



Year-end Report January – December 2004

- Total group sales were down to SEK 147 million (192), fourth quarter sales dropped to SEK 29 million (41). Sales in Business Unit Anoto increased to SEK 95 million (73), of which SEK 22 million (25) is attributable to the fourth quarter.
- The Group's gross profit increased and amounted to SEK 90 million (45), of which SEK 19 million (15) in the fourth quarter. The gross margin has been calculated in compliance with a new accounting principle (see note 2).
- For the first time in its history, the Group in the fourth quarter achieved a positive operating income of SEK 1 million (- 22) before depreciation and amortisation.
- Income after taxes was SEK -107 million (- 310), of which SEK - 13 million (- 39) is attributable to the fourth quarter.
- Earnings per share amounted to SEK - 0,90 (- 2,81), of which SEK - 0,11 (- 0,34) in the fourth quarter.
- Total cash flow for the period was SEK - 74 million (-190), of which SEK -17 million (- 37) in the fourth quarter, exclusive of new share issues 2003.

Operations Q4, 2004:

- HP announced contracts signed with two important customers, APHP who are using HP FAS in a two-year clinical research study and Eurocopter who are deploying the solution for manufacturing and quality assurance. Both represent important customer references and significant business opportunities in their respective business segments.
- Anoto partner Dai Nippon Printing introduced a forms solution at the Japanese transportation company Nippon Express. The initial application is being utilised in the company's removals trade, comprising about one thousand users. The installation is of major strategic value to Anoto as well as to Dai Nippon Printing having developed the application, and to Maxell having delivered the digital pens.

Significant events after the report period:

- Subsequent to the end of the reporting period, Anoto partner LeapFrog announced its FLY Pentop computer product based on Anoto Technology. FLY Pentop Computer targets children and teenagers, making learning how to read, write, count and learn fun. Sales will start in the United States autumn 2005.



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Anoto Group AB is a Swedish high tech company with unique solutions for transmission of handwritten text from paper to digital media and scanning of printed text. All products and services are based on digital camera technology and image processing in real time.

During the fourth quarter Anoto Group announced the appointment of Mats Blom as its new Chief Financial Officer. Mr. Blom joined Anoto on January 1, 2005.

Anoto won a US patent case in the fourth quarter. A Federal District Court in the United States has declared that Anoto's technology is not infringing a US patent in the area of digital pens and paper. In addition, the court declared that the US patent is invalid.

Business Unit Anoto

Anoto continues to progress towards increasing its role in providing partners with technology. The partners market products and solutions based on Anoto functionality and technology, often after integration in existing or proprietary products or systems.

System Services

System Services focuses on customised systems, services and products targeting enterprises, emphasising primarily forms processing. Anoto partners include system integrators, mobile operators, software developers, IT consultants and IT solution providers, who on their part provide their enterprise customers with tailor-made solutions enabling Anoto functionality. In accordance with Anoto's strategy, sales and deliveries are to be conducted via these partners.

Anoto finds that the strong and increasing interest in forms processing solutions based on Anoto functionality is continuing. The number of commercial users is steadily growing. The growth rate is estimated to gradually increase by the time more customers shift from pilot projects to commercial applications. There are currently installations present across multiple industries at small and large enterprises, leading to a comprehensive customer references list that facilitates decision-making by new customers.

Anoto estimates that approximately 250 pilot projects are currently running, involving about 10 to 100 users. To date some 10 000 digital pens have been commercialised in accordance with the business model stipulating service fee per digital pen per unit of time. In addition the company has knowledge of a further 11 000 digital pens that will be commercialised. However, the Company has not been fully informed of orders placed with customers and partners or the number of products involved, consequently this number is not exact.

The positive development seen in system services continues, even though the growth rate is still slower than calculated. Anoto and its partners are optimistic about business developments in 2005.

During the quarter Anoto Partner HP presented contracts signed with two significant customers, Eurocopter and APHP.

