



## Interim Report January – September 2004

- Sales decreased by 22 per cent to SEK 118 million (151), third quarter sales dropped by 38 per cent to SEK 32 million (52).  
Sales in Business Unit Anoto rose by 49 per cent to SEK 73 million (49), of which SEK 24 million (18) is attributed to the third quarter.
- Gross margin for the period improved to SEK 86 million (43), of which SEK 25 million (15) in the third quarter. \*
- Loss after taxes was SEK –94 million (-271), of which SEK - 40 million (-128) in the third quarter.
- Earnings per share were SEK -0,79 (-2,51), of which SEK -0,34 (-1,09) in the third quarter.
- Total cash flow for the period was SEK –57 million (-152), of which SEK –18 million (-60) in the third quarter, exclusive the new share issue in 2003.

### Operations Q3, 2004:

- In order to create a more efficient and transparent organisation Anoto effectuated restructuring of the company in the third quarter. As a result some ten employees have been given notice of termination.
- Part of the restructuring process involved the change of CEO. Anders Tormod, who previously held the position of Chief Operating Officer, was appointed Chief Executive Officer. He succeeded Örjan Johansson who remains with the company with responsibility for strategic business development.
- Anoto partner Logitech introduced the next generation of its digital pen, Logitech io2. Initially the digital pen will be available in the US, Germany and the UK to consumers and to companies for enterprise use on a global basis.
- Business Unit Anoto Technologies' projects and deliveries continue and are developing successfully according to plan.

\* Please note that the comparative figures have been recalculated in compliance with the new accounting principle.



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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.

In order to create a more efficient and transparent organisation, Anoto Group restructured its organisation in the third quarter. The change is the result of Anoto's partners desiring to assume greater responsibility for product development and industrialisation, as well as the company's strategy to become a pure provider. In consequence some ten employees have been given notice. The staff reduction involves consolidating sales, support and product management positions while cutting back on the number of managers and management levels.

During the restructuring process the company also changed its CEO and appointed Anders Tormod Chief Executive Officer of the Anoto Group AB. Anders has served on the management team since 2000 and has held the position of Chief Operating Officer (COO) since 2003, a position which included responsibility for the development, sales and marketing organisations. Anders Tormod succeeded Örjan Johansson who remains with the company heading strategic business development. His new role will aim at focusing on more important and strategic partner contacts.

Staff cuts and restructuring costs are estimated at SEK 12 million, which is higher than the SEK 10 million previously communicated, and effects the third quarter. The increase is due to specific measures taken that were not included in previously announced restructuring details. This will result in consolidated costs being reduced to a level below the previously announced SEK 12 million per month. Full effect of the restructuring program will be achieved as of the second quarter of 2005.

### **Business Unit Anoto**

Anoto continues on the path to becoming a pure provider for its partners. These partners market products and solutions based on Anoto functionality and technology, frequently integrating them in existing or proprietary products or systems.

### **System Services**

*Business Stream System Services focuses on customised 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.*

Forms processing solutions based on Anoto functionality continues to create interest and are increasing. The number of commercial users is continuously growing. The growth rate is estimated to gradually increase by the time more customers shift from pilot projects to commercial applications.

Anoto estimates that approx. 250 pilot projects are currently running, involving about 10 to 100 users. To date some 7.000 digital pens have been commercialised in accordance with the business model service fee per digital pen per unit of time. In addition the company is familiar with a further 10 000 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, it is therefore anticipated that the number of orders may be higher. System Services is progressing favourably even though the growth rate is slower than expected. The estimated timeline of a project's sales cycle, from initiation to



pilot and commercial installation, is on average 12-18 months depending on the scope of the changed work processes on the part of the customer and the complexity of the installation.

Seeing that a large number of pilots have been running for a considerable time, positive developments are foreseen in 2005. Since a number of significant customers have chosen to implement Anoto functionality in their business and forms processes, the value and usefulness are considered substantiated. Anoto partners' confidence in the strategy for developing services and products market based on Anoto functionality continues strong.

Since the end of last year HP is marketing its HP Forms Automation System (HP FAS), a system solution allowing forms with Anoto functionality to be printed on laser printers.

