounting to TSEK -23 068 at consolidation in the Anoto Group.

The following companies form part of Anoto Group's sub-group:

C Technologies US, Inc., USA • Anoto, Inc., USA • Anoto Nippon K.K., Japan • Anoto Ltd., Hong Kong

Note 17 Participation in associated companies

PARENT COMPANY	Dec 31, 2002	Dec 31, 2001
Opening balance	—	—
Acquisitions for the year	351	—
Share in associated companies	– 74	—
Closing balance	277	—

Company name	Org.reg.No.	Registered Office	Total number of shares	Share of capital and voting rights, %	Shareholders' equity	Book value
Anoto Communications K.K.	0110-01-038206	Japan	1 000	45.0	583	277
						277

Note 18 Prepaid expenses and accrued income

	Dec 31, 2002		Dec 31, 2001	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Prepaid rents	3 549	6 216	627	6 067
Prepaid leasing charges	7	79	14	5 106
Accrued interest income	210	279	315	333
Accrued income	—	795	—	1 020
Other	140	9 108	784	4 358
Closing balance	3 906	16 477	1 740	16 884

Note 19 Shareholders' equity

PARENT COMPANY	Share capital	Share premium reserve	Statutory reserve	Loss brought forward	Net loss for the year	Total
Equity brought forward Jan 1, 2002 pursuant to the adopted balance sheet for the previous year	1 531	1 332 771	2 057	– 39 986	– 167 808	1 128 565
Allocation of last year's loss		– 207 794		39 986	167 808	—
New share issue July	13	14 937				14 950
New share issue August	10	9 990				10 000
New share issue November	517	206 621				207 138
Issue expenses		–11 177				– 11 177
Net loss for the year					– 349 935	– 349 935
Equity carried forward Dec 31, 2002	2 071	1 345 348	2 057	—	– 349 935	999 541

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, SEK
Registered opening balance Jan 1, 2002		76 526 901	0.02
New share issue reg. July 17, 02	650 000	77 176 901	0.02
New share issue reg. August 28, 02	500 000	77 676 901	0.02
New share issue reg. November 4, 02	25 892 300	103 569 201	0.02
Registered closing balance Dec 31, 2002		103 569 201	0.02

THE GROUP	Share capital	Restricted reserves	Accumulated deficit	Total
Equity brought forward Jan 1, 2002 pursuant to the adopted balance sheet for the previous year	1 531	1 335 133	– 537 701	798 963
New share issue in July	13	14 937		14 950
New share issue in August	10	9 990		10 000
New share issue in November	517	206 621		207 138
Issue expenses		– 11 177		– 11 177
Subordinated debentures with options		8 117		8 117
Depreciation of receivables from minority in WeSpot AB ²⁾			– 3 284	– 3 284
Translation difference ¹⁾			1 029	1 029
Changes amongst restricted reserves and accumulated deficit		– 216 216	216 216	—
Net loss for the year			– 412 847	– 412 847
Equity carried forward Dec 31, 2002	2 071	1 347 405	– 736 587	612 889

1) Translation difference brought forward Jan 1, 2002 amounts to TSEK – 2 384 and the accumulated translation difference Dec 31, 2002 amounts to TSEK – 1 355.

2) The part of the receivables from minority in WeSpot AB not covered by capital contribution pledged by the minority in WeSpot AB.

Note 20 Provisions

	Dec 31, 2002		Dec 31, 2001	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Restructuring reserve	—	28 900	—	—
Product guarantee provisions	—	2 077	—	3 001
Other provisions	—	7 200	—	—
Total	—	38 177	—	3 001

Note 21 Accrued expenses and deferred income

	Dec 31, 2002		Dec 31, 2001	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Holiday pay liability	1 063	11 966	608	12 720
Social security liabilities	460	4 439	1 697	7 516
Payroll tax	190	7 567	1 447	4 849
Staff reduction expenses	—	—	—	7 793
Marketing expenses	—	3 096	—	6 577
Other	3 946	23 993	1 235	27 009
Total	5 659	51 061	4 987	66 464

Note 22 Subordinated debentures

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

In connection with the Annual General Meeting 2001 the issuance of a promissory note with a total of 1 639 225 detachable options to the subsidiary C Technologies AB was authorised. These options form the basis of a staff options programme directed at the Company's employees, conferring the holder of one option the right to subscribe for 1.03* new shares in the Parent Company at a subscription price of SEK 72.82. These options may be exercised in increasing number every year from 2002 through 2005. Only 55 % have so far been offered to employees. Should all outstanding options be exercised, the Parent Company's share capital will be increased by SEK 33 768, implying a 1,6 % dilution of the current shares.