Eurocopter is a European Aeronautic Defence and Space company and world-leading manufacturer of civil and military helicopters. Eurocopter has carried out comprehensive evaluation of HP FAS and after a successful pilot the company has decided to deploy the solution for production and quality assurance. In Eurocopter's manufacturing, efficient and user-friendly forms processing is an essential element in order to achieve the best quality and productivity. HP Fas has now been installed on a number of assembly lines and Eurocopter has the objective to further broaden the deployment.



APHP is the largest European clinical research center with 350 active projects and 35 000 patients enrolled. The HP Forms Automation System is being deployed in a two-year clinical research in 50 hospitals in France. The solution includes some hundred digital pens supplied by HP and clinical research books printed with the unique Anoto patterns.

Dai Nippon Printing and Hitachi are currently carrying out approx. 100-150 pilot studies on the Japanese market. Among others, Dai Nippon Printing has installed a major forms solution application at Japanese Nippon Express. Nippon Express is a market-leading logistics company with 41 000 employees and 1 130 offices throughout Japan. By means of digital forms based on Anoto functionality, the initial application is utilised to offer and estimate costs of removals for the customers of Dai Nippon Express. The application comprises about one thousand users.

Dai Nippon Printing, together with Hitachi Maxell and the WAO Corporation, has also developed an education application that simplifies teachers' marking of test papers. The application was introduced earlier in the year and the implementation is proceeding according to plan.

Additionally, Hitachi has installed a solution at the Sendai Suisan fishery in Japan. The salesmen use digital pens to fill in the order confirmations in connection with deliveries to customers, and this has made the company's invoicing and administration practices more efficient.

Anoto's collaborations with distributors Destiny Wireless in the UK, PinkRoccade in the Netherlands and Digiwrite in Italy are continuing and the number of users is steadily increasing. Anoto believes that the strategy of using local distributors has proved favourable on those markets where they have been established.

Destiny Wireless has previously announced an order from the Cobra Group, a global service provider in direct sales and marketing with offices in 20 countries and 15 000 sales representatives. The order concerns a forms processing solution based on Anoto functionality, initially available to 5 000 users. The application is currently deployed in U.K., Germany, Italy and Dubai.

In the fourth quarter Destiny initiated collaboration with Caudwell Communications, which is using a forms solution in order to streamline its business processes. The solution will make it easier for the salesmen to update the customer database and other back office systems, thereby reducing paperwork and speeding up invoicing and commission payments. Initially about 400 digital pens are utilised in Caudwell Communications. The order comprises a total of 2000 pens to be implemented in the organisation during a period of 12 months.

Anoto's German partner Bendit has developed and is marketing a forms solution that simplifies the use of the new German motorway toll system for truck drivers and logistics companies. The driver fills in a form enabled by Anoto functionality giving information on the size of the truck, the route to be driven and at which exit he will leave the motorway. The information is then transmitted directly via a mobile phone. The route is recorded and the toll is invoiced automatically, and the driver is being spared the trouble of buying and installing an expensive and complicated terminal. Bendit's solution Maut Connect is highly cost-effective, having received a lot of attention in German newspapers. Further information can be obtained at www.mautconnect.de.

Anoto's collaboration with Usyston in China is proceeding according to previous statement. Today the company has about 75 employees and three offices in Beijing, Jinan and Shenzhen. Usyston collaborates with several Chinese software companies and a number of pilot projects are under way.



Consumer Products

Consumer Products focuses on development and sales of products enabling individual users to improve their daily efficiency and communication. These products are offered through partners and target end users, and comprise digital pens and applications for PC and mobile phones. The products and solutions also serve as building stones for customised solutions.

Anoto's partner Logitech continues to market Logitech io2, the second generation of the company's digital pen. Sales are concentrated to the U.S., Germany and the U.K. and via www.logitech.com. Additionally, Logitech has developed a number of offerings and packages to meet the needs and requirements of the enterprise market. Sales volumes are increasing, but still moderate.

Nokia's sales of the Nokia Digital Pen SU-1B continue. Mobile enterprise solutions are meeting with increased interest and Nokia is noticing an increasing number of pilots on many markets in Europe as well as Asia and the U.S., some of which at global companies.

Furthermore, Nokia and different paper partners are teaming up on continued product package sales, emphasizing important personal applications like notes and mobile messaging services. They are sold on numerous markets via the companies' retailers. Several novel packages will be introduced in 2005.