The collaboration with Standard Register continues according to plan. Standard Register has previously announced its ExpeData product family based on Anoto functionality. Since the launching of ExpeData, Standard Register is conducting several pilot studies.

American Anoto partner Ibex announced at the end of the quarter a forms processing system for emergency treatments. The Ibexpen, based on Logitech's digital pen, has been integrated with Ibex PulseCheck<sup>®</sup>, a proven information system for emergency departments. The Ibexpen has been tested and deployed in several existing Ibex PulseCheck client hospitals. General availability is scheduled for late autumn. For further information: [www.ibexhealthdata.com/ibexpen](http://www.ibexhealthdata.com/ibexpen).

Anoto's Japanese Partner Dai Nippon Printing, together with Hitachi Maxell and the WAO Corporation, are behind the initial and previously communicated education application introduced commercially in Japan. The application, which simplifies teachers' marking of test papers, was introduced earlier in the year. Deployment during the third quarter has progressed according to plan.

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

Destiny Wireless' previously announced 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.

Co-operation with Portugal-based NetSaude is also advancing according to plan. The application is a digital system to manage prescriptions based on Anoto functionality, which is being developed by NetSaude for the pharmaceutical industry. The system forms part of an initiative taken by the Portuguese Government aimed at reducing costs for drugs and prescription handling. Commercial availability of the first services is scheduled for the fourth quarter of 2004.

During the third quarter Anoto partner Magicomm installed two commercial applications at the UK based logistics provider NYK Logistics.

Anoto's collaboration with Usyston in China is proceeding according to previous statement. Product development for the Chinese market has been finalised and a number of end user pilots are currently ongoing.



## **Consumer Products**

*Business Stream 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 services and customised solutions offered by the Company's other business stream, System Services.*

During the third quarter Logitech introduced the Logitech io2, the second generation of the company's digital pen. Sales of the new Logitech io2 will be concentrated to the U.S., Germany and the U.K. and via [www.logitech.com](http://www.logitech.com). Logitech io2 is slimmer than its predecessor and improvements include enhanced handwriting recognition and more paper options. Logitech io2 costs about SEK 2 000. Logitech has also further developed the io2 and a number of offerings available for io2 in order to meet the requirements and needs of the enterprise market.

Logitech has previously launched a couple of product packages targeting OEM and enterprise customers. Logitech has also introduced ioDirect, a service that gives customers instant access to digital paper and other accessories available for the Logitech io2 Digital Pen.

Sales are growing but are still moderate.

Nokia sales of the Nokia Digital Pen SU-1B continue. Mobile enterprise solutions are meeting with increased interest and a number of product packages addressing this market have been produced. Nokia is seeing an increasing number of pilots on many markets, both in Europe, Asia and in the U.S., some of which at global companies.

Nokia continues to sell several product packages featuring personal applications of importance, such as notes and mobile messaging services, via retailers on numerous markets.

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

## **Anoto Technology**

*Business Stream Anoto Technology develops and sells Anoto's core technology for application areas other than Digital Pens and Paper based on 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 utilised in applications other than the digital pen and paper enabling Anoto functionality. Such projects are 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 business stream and discussions about new projects are ongoing.

The names of companies as well as application areas have, at the request of the various partners, as yet not been disclosed.



## **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 has been focused on providing value-added platforms for built-in products with optical systems where the core competence is in image processing and related technology areas. Product examples based on the platform are handheld scanners/readers (e.g. C-Pen) and various camera products (e.g. mobile accessories and Metercam).

The production of C-Pen 600/800 was terminated in 2003. The present stock is now being sold, and orders for the entire stock have been received. Deliveries were executed during the third quarter and will be finalised during the first quarter of 2005.

Development of the successor to C-Pen 10 is almost finished. Industrialisation will take place during the fourth quarter and production will start during the first quarter next year. A more attractive price and considerably improved user biotechnology are two enhancements of vital importance for this product.

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

In accordance with the strategy to deliver platform solutions, an external customer has for the first time initiated proprietary development based on C Technologies' technology platform. This customer is a well-reputed OEM manufacturer and the product launch will take place in the first quarter next year under a well-known brand.