In the subsidiary Anoto AB there was, as at December 31, 2002 a total of 847 484 outstanding options, each of which give entitlement to subscribe for 50 new shares in Anoto AB at a price between SEK 3.20 and SEK 8.20 per share.

In the subsidiary WeSpot there are a total of 80 000 options, each conferring the holder with the right to subscribe for one new share in the company. The final day of exercising said options is between April 30, 2003–June 30, 2003 inclusive, at a subscription price of SEK 125. In addition there is a staff options programme directed at the president of WeSpot comprising 133 000 options extending from March 1, 2002 to May 1, 2012 at a price of SEK 70 per share. The subscription period extends from March 1, 2007 to May 1 2012.

Based on authorisation granted by the Extraordinary General Meeting on January 16, 2002, a total of 5 170 714 options have

been issued, each of which give entitlement to subscribe for 1.032* shares in Anoto Group AB (publ). These options 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 options. This exchange is based on holders of options in Anoto AB having pledged to exchange shares in Anoto AB that may be issued through the utilization of options against payment in the form of new shares in Anoto Group AB (publ). This exchange is based on the same exchange ratio between Anoto Group AB (publ) and Anoto AB, underlying the non-cash issue through which the Parent Company acquired Ericsson's minority share in Anoto AB in the last quarter of 2001. When subscribing for new shares in Anoto, 7.9383* shares in Anoto AB will correspond to one new share in Anoto Group. Full utilisation of the latter entails an increase of the share capital by SEK på 106 713, corresponding to a 5.2 % dilution of the share capital and voting.

At the Extraordinary General Meeting on January 16, 2002 it was further resolved to authorise the Board to issue options to be used in an offering to employees to acquire these options at market price in return for a voluntary reduction in pay over a maximum of 18 months. The offering comprises six different programs, extending over two and three years respectively with subscription prices in the interval of SEK 44 to SEK 132*. A total of 1 856 440 options were acquired. Full utilisation of all options will entail an increase of the share capital by SEK 38 317, corresponding to a 1,8 % dilution of the share capital and voting.

* Subsequent to translation in connection with the new share issue in October 2002.

Note 23 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 convertible

debt extends to December 31, 2003 and the conversion rate is SEK 60. At conversion the holder may thus subscribe for 83 334 new shares in WeSpot AB, corresponding to a 4,6 % dilution of the share capital and voting in WeSpot AB.

Note 24 Significant leasing costs

Pursuant to a leasing agreement the Group has the use of computer equipment at a calculated acquisition value of TSEK 32 396. The leasing cost in 2002 amounted to TSEK 18 400 . The remaining leasing costs amount to TSEK 7 667 for 2003 and TSEK 245 for 2004.

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

The Group's commitment in respect of rented premises is SEK 114 451 thousand for the period 2003 through 2006.

Note 25 Assets pledged

	Dec 31, 2002		Dec 31, 2001	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Blocked bank account	36 000	54 443	569	7 622
Floating charges	10 000	10 000	10 000	10 000
Total	46 000	64 443	10 569	17 622

Note 26 Contingent liabilities

	Dec 31, 2002		Dec 31, 2001	
	PARENT COMPANY	THE GROUP	PARENT COMPANY	THE GROUP
Purchase commitment	—	71 628	—	55 000
Guaranteed commitment for subsidiaries	68 364	68 364	94 307	94 307
Total	68 364	139 992	94 307	149 307

AUDIT REPORT

To the annual general meeting of the shareholders of Anoto Group AB (publ), Corporate Identity Number 556532-3929

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and chief executive officer of Anoto Group AB for 2002. These accounts and the administration of the Company are the responsibilities of the board of directors and the chief executive officer. My responsibility is to express an opinion on the annual accounts, the consolidated accounts, and the administration, based on my audit.