Hitachi Maxell has cemented its position as provider of digital pens on the Japanese market through, for example, the collaboration with Dai Nippon Printing and Hitachi. During the year the company has launched the first solution targeting consumers, Maxell Digital Pen Suite.

Anoto Technology

Anoto Technology develops and sells Anoto's core technology for application areas other than digital pens and paper enabling Anoto functionality. In this segment Anoto delivers or licenses modules, components and function blocks for integration in the customer's product or component, such as other pen-like units, mobile phones, accessories or mobile phone components.

Anoto has on previous occasions announced several projects where Anoto's core technology is deployed in applications other than digital pens and digital paper enabling Anoto functionality.

One such project is pursued with Anoto's U.S. partner LeapFrog, which recently announced its product FLY Pentop Computer. The project is progressing very well and according to plan. Anoto continues to foresee big business potential in this segment and discussions about new projects are ongoing.

ASIC solutions are also being developed within Anoto Technology, whereby Anoto's core technology is sold to application areas other than digital pens and digital paper. In this segment Anoto delivers or licenses modules, components and function blocks for integration in the customer's product or components, such as other cameras, mobile phones, accessories or components for these.

Anoto has on previous occasions announced several projects in this area. The customers' names have not yet been announced, however such projects are either in the process of being developed or produced, and are progressing favourably and according to plan.

Anoto continues to foresee big business potential in this segment and is expecting continued growth.



Business Unit C Technologies

Business Unit C Technologies' products, of which the scanning pen C-Pen is best known, are based on digital camera technology with integrated advanced image processing in products with low energy consumption and high speed processing. Since the end of 1998 C Technologies has established its technology platform on the global market through license and OEM partnerships as well as sales of proprietary products.

The business is progressing towards OEM sales only.

In the fourth quarter Switzerland-based C-Channel placed an order for 10 000 pens. One half of the order was delivered in the fourth quarter and the majority of the remainder is scheduled for delivery in the first quarter of 2005.

The production of C-Pen 600/800 was terminated during the previous year. Sales of the present stock continues and, as previously communicated, orders for the entire stock have been received. Deliveries were executed during the fourth quarter and will be finalised during the first quarter of 2005.

Sales of C-Pen 10 continue. Volumes are stable but relatively moderate.

C Technologies' pilot installation of electricity meters at Öresundskraft is progressing according to plan. Today there are functioning prototypes of the MeterCam product that enable remote reading and thus continued use of existing mechanical electricity meters. The pilot project is in its final stage. For more information please visit: www.metercam.com.

Group sales and result for the twelve months of 2004

Sales for the year amounted to SEK 147 million (192). Anoto accounted for SEK 95 million (73) and C Technologies for SEK 52 million (119).

Sales in Anoto during the twelve months ended December 31, 2004 increased by 30 per cent in comparison with the corresponding period the prior year. A large part of the sales in Anoto is still related to income from product development for external partners, although income from royalties and licences increased considerably.

Sales in C Technologies declined significantly due to reduced sales of camera modules. C-Pen accounts for SEK 28 million (34) of sales in C Technologies and camera modules for SEK 24 million (85). When camera modules are sold to end customers an additional royalty profit per unit sold is yielded.

The Group's gross profit for the period was SEK 90 million (45) or 61 per cent (23 %). The significant contribution of income from Anoto has resulted in a considerable gross margin improvement.

Operating income for the period was SEK – 111 million (-323) of which SEK -122 million (-256) in Business Unit Anoto and SEK 11 million (-67) in Business Unit C Technologies.

Sales, administration and research costs including depreciation and amortisation were SEK – 201 million (-367). The improvement is the result of cost savings implemented in 2003 and 2004.

Income before taxes for the period was SEK –106 million (-310).

The Group's goodwill amortisation totalled SEK -38 million (-38) and depreciation on other intangible and tangible fixed assets totalled SEK – 28 million (-36).



Cash Flow (January-December)

Cash flow from operations amounted to SEK – 60 million (-160). The increase is due primarily to an improvement in the operating loss before depreciation. Payments against previous provisions had a negative impact of SEK - 34 (-41) Mkr.