As previously announced, project collaboration is underway between C Technologies, Nam Tai E&EP Ltd, a leading electronics manufacturer in China, and Iniris AB regarding a pilot installation at Öresundskraft. The product, Metercam, enables remote meter reading, ensuring that existing mechanical electricity meters can be retained. The camera will result in dramatically reduced investments in connection with the implementation of the proposed bill requiring that the actual electricity consumption is charged on a monthly basis by the summer 2009 at the latest. During the third quarter prototypes have been developed and pilot installations are scheduled for November. For more information: [www.metercam.com](http://www.metercam.com)

## **Invoicing and result for the first nine months (January-September)**

Invoicing for the first nine months amounted to SEK 118 million (151). Anoto accounted for SEK 73 million (49) and C Technologies for SEK 45 (102) million.

Sales in Anoto for the quarter ended September 30, 2004 increased by 49 % compared to the same period the previous year. A major part of sales in Anoto is still related to income from product development for external partners. However, income from royalties and licences is gradually increasing, having a significant impact on sales.

Sales in C Technologies declined significantly due to reduced sales of camera modules. C-Pen accounts for SEK 21 million (24) of sales in C Technologies and camera modules for SEK 24 (78) million. When camera modules are sold to end customers an additional royalty profit per unit sold is yielded.

The Group's gross margin for the period was SEK 86 million (43) or 73 per cent (28 %). The large contribution of income from Anoto has resulted in a considerable gross margin improvement.

Consolidated operating loss for the period amounted to SEK - 95 million (-277), of which SEK -100 million (-233) in Business Unit Anoto and SEK 5 million (-44) in Business Unit C Technologies.



Sales, administration and research expenses totalled SEK – 119 million (-199). This improvement is the result of headcount reduction and cost savings in 2003. Sales, administration and research expenses including depreciation and amortisation, write-downs, and provisions were SEK – 181 million (-319).

Consolidated pre-tax loss for the period was SEK – 94 million (-271).

The Group's goodwill amortisation totalled SEK - 28,7 million (-28,7) and amortisation and depreciation totalled SEK – 20,8 million (-30,2).

### **Cash flow (January-September)**

Cash flow from current operations for the period totalled SEK – 54 million (-143). The increase is primarily due to an improvement in the operating loss before depreciations. Disbursements in respect of previous provisions had a negative impact of SEK – 26 million (-17).

Cash flow before financing operations was SEK – 58 million (-155), after deduction for net investments of SEK 4 (12) million.

This year's cash flow for the period totalled SEK - 57 million (-152). A new share issue in the amount of SEK 145 million was implemented in the previous year, thus the improvement excluding the new share issue is SEK 95 million and is due to improved operating loss and less investments.

Cash flow was charged with net investments for the period of SEK 4 million (12).

### **Investments (January-September)**

Net investments for the period totalled SEK 4 million (12), pertaining primarily to patent expenses and limited tangible fixed assets.

### **Invoicing and result for the third quarter (July-September)**

Invoicing for the third quarter totalled SEK 32 million (52), of which Anoto accounted for SEK 24 million (18) and C Technologies for SEK 8 million (34).

Gross margin amounted to SEK 25 million (15) or 77 per cent (30). The comparative quarter the previous year contained stock write-down of SEK 8 million, which explains the lower comparative figure.

Pre-tax loss before depreciation was SEK – 24 million (-39). This includes provisions of SEK 12 million for the previously announced restructuring.

Operating loss for the third quarter totalled SEK – 40 million (-109), of which SE – 40 million (-103) in Business Unit Anoto and SEK 0 million (-6) in Business Unit C Technologies.

Sales, administration and research expenses have continued to decrease, amounting in the third quarter to SEK - 36 million (-55). Sales, administration and research expenses including depreciation and amortisation, write-downs, and provisions totalled SEK – 65 million (-123).

Consolidated pre-tax loss for the period was SEK – 40 million (-128).

Depreciation of goodwill according to plan amounting to SEK - 9,6 million (-9,6) was charged to the quarter, as well as amortisation and depreciation totalling SEK - 6,6 million (-9,0).