I have conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual accounts and consolidated accounts are free of material misstatements. 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 my opinion concerning discharge from liability, I 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. I 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. I believe that my audit provides a reasonable basis for my 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.

I 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 31, 2003

Per-Arne Pettersson
Authorized Public Accountant

FIVE-YEAR SUMMARY

Income statements in summary

Amounts in SEK 000	1998 ¹⁾	1999 ¹⁾	2000 ¹⁾	2001	2002
Net sales	2 305	49 115	80 014	156 204	220 972
Gross profit/loss	863	14 892	-4 517	14 698	75 083
Depreciation of intangible fixed assets	-126	-1 006	-1 757	-10 809	-54 236
Depreciation of tangible fixed assets	-389	-1 647	-4 233	-12 735	-22 278
Operating loss	-23 170	-55 252	-220 993	-596 383	-430 239
Profit from participation in Group companies	—	30 771	27 638	68 210	—
Other financial items	-2 096	-468	10 935	7 938	4 554
Loss after net financial items	-25 266	-24 949	-182 420	-520 235	-425 685
Taxes	—	-37	-47	-488	-278
Minority share	—	105	13 359	80 042	13 116
Net loss	-25 266	-24 881	-169 108	-440 681	-412 847

Balance sheets in summary

Amounts in SEK 000	Dec 31, 1998 ¹⁾	Dec 31, 1999 ¹⁾	Dec 31, 2000 ¹⁾	Dec 31, 2001	Dec 31, 2002
Assets					
Intangible fixed assets	3 624	7 970	19 307	432 366	455 751
Tangible fixed assets	2 003	5 234	20 495	48 531	30 862
Financial fixed assets	—	—	1 939	1 982	1 721
Total fixed assets	5 627	13 204	41 741	482 879	488 334
Inventories	1 132	2 561	24 795	46 949	29 621
Accounts receivable	1 025	16 424	26 424	30 826	55 941
Other current assets	1 909	5 979	21 851	33 613	38 766
Cash and bank including current investments	44 356	30 621	421 206	368 313	171 150
Total current assets	48 422	55 585	494 276	479 701	295 478
Total assets	54 049	68 789	536 017	962 580	783 812
Shareholders' equity and liabilities					
Share capital	42 521	15 000	438 489	798 963	612 889
Minority interest	—	2 767	12 139	2 568	—
Provisions					
Non-interest bearing	176	1 047	3 061	3 001	38 177
Long-term liabilities					
Non-interest bearing	185	39	52	94	30
Interest bearing	1 817	4 383	417	5 000	—
Current liabilities					
Non-interest bearing	6 646	22 297	80 192	152 537	119 192
Interest bearing	2 704	23 256	1 667	417	13 524
Total liabilities	11 528	51 022	85 389	161 049	170 923
Total shareholders' equity and liabilities	54 049	68 789	536 017	962 580	783 812

Cash flow statements in summary

Amounts in SEK 000	1998 ¹⁾	1999 ¹⁾	2000 ¹⁾	2001	2002
Operating loss before depreciation	-22 655	-52 599	-215 003	-572 841	-353 725
Non liquidity-affecting income/expenses	176	939	1 967	-548	34 898
Changes in operating funds	3 146	15 305	-11 800	32 777	-25 914
Cash flow from current activities	-19 333	-36 355	-224 836	-540 612	-344 667
Cash flow from investment activities	-4 697	-10 231	-34 526	-83 379	-82 043
Cash flow before financing	-24 030	-46 586	-259 362	-623 991	-426 710
Cash flow from financing activities	60 843	32 851	649 947	571 098	229 547
Cash flow for the year	36 813	-13 735	390 585	-52 893	-197 163

Key ratios

	1998 ¹⁾	1999 ¹⁾	2000 ¹⁾	2001	2002
Sales growth, %	n/a	2 031	63	95	41
Gross margin, %	37	30	neg	9	34
Operating margin, %	neg	neg	neg	neg	neg
Profit margin, %	neg	neg	neg	neg	neg
Capital employed, SEK 000	47 042	26 406	452 712	806 948	626 413
Return on capital employed, %	neg	neg	neg	neg	neg
Return on shareholders' equity, %	neg	neg	neg	neg	neg
Share of risk-bearing capital, %	79	26	84	83	78
Equity/assets ratio, %	79	26	84	83	78
Net debt/equity ratio, multiple	-0.94	-1.24	-0.93	-0.45	-0.26
Interest coverage ratio, multiple	-9.4	-24.0	-153.7	-399.5	-336.0
Net debt, SEK 000	-39 835	-21 982	-419 122	-362 896	-157 626
Average number of employees	20	48	107	299	310
Sales per employee, SEK 000	115	1 023	748	522	713
Salaries and remuneration, including social security costs, SEK 000	9 910	23 358	73 114	242 754	233 700
(of which pension premiums)	500	1 023	4 535	23 252	27 259

