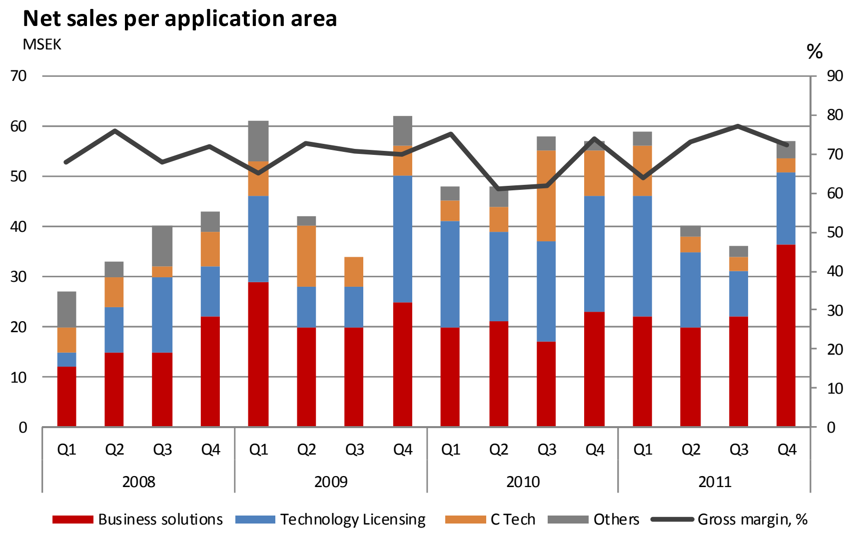
Year End Report

2011

2011 Year end report

- Net sales in the period amounted to MSEK 192 (208) and net sales in the fourth quarter amounted to MSEK 57 (57).
- The gross margin for the period was 71% (67) and gross margin for the fourth quarter was 72% (72). The gross profit for the period was MSEK 137 (140) and gross profit in the fourth quarter was MSEK 41 (41).
- Earnings before depreciations and amortizations (EBITDA) in the period was MSEK 4(-28) and EBITDA for the fourth quarter was MSEK 5 (-4).
- The result after tax for the period was MSEK -244 (-77) including a goodwill write- down of MSEK 230 and the result after tax for the fourth quarter was MSEK 0 (-14).
- Earnings per share before and after dilution for the period 2011 was SEK -1,89 (-0.60) and earnings per share for the fourth quarter was SEK 0,00 (-0,11).
- The cash flow during 2011 was MSEK -57 (0) and cash flow for the fourth quarter was MSEK -7 (17)

Key ratios	2011 Oct-Dec	2010 Oct-Dec	2011 Jan-Dec	2010 Jan-Dec
Net sales, MSEK	57	57	192	208
Gross profit/loss	41	41	137	140
Gross margin, %	72	72	71	67
Operating profit/loss, MSEK	0	-14	-243	-75
Profit/loss after tax, MSEK	0	-14	-244	-77
Earnings per share				
before and after dilution, SEK	0,00	-0,11	-1,89	-0,60
Cash flow, MSEK	-7	17	-57	0
Cash at end of period, MSEK	24	81	24	81



This report was published January 3rd, 2012

Comments from the CEO

Easy to use

The reorganization of the business that was initiated in 2010 and the following reduction in operating costs led to improved profitability in the fourth quarter. Revenues within Business Solutions were in line with our expectations, Technology & Licensing improved from the third quarter, whilst C Technologies was still below our expectations from the beginning of the year.

Despite a turn-around to positive EBITDA the company had a negative cash flow in 2011 of MSEK 57. A significant part of this, MSEK 15, is an effect from the restructuring program in 2010 that has reduced our OPEX but has a cash flow effect mainly in 2011. In the fourth quarter our cash position was reduced from MSEK 31 to MSEK 24 at year end primarily due to increased working capital (receivables). Gross margin was satisfactory at 72% resulting from a favorable mix of product and licensing revenues.

In the fourth quarter we agreed to acquire Xpaper technology from US based Talario. Talario's Xpaper software makes it easy to use Anoto's digital pen and paper technology with any software application or paper document. The objective is to incorporate Talario's document printing and document capture components along with supporting web services in our core offering and make it easy to print any document and capture the written or signed document in PDF format.

During 2011 more than 40,000 new business users started to use mobile data capture solutions based upon Anoto digital pen and paper technology sold through our network of partners and system integrators world-wide. The need for businesses to reduce their spending on document paper flow is larger than ever and more and more companies realize that digital pen and paper technology is an efficient and cost effective way to capture data. In fourth quarter we received the single largest end user order within business solutions ever of 14 MSEK for delivery to a Japanese insurance company in the first quarter 2012.

Our subsidiary Destiny Wireless won a new contract with British Airways plc for 550 users within their aircraft turnaround teams, known as "Red Caps". The use of digital pens saves time and effort which in turn increases the number of aircraft that can depart daily. Within work-based learning and funded by the Skills Fund Agency, a UK Government agency, fourteen colleges are embarking on pilots to reduce administration time, improve data quality and speed up the processing of learner information. To date Destiny has successfully implemented the solution with 24 customers in this sector.

Within product development we finalized the development of the new product ADP 601 in co-operation with our joint venture Pen Generations in Korea. ADP 601 is meant for class room education where every student has their own pen simultaneously streaming wireless data to the teacher's computer or interactive white board. The product will initially be sold through our partner TStudy.

Outlook

We expect improved cash flow as a consequence of previous cost reductions and improved sales. We have received orders for delivery in the first half of 2012 and combined with new products within Education as well as higher activity within Business Solutions we expect sales to increase in 2012. Anoto's cash position will be sufficient to support our business in the coming twelve months.

Stein Revelsby, CEO Anoto Group

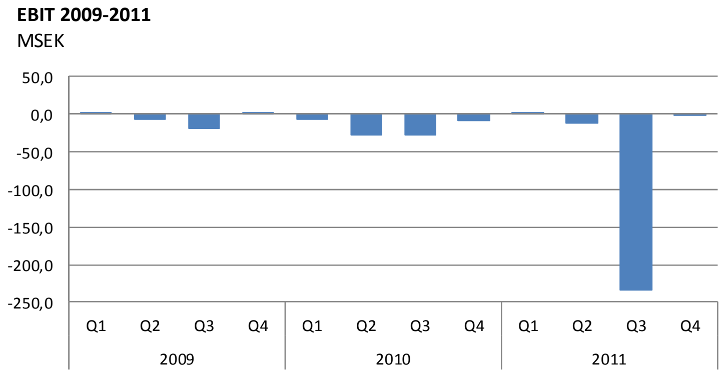
A partner driven business model

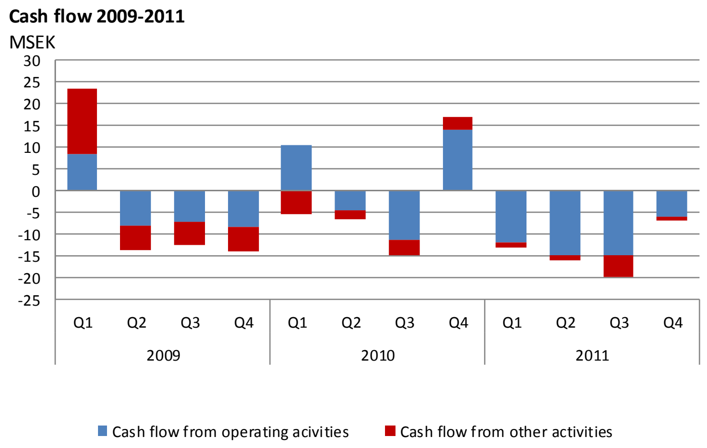
Anoto's business is organized in three applications areas: Business Solutions, Technology Licensing and C Technologies. These three areas generate income in five different categories - licensing, royalty, digital pens, components and NRE (Non Refundable Engineering).

Net sales per product group

MSEK	2011 Oct-Dec	2010 Oct-Dec	2011 Jan-Dec	2010 Jan-Dec