### **Cash flow (July-September)**

Cash flow from current operations for the third quarter amounted to SEK – 17 million (-60).

Cash flow for the year in the third quarter was SEK – 18 million (85), and was charged with net investments totalling SEK 2 million (2). The corresponding quarter in 2003 contained a new share issue in the amount of SEK 145 million, and the improvement excluding the new share issue is SEK 41 million.

### **Financing and Liquidity**

Consolidated liquid assets at the close of the period amounted to SEK 59 million (153).

### **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 applied the same accounting principles as in the Annual Report 2003.

### **Share Data**

The Anoto Group share is listed on the O list (Attract 40) 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 September 30, 2004.

### **Ownership Structure**

The total number of shareholders in Anoto Group at the close of the report period was 12 663 and foreign shareholders owned 42 per cent of the shares. Institutional and industrial owners controlled 87 per cent the shares. Major shareholders at the time of the report period were Ericsson, Logitech, Capital Group Funds, Robur Funds, Odin Norden and Fjärde AP-fonden. These shareholders control 55 per cent of the shares in Anoto Group.



## Options program

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

Options program	Number of options	Right to subscribe for number of shares per option	Providing number of shares	Subscription price SEK	Subscription period up to and incl.	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 have been offered to employees.

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 about 6,7 per cent on September 30, 2004.

## Significant events after the report period

Anoto's collaboration with Dai Nippon Printing was further strengthened, having also resulted in a major forms solutions installation for the Japanese transportation company Nippon Express. Nippon Express is a market-leading Japanese transportation company with 41.000 employees and 1.130 offices throughout Japan. The initial application is utilised by the Company's "removal business", and comprises about one thousand users. The installation is of major strategic importance to Anoto, and to Dai Nippon Printing having developed the application and to Maxell having delivered the digital pens.

HP has signed two contracts with HP customers APHP and Eurocopter. Both represent important customer references for future business opportunities. APHP (Assistance Publique Hôpitaux de Paris) clinical research is the largest European clinical research centre 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. In the initial phase, the solution includes some hundred HP Digital Pens and clinical research books with unique pattern printed with HP LaserJet printers. Website: [www.ap-hop-paris.fr/](http://www.ap-hop-paris.fr/). Eurocopter, an EADS (European Aeronautic Defence and Space Company) company, is the world's leading manufacturer of civil and military helicopters. After a successful pilot on the Dauphin helicopter assembly line, Eurocopter is ready to deploy HP Forms Automation System for quality inspection allowing instant data access, improving data accuracy and fast problem solving. Website: [www.eads.net](http://www.eads.net)





Anoto has, after the report period, won a US patent case. 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. Additionally, the court declared that the US patent is invalid.

The CEO of Anoto Group, Anders Tormod, said in a press release on November 1, 2004: "This is a success for us. The concept digital pen and paper has been known since the 80's, thus making it impossible for anyone to block the concept itself. However, Anoto has built a very robust technology and a patent portfolio comprising over 300 patent applications based on over 100 innovations, which, in our opinion would make it difficult or very difficult to launch a similar technology without infringing Anoto patents. That in combination with the fact that we are the only company having launched a commercially available and viable technology puts us in a strong position. A telling argument is Anoto's highly powerful partner network encompassing world-leading companies such as HP, Hitachi, Logitech, Nokia, and Maxell, all of which have licensed their technology for digital pens and digital paper from Anoto".

## **Outlook**

### **Business Unit Anoto**

Revenues in Anoto will continue to increase in 2004 compared to 2003.

Present and potential industrial partners continue to demonstrate strong interest.

### **Business Unit C Technologies**

Product sales in C Technologies are expected to remain stable but low. Orders for the entire C-Pen 600 and C-Pen 800 stock have been received. Final deliveries are scheduled for the first quarter of 2005.

C Technologies is expected to contribute to providing profit as well as positive cash flow for the full year of 2004.

## **The Group**

The Group's sales, administration, and research and development costs are expected to gradually decrease. We estimate that fourth quarter costs will be below SEK 12 million per month.

Anoto sales will increase for the full year whereas sales in C Technologies are expected to decline compared to 2003.