1) Regarding 1998–2000 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's Recommendation 15 (RR15).

DEFINITIONS

Average number of employees

Average number of employees during the year.

Capital employed

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

Cash flow per share

Operating cash flow from current activities 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 or loss as a percentage of net sales. Gross profit or loss is defined as net sales minus the cost of goods sold.

Interest coverage ratio

Profit or 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 or loss after depreciation as a percentage of operation's net sales.

Profit margin

Profit or 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 costs as a percentage of average capital employed.

Return on equity

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.

THE BOARD OF DIRECTORS

Örjan Johansson

born 1960

Working Chairman of the Board

Board member since 2000.

Other positions: Board member of Agellis, IT Öresund, Teknopol, Trivector, Scalado, WeSpot and others.

Shareholding: 122 500 shares in Anoto Group AB and 150 000 call options in Anoto Group and options in Anoto corresponding to 157 464 shares in Anoto Group.

Lars Berg

born 1947

Board Member

Board member since 2000.

Other positions: Chairman of the Board of Eniro and Net Insight.

Board member of Carnegie, Ledstiernan, Ratos, Schibsted, Telefónica Móviles and others.

Shareholding: 13 333 shares in Anoto Group and options in Anoto corresponding to 157 464 shares in Anoto Group.

Christer Fåhraeus

born 1965

Board member, founder and CEO

Board member since 1996.

Other positions: Board member of CellaVision and Precise Biometrics.

Shareholding: 6 252 870 shares and 72 000 options in Anoto Group and options in Anoto corresponding to 131 602 shares in Anoto Group. Christer Fåhraeus has also issued 200 000 call options in Anoto Group.

Urban Jansson

born 1945

Board Member

Board member since 2000.

Other positions: Chairman of the Board of Plantagen, Proffice and Drott (nominated).

Board member of Addtech, Ahlstrom Corp, Eniro, Pyrosequencing, SEB and others.

Shareholding: 4 000 shares and 50 000 call options in Anoto Group.

Christer Johansson

born 1953

Board Member

Acting President of C Technologies AB.

Board member since 2000.

Other positions: Chairman of the Board of Anoto Nippon K.K. and Svenska ElektronikFörbundet.

Board member of Anoto Communications Ltd and others.

Shareholding: Options in Anoto corresponding to 62 985 shares in Anoto Group.

Nils Ljung

born 1948

Deputy Chairman of the Board

Board member since 1997.

Other positions: Chairman of the Board of ComMet.

Board member of Agellis, Remium and others.

Shareholding: 450 000 shares in Anoto Group.

Nils Rydbeck

born 1946

Board Member

Professor and consultant

Board member since 2000.

Other positions: Board member of Axis.

Shareholding: 5 000 shares in Anoto Group.

Jan Uddenfeldt

born 1950

Board Member

Board member since 2002.

Chief Technology Officer and Senior Vice President, LM Ericsson.

Other positions: Chairman of the Board of The Electronic Foundation.

Board member of the Royal Institute of Technology (KTH).

Shareholding: 400 shares in Anoto Group.

Supplementary information

- The recorded shareholding includes, where appropriate, holdings spouses and underage children and holding via proprietary companies.
- Holders of options in Anoto AB have entered an agreement with Anoto Group AB in which shares subscribed in Anoto AB based on said options will be exchanged simultaneously for shares in Anoto Group AB. At such an exchange one new share in Anoto Group AB will correspond to 7.9383 shares in Anoto AB. This exchange ratio fully reflects the valuation basis of Anoto Group AB in relation to Anoto AB in connection with the non-cash acquisition of Ericsson's minority interest in Anoto AB in the fourth quarter of 2001.