Cash flow before financing was SEK – 76 million (-193).

This year's cash flow for the period excluding new share issues was SEK – 74 million (-190). A share issue in the amount of SEK 145 million was implemented in the prior year, thus the improvement excluding the new share issue is SEK 116 million and is due to improved operating loss and reduced investments.

Investments (January-December)

Net investments for the period amounted to SEK 11 million (13), primarily pertaining to patent expenses and limited tangible fixed assets.

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

Sales in the fourth quarter were SEK 29 million (41), of which Anoto accounted for SEK 22 million (25) and C Technologies for SEK 7 million (16).

Gross profit was SEK 19 million (15) or 65 per cent (36 %).

Profit before tax and depreciation was SEK 1 million (-22). For the first time in its history Anoto achieved a positive quarterly result before depreciation.

Operating loss for the fourth quarter was SEK – 16 million (-46), of which SEK - 16 (-24) in Business Unit Anoto and SEK 0 million (-22) in Business Unit C Technologies

Sales, administration and research costs amounted to SEK - 35 million (-61). Sales, administration and research expenses excluding depreciation, write-downs, provisions and allocation to costs of goods/services sold continued to decrease, amounting in the fourth quarter to SEK - 29 (-50) Mkr. The cost was favourably impacted by non-recurring income amounting to SEK 5 million.

Income before taxes for the quarter was SEK - 13 million (-39).

Amortisation of goodwill according to plan amounting to SEK - 10 million (-10) was charged to the quarter, as well as depreciation of intangible and tangible fixed assets of SEK - 8 (-6) Mkr.

Cash Flow (October-December)

Cash flow from operations totalled SEK – 11 million (-37) in the fourth quarter.

Cash flow in the fourth quarter totalled SEK – 17 million (-37), having been charged with net investments amounting to SEK 6 million (0).

Financing and Liquidity

Liquid assets at the end of the reporting period were SEK 42 million (116).

The Parent Company

The parent company is a pure holding company comprising a limited number of corporate functions and staff.

Accounting Principles

The Company follows the general guidelines, statements and recommendations issued by the Swedish Financial Accounting Standards Council and the Swedish Institute of Authorised Public Accountants. The Company has during the period changed the accounting principle relating to expenses pertaining to customer-funded development projects. Such projects are accounted as "costs of goods/services sold" instead of being reported as research and development costs. The change does not impact the operating profit, however gross profit for the year is reduced by SEK 24 million. All comparative figures have been adjusted in order to achieve comparability between the periods. In respect of everything else the same accounting principles as in the Annual Report 2003 have been applied.

Share Data

The Anoto Group share is listed on the O list at the Stockholm Stock Exchange. On expiration of the report period the total number of shares was 117 869 201, and in addition 7 748 415 outstanding warrants, of which 4 655 000 were expected to have a value on December 31, 2004.

Ownership Structure

The total number of shareholders in Anoto Group at the end of the report period was 11 830. Foreign shareholders owned 43 per cent of the shares. Institutional and industrial owners controlled 87 per cent of the shares. Major shareholders at the time of the report were Ericsson, Logitech, Robur Funds, DNB, Capital Research Company and Odin Norden, together controlling 55 per cent of the shares in Anoto Group.

Stock Option Program

The Parent Company has issued options within the framework of an incentive program. Current options programs are listed below.

Options program	No. of options	Right to subscribe for no. of shares per option	Providing no. of shares	Subscription price SEK	Subscription period up to and including	Fully subscribed the program could provide MSEK	
Employee option program 2001	1 639 225	1,03	1 688 402	72,70	2005-12-15	123	1)
Salary relinquishment program 2002/ warrants	1 454 190	1,032	1 500 724	56,20 - 131,80	2005-01-31	100	2)
Employee option program 2003	4 655 000	1	4 655 000	11,45-13,09	2006-05-31	57	3)
Total amount	7 748 415		7 844 126				

1) Only 14 per cent has been offered to employees. The remainder has been reverted to the company.