Gross margin is estimated to improve considerably compared with the previous year, in respect of percentage as well as absolute terms.

The Company reaffirmed its aim of reaching positive cash flow for the full year of 2005. All efforts are focused on securing this goal.

### *Interim Reports*

Year-end Report 2004

February 10, 2005

Lund, November 3, 2004

Anders Tormod  
CEO



**Income statement in summary <sup>1</sup>**

**The Group**

(Amounts in SEK 000)

	Quarter 3		Accumulated		Full year
	July - Sept 2004	July - Sept 2003	Jan - Sept 2004	Jan - Sept 2003	Jan - Dec 2003
Net sales	32 115	52 412	118 496	151 315	192 368
Costs of goods sold <sup>1</sup>	(7 502)	(36 936)	(32 405)	(108 479)	(127 446)
<b>Gross profit</b>	<b>24 613</b>	<b>15 476</b>	<b>86 091</b>	<b>42 836</b>	<b>64 922</b>
Sales, administration and research costs <sup>1</sup>	(64 762)	(123 326)	(181 018)	(318 730)	(386 787)
Share of income in associated companies	-	(1 296)	-	(1 296)	(1 321)
<b>Operating income</b>	<b>(40 149)</b>	<b>(109 146)</b>	<b>(94 927)</b>	<b>(277 190)</b>	<b>(323 186)</b>
Share of income in group companies	-	-	-	19 230	25 121
Share of income in associated companies	-	(8 876)	-	(8 876)	(8 876)
Other financial items	264	(9 649)	1 295	(9 067)	(8 407)
<b>Income after financial items</b>	<b>(39 885)</b>	<b>(127 671)</b>	<b>(93 632)</b>	<b>(275 903)</b>	<b>(315 348)</b>
Minority interests	-	-	-	5 489	5 489
<b>Income before taxes</b>	<b>(39 885)</b>	<b>(127 671)</b>	<b>(93 632)</b>	<b>(270 414)</b>	<b>(309 859)</b>
Taxes	(50)	(122)	(51)	(311)	(360)
<b>Income after taxes</b>	<b>(39 935)</b>	<b>(127 793)</b>	<b>(93 683)</b>	<b>(270 725)</b>	<b>(310 219)</b>
<b>Key ratios:</b>					
Gross margin	76,6%	29,5%	72,7%	28,3%	33,7%
Operating margin	Neg	Neg	Neg	Neg	Neg
Earnings per share (SEK) <sup>3</sup>	(0,34)	(1,09)	(0,79)	(2,51)	(2,81)
Earnings per share after dilution (SEK) <sup>3</sup>	(0,34)	(1,09)	(0,79)	(2,51)	(2,81)



**Balance sheet in summary** <sup>5</sup>

(Amounts in SEK 000)

	<b>The Group</b>		
	Sep 30, 2004	Sep 30, 2003	Dec 31, 2003
Intangible fixed assets	339 583	401 400	380 041
Tangible fixed assets	6 514	16 932	11 298
Financial fixed assets	5 274	1 678	4 924
Other current assets	43 598	69 911	56 224
Liquid assets inc. current investments	58 818	153 375	116 033
<b>Total assets</b>	<b>453 787</b>	<b>643 296</b>	<b>568 520</b>
Shareholders' equity	357 540	490 622	451 248
Provisions	41 135	22 680	54 550
Interest-bearing liabilities	43	97	97
Other liabilities	55 069	129 897	62 625
<b>Total shareholders' equity &amp; liabilities</b>	<b>453 787</b>	<b>643 296</b>	<b>568 520</b>

**Change in shareholders' equity**

	<b>The Group</b>		
	Jan 1, 2004- Sep 30, 2004	Jan 1, 2003- Sep 30, 2003	Jan 1, 2003- Dec 31, 2003
<b>Opening balance</b>	<b>451 248</b>	<b>612 889</b>	<b>612 889</b>
New share issue	-	144 660	144 660
Reversed write-down of receivables from minority in WeSpot AB	-	3 284	3 284
Translation differences	(25)	514	634
Loss for the period	(93 683)	(270 725)	(310 219)
<b>Closing balance</b>	<b>357 540</b>	<b>490 622</b>	<b>451 248</b>