Chairman of the Board,
Öjan Johansson

Nils Ljung

Nils Rydbeck

Jan Uddenfeldt

Urban Jansson



Lars Berg

Peter Liss,
CFO, Anoto Group

Christer Johansson,
President of
C Technologies

Christer Fähræus,
founder and CEO

SENIOR EXECUTIVES

Christer Fähræus, born 1965

Founder and CEO, Anoto Group AB

Employed since 1996.

Shareholding: 6 252 870 shares and 72 000 options in Anoto Group and options in Anoto corresponding to 131 602 shares in Anoto Group. Christer Fähræus has also issued 200 000 call options in Anoto Group.

Lars Holmqvist, born 1955

CEO WeSpot AB

Employed since 1999.

Shareholding: 125 000 options and 19 400 shares in WeSpot AB.

Christer Johansson, born 1953

Acting President of C Technologies AB

Employed since 2002.

Shareholding: Options in Anoto corresponding to 62 985 shares in Anoto Group.

Peter Liss, born 1960

CFO

Employed since 2002.

Shareholding: 10 000 shares in Anoto Group.

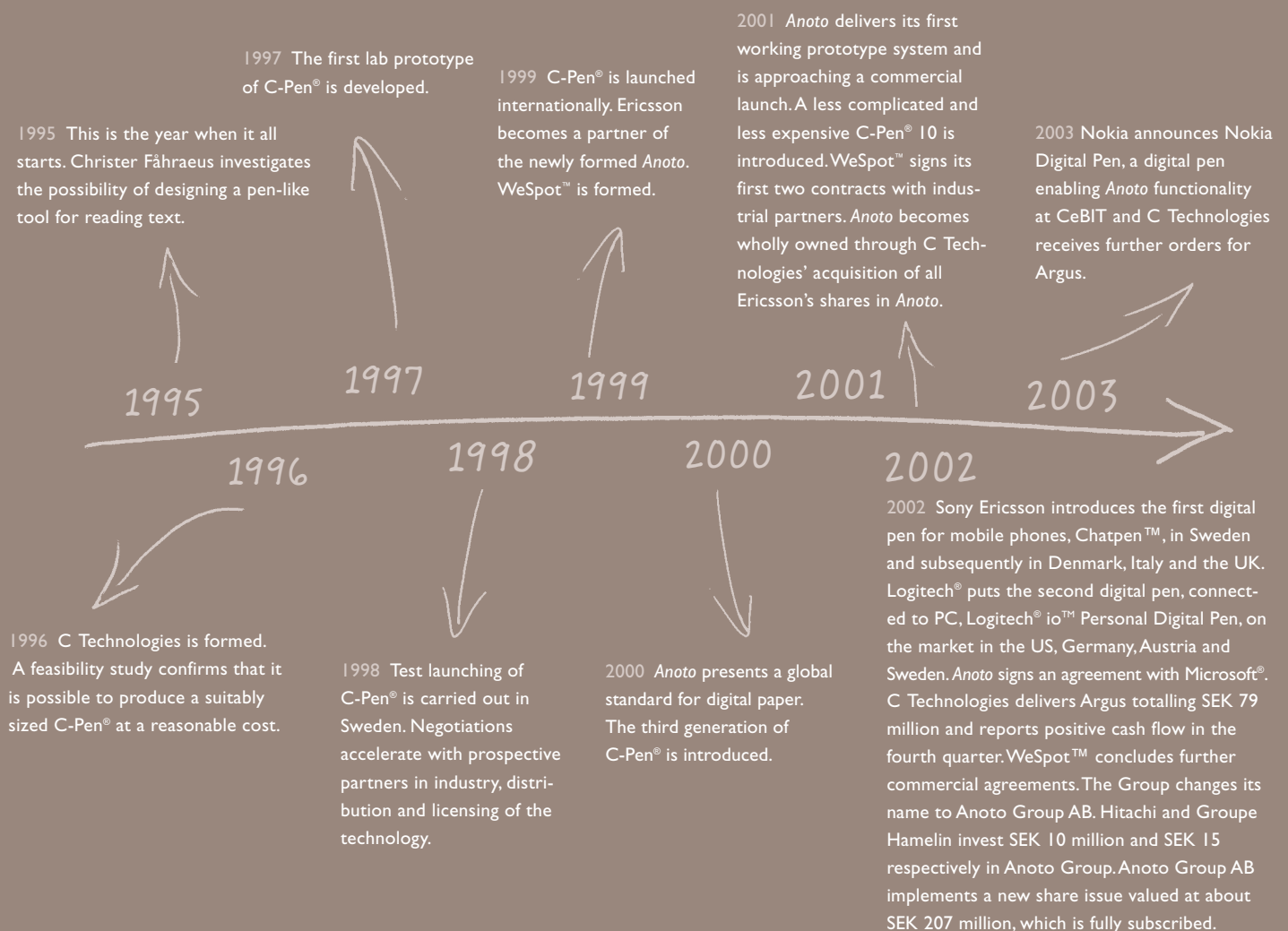
AUDITOR

Per-Arne Pettersson, born 1959

Authorised public accountant
Auditor of Anoto Group AB
since 2000.



Group history



GLOSSARY

ADK (Application Development Kit)

The ADK development kit enables partners to undertake their own development of applications/services based on *Anoto* functionality. The ADK consists of two parts, a Software Development Kit aimed at software developers, and a Graphical Design Kit aimed at graphical designers.

Algorithm

A calculation method, a pattern for the solution of a problem.

Argus (System-on-a-chip ASIC, see below)

A proprietary energy-efficient, high performance microcontroller and image processor for embedded systems like scanning pens, digital cameras and mobile phones.

Argus II

Anoto's proprietary microcontroller with low power consumption, high performance and embedded Bluetooth™ baseband, advanced image processing and widely differing memory configurations.

ASIC (Application Specific Integrated Circuit)

Integrated circuit (chip), specially designed for a specific purpose. C Technologies' proprietary ASIC chip is called Argus.

Bluetooth™

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

Chatpen™

Sony Ericsson's digital pen enabling *Anoto* functionality.

C-Pen®

Trademark owned by C Technologies AB covering C-Pen®, the reading pen.

EPLS (Enterprise Lookup Server)

The EPLS administrates *Anoto* functionality within a company, offering enterprises the possibility to develop customized pen and paper-based applications and services within the company's firewall.

GPRS (General Packet Radio Services)

European packet switched data standard that improves the mobile phone's ability to handle Internet services, e-mails, traffic information, etc. The standard was originally designed for the GSM network.