2)) The extraordinary general meeting of January 16, 2002 resolved to authorise the Board to issue warrants to be used in an offering to employees to acquire these warrants on market conditions in return for a voluntary reduction in pay over a maximum of 18 months. The offering comprises several programs extending over two and three years respectively, at the subscription prices stated above. Options extending over two years have expired.

3) The Annual General Meeting of May 15, 2003 authorised the Board to issue 4.655.000 options, so-called employee options. 3.500.000 options were allocated to the employees in quarter 4 of 2003 and 1.155.000 options were allocated to the company for hedging against social costs.

Full utilisation of all option programs would result in a total deferred dilution of approx. 6,7 per cent on December 31, 2004.



Significant events after the report period

Anoto's American partner LeapFrog is a world-leading manufacturer of innovative technology-based educational products and toys. After the end of the reporting period, LeapFrog launched a totally new product category for interactive learning based on Anoto Technology. FLY Pentop Computer targets children and teenagers, making learning how to read, write, count and learn fun. FLY Pentop computer is launched together with several applications and books that stimulate learning, creativity and creating through fun and innovative use of pen and paper. Sales will start in the United States in consumer electronics sections of select retailers starting in the autumn 2005. The suggested retail price for the first FLY product will be around \$99. Various applications and contents are also available.

Nokia presented the collaboration between DHL, IBM and Danish Fruits and announced the companies' drive to launching on a broader scale. The initial phase of implementing the solution at DHL in Scandinavia and Finland has been completed and Nokia, IBM and Fruits are now planning a broader-based implementation of this solution within DHL in Europe.

Anoto's paper partner Clairefontaine/MetaLinks announced co-operation with Nokia at the Paper World exhibition. Clairefontaine's new product Paper PC, a mobile notes concept, will be marketed together with the Nokia Digital Pen. Paper PC is based on handwritten notes being transmitted directly from the pad to a web server via the mobile phone or PC for storage. There are several different ways of processing the notes directly from the pad, from a Symbian mobile phone or a PC. The package comprises several notebooks with various functions in different sizes. Sales of Paper PC will begin shortly in France and the suggested price is approx. Euro 300. Thereafter the product will be introduced in six more European languages.

After the end of the reporting period, HP presented a new contract signed with the university hospital in Basel, Switzerland. HP and the university hospital will develop and sell the Hospital Forms Solution (HFS), a custom-built forms automation solution for hospitals that will help to increase workflow and administration efficiencies while at the same time being simple to handle for patients. After a successful pilot installation at the university hospital of Basel the solution will be sold to other hospitals in Europe.

HP also announced cooperation with Nokia in order to jointly develop and market the HP FAS solution with the Nokia Digital Pen for mobile use. By combining HP's print-on-demand solution with Nokia's digital pen, HP will broaden its offering in order to target Enterprise Mobile Forms applications.

Outlook

The Group

A significant portion of the invoicing in 2005 will relate to advanced payments from one of Anoto's major customers. These will not be recognised as income during the year, but will have a positive impact on the cash flow.

Revenues from services and royalties are estimated to show continued strong growth.

Sales, administration and research expense reductions are estimated to gradually continue in 2005.

The Group maintains its objective of achieving positive cash flow for the full year of 2005. The beginning of 2005 supports this objective.



Interim Reports

Q1 Report and Annual General Meeting
Semi-annual Report
Q3 Report
Year-end Report 2005

May, 11, 2005
August, 17, 2005
November, 3, 2005
February, 8, 2006

Lund, February 10, 2005

Anders Tormod
Chief Executive Officer

Review Report

Anoto Group AB (publ) Corporate Identity Number 556532-3929

I have reviewed this interim report in accordance with the recommendations issued by the Swedish Institute of Authorised Public Accountants.

A review is considerably limited in scope compared with an audit.

Nothing has come to attention that causes me to believe that the interim report does not comply with the requirements of the Securities and Clearing Operations Act and the Annual Accounts Act.