**Cash flow statement <sup>1</sup>**

**The Group**

(Amounts in SEK 000)	Quarter 3		Accumulated		Full year
	July - Sept 2004	July - Sept 2003	Jan - Sept 2004	Jan - Sept 2003	Jan - Dec 2003
Income after financial items <sup>1</sup>	(39 885)	(127 671)	(93 632)	(275 903)	(315 348)
Adjustment for items not included in cash flow:					
WeSpot AB's income reversed	-	-	-	12 125	12 125
Change in provisions	6 529	28 679	(13 415)	15 497	16 373
Depreciations and write-downs	16 216	37 464	49 496	114 350	144 328
Share of income in group and associated companies	-	10 172	-	(9 058)	(14 924)
Other financial items	(264)	(2 004)	(1 295)	(2 586)	(2 504)
Taxes paid	(50)	(122)	(51)	(311)	(360)
<b>Cash flow from operations</b>					
<b>before change in working capital</b>	<b>(17 454)</b>	<b>(53 482)</b>	<b>(58 897)</b>	<b>(145 886)</b>	<b>(160 310)</b>
Change in working capital	228	(6 208)	4 664	2 957	(19 859)
<b>Cash flow from operations</b>	<b>(17 226)</b>	<b>(59 690)</b>	<b>(54 233)</b>	<b>(142 929)</b>	<b>(180 169)</b>
Net investments	(1 658)	(1 761)	(4 244)	(12 334)	(12 556)
<b>Total cash flow before financing</b>	<b>(18 884)</b>	<b>(61 451)</b>	<b>(58 477)</b>	<b>(155 263)</b>	<b>(192 725)</b>
<b>Financing:</b>					
New share issues	-	144 660	-	144 660	144 660
Change in long-term liability	(6)	2	(54)	74	(23)
Other financial items	264	2 004	1 295	2 586	2 504
Other items	141	(407)	21	336	635
<b>Cash flow for the year</b>	<b>(18 485)</b>	<b>84 808</b>	<b>(57 215)</b>	<b>(7 607)</b>	<b>(44 949)</b>
Liquid assets at the beginning of the period *	77 303	68 567	116 033	171 150	171 150
Liquid assets in WeSpot AB at the beg. of the period	-	-	-	(10 168)	(10 168)
<b>Liquid assets at the end of the period *</b>	<b>58 818</b>	<b>153 375</b>	<b>58 818</b>	<b>153 375</b>	<b>116 033</b>

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

**Key ratios**

**The Group**

	July - Sept 2004	July - Sept 2003	Jan - Sept 2004	Jan - Sept 2003	Jan - Dec 2003
Cash flow for the year (SEK 000)	(18 485)	84 808	(57 215)	(7 607)	(44 949)
Cash flow / share (SEK) <sup>3</sup>	(0,16)	0,73	(0,49)	(0,07)	(0,41)
Cash flow / share (SEK) after dilution <sup>3</sup>	(0,16)	0,73	(0,49)	(0,07)	(0,41)
	Sep 30, 2004	Sep 30, 2003	Dec 31, 2003		
Equity / Assets ratio	78,8%	76,3%	79,4%		
Number of shares <sup>4</sup>	122 524 201	117 869 201	122 524 201		
Equity per share (SEK) <sup>4</sup>	2,92	4,16	3,68		



1. As of the interim report for the second quarter of 2004, the income statement has been revised in order to comply with generally accepted accounting principles whereby the term "Items affecting comparability" is no longer used. The 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 totaled 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 totaled 49 950 and have been reclassified as follows: Costs of goods sold 8 000, Sales, administration and research expenses 41 950. Furthermore, 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. Changes under Note 1 will also impact the cash flow statement, which, as of the second quarter will emanate from "Income after financial items".
3. 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.
4. Incl. outstanding warrants (Sep 30, 04: 4 655 000; Sep 30, 03: 0; Dec 31, 03: 4 655 000). The value for Sep 30, 03 has been recalculated in compliance with the current accounting principle, which means that only warrants estimated to have a value are included in the calculation.
5. 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.