Graphical e-mail

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

Intelligent Intrusion Sensor

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

IPI (International Payment Instruction)

A standard payment slip used to process payments among banks in different countries produced by the European Committee for Banking Standards.

Logitech® io Digital Pen™

Logitech's digital pen enabling *Anoto* functionality.

Reading Eye

C Technologies' name for a component that enables reading and interpretation of text and images.

MMS (Multimedia Messaging Services)

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

MP3 player

System for playing music in the common file format MP3.

Nurse Sensor

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

OCR (Optical Character Recognition)

System that recognizes and converts printed text into ASCII (American Standard Code of Information Interchange).

OEM (Original Equipment Manufacturing)

Manufacturing something that another company sells under its own name. An OEM distributor may sell other manufacturers' products under its own name.

SDK (Software Development Kit)

Name of the development environment needed in order to write programs for a certain operative system.

Smart Door Opener

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

SMS (Short Message Services)

Service within the GSM system for sending short text messages to mobile phones.

* [page 13] The statement of Mr. De Luca regarding the potential size of the digital pen business for Logitech is forward-looking. This forward-looking statement involves risks and uncertainties, and Logitech's actual performance in the digital pen business could differ materially from that anticipated in this forward-looking statement as a result of many factors, including the timing of new product introductions by Logitech and its competitors and their acceptance by the market, timely availability and pricing of products and components, the successful distribution of products to customers, the outcome of possible intellectual property disputes, technological changes and their acceptance by the market, and as well as generally those additional factors set forth in Logitech's Annual Report on Form 20-F dated June 11, 2002, and subsequent filings available from the United States Securities and Exchange Commission, online from the Edgar database at www.sec.gov, or upon request from Logitech by calling (510) 713-4220. Logitech does not undertake to update this or other forward-looking statements.

All names of companies or products mentioned or shown pertaining to this material could be trademarks belonging to the respective owner.

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