Lund, February 10, 2005

DELOITTE & TOUCHE AB

Per-Arne Pettersson
Authorised Public Accountant



Income statement in summary ^{1, 2, 3}

The Group

(Amounts in SEK 000)

	Quarter 4		Accumulated	
	Oct - Dec 2004	Oct - Dec 2003	Jan - Dec 2004	Jan - Dec 2003
Net sales	28 896	41 053	147 392	192 368
Costs of goods/services sold ^{1, 2}	(10 126)	(26 193)	(57 456)	(147 673)
Gross profit	18 770	14 860	89 936	44 695
Sales, administration & research costs ^{1, 2, 3}	(35 194)	(60 831)	(201 287)	(366 560)
Share of income in associated companies	(26)	(25)	(26)	(1 321)
Operating income	(16 450)	(45 996)	(111 377)	(323 186)
Share of income in group companies	-	5 891	-	25 121
Share of income in associated companies	3 059	-	3 059	(8 876)
Other financial items	566	660	1 861	(8 407)
Income after financial items	(12 825)	(39 445)	(106 457)	(315 348)
Minority interests	-	-	-	5 489
Income before taxes	(12 825)	(39 445)	(106 457)	(309 859)
Taxes	(76)	(49)	(127)	(360)
Income after taxes	(12 901)	(39 494)	(106 584)	(310 219)
Key ratios:				
Gross margin	65,0%	36,2%	61,0%	23,2%
Operating margin	Neg	Neg	Neg	Neg
Earnings per share (SEK) ⁵	(0,11)	(0,34)	(0,90)	(2,81)
Earnings per share after dilution (SEK) ⁵	(0,11)	(0,34)	(0,90)	(2,81)



Balance sheet in summary ^{3,7}

(Amounts in SEK 000)

	The Group	
	Dec 31, 2004	Dec 31, 2003
Intangible fixed assets	329 894	380 041
Tangible fixed assets	5 589	11 298
Financial fixed assets	5 155	4 924
Other current assets	52 210	56 224
Liquid assets incl. current investments	41 740	116 033
Total assets	434 588	568 520
Shareholders equity	347 493	451 248
Provisions	33 102	54 550
Interest-bearing liabilities	-	97
Other liabilities	53 993	62 625
Total shareholders' equity & liabilities	434 588	568 520

Change in shareholders' equity

The Group

	Jan 1, 2004- Dec 31, 2004	Jan 1, 2003- Dec 31, 2003
Opening balance	451 248	612 889
New share issues	-	144 660
Reversed write-down of receivables from minority in WeSpot AB	-	3 284
Recovered VAT in respect of issue expenses	2 902	-
Translation differences	(73)	634
Loss for the period	(106 584)	(310 219)
Closing balance	347 493	451 248



Cash flow statement ¹

The Group

(Amounts in SEK 000)	Quarter 4		Accumulated	
	Oct - Dec 2004	Oct - Dec 2003	Jan - Dec 2004	Jan - Dec 2003
Income after financial items ^{1,4}	(12 825)	(39 445)	(106 457)	(315 348)
Adjustment for items not included in cash flow:				
WeSpot AB's income reversed	-	-	-	12 125
Change in provisions	(8 033)	876	(21 448)	16 373
Depreciations and write-downs	17 126	29 978	66 622	144 328
Share of income in group and associated companies	3 033	(5 869)	3 033	(14 924)
Other financial items	(566)	82	(1 861)	(2 504)
Taxes paid	(76)	(49)	(127)	(360)
Cash flow from operations				
before change in working capital	(1 341)	(14 427)	(60 238)	(160 310)
Change in working capital	(9 688)	(22 816)	(5 024)	(19 859)
Cash flow from operations	(11 029)	(37 243)	(65 262)	(180 169)
Net investments	(6 448)	(222)	(10 692)	(12 556)
Total cash flow before financing	(17 477)	(37 465)	(75 954)	(192 725)
Financing:				
New share issues	-	-	-	144 660
Change in long-term liability	(43)	(97)	(97)	(23)
Other financial items	566	(82)	1 861	2 504
Other items	(124)	302	(103)	635
Cash flow for the year	(17 078)	(37 342)	(74 293)	(44 949)
Liquid assets at the beginning of the period *	58 818	153 375	116 033	171 150
Liquid assets in WeSpot AB at the beg. of the period	-	-	-	(10 168)
Liquid assets at the end of the period *	41 740	116 033	41 740	116 033

*) Liquid assets refer to cash, bank balances and current investments

Key ratios

The Group

	Oct - Dec 2004	Oct - Dec 2003	Jan - Dec 2004	Jan - Dec 2003
Cash flow for the year (SEK 000)	(17 078)	(37 342)	(74 293)	(44 949)
Cash flow / share (SEK) ⁵	(0,14)	(0,32)	(0,63)	(0,41)
Cash flow / share (SEK) after dilution ⁵	(0,14)	(0,32)	(0,63)	(0,41)
	Dec 31, 2004	Dec 31, 2003		
Equity / Assets ratio	80,0%	79,4%		
Number of shares ⁶	122 524 201	122 524 201		
Equity per share (SEK) ⁶	2,84	3,68		

Notes (SEK 000)

1. As of the interim report for the second quarter of 2004, the income statement has been revised in order not to use the term "Items affecting comparability". Anoto Group has thus in compliance with the Swedish Financial Accounting Standards Council Recommendation 5 "Change in accounting principle" adjusted the comparative figures. Amounts for the year 2003 have been recalculated and are charged to the respective functions. Write-downs of stock have been charged to "Costs of goods sold". Items affecting comparability for the second quarter of 2003 totalled 36 400 and have been reclassified as follows: Costs of goods sold 17 959, Sales, administration and research expenses 18 441. Items affecting comparability for the third quarter of 2003 totalled 49 950 and have been reclassified as follows: Costs of goods sold 8 000, Sales, administration and research expenses 41 950. Additionally, depreciations are no longer accounted separately as they do not follow the layout for income statement classified according to function and therefore the income statement item "Profit before depreciations" no longer exists.
2. As of the fourth quarter of 2004, Anoto Group accounts costs for customer-funded development projects as costs of services sold. The accounting method means that development expenses relating to customer-funded projects are transferred from development expenses to costs of services sold. The change only impacts the gross profit or loss, not the operating profit/loss. Items accounted in previous reports have been adjusted in the same manner in order to achieve comparability.
3. In the fourth quarter Anoto Group capitalised development expenses relating to new platforms in compliance with the criteria set out in the Swedish Financial Accounting Standards Council Recommendation for capitalisation. Expenses for development of platforms are estimated to increase the Group's future earning capacity and shall thus, in compliance with the Recommendation, be accounted as intangible fixed assets. In the fourth quarter, SEK 4 315 have been capitalised as intangible fixed assets.
4. Changes under Note 1 will also impact the cash flow statement, which, as of the second quarter will emanate from "Income after financial items".
5. Key ratios pertaining to "Earnings per share" and "Cash flow per share" are based on the weighted average number of shares and outstanding warrants for the respective periods. Only warrants estimated to have a value are included in the calculation.
6. Incl. outstanding warrants (Dec 31, 04: 4 655 000; Dec 31, 03: 4 655 000).
7. Items intangible fixed assets, tangible fixed assets, financial assets and provisions are accounted as separate items as of the interim report for the first quarter of 2004. Comparative figures for previous periods have been recalculated. Previous classifications pertaining to the above items have thus been eliminated.

Conversion to International Financial Reporting Standards (IFRS)

Effective January 1, 2005 Anoto Group AB (publ) will report according to the EU-approved International Financial Reporting Standards (IFRS). Comparative figures will be recalculated as from January 1, 2004 since Anoto Group reports comparative figures for one year in the Annual Report. The interim report for Q1 2005 will be the first report presented by Anoto Group according to IFRS standards.

The Stockholm Stock Exchange has stated that all listed companies specify any major differences between the current accounting principles and the future IFRS regulations to be applied as from 2005. In addition, a quantitative review of the most important items resulting from the conversion shall be presented.

Anoto Group will see a major impact in two areas.

Should IFRS standards be applied to 2004, amortisation of goodwill would decline by 38 136 and costs for allocation of options to employees would increase by 6 770.

These two results would have impacted earnings per share by SEK 0.27 as well as shareholders' equity by SEK 0.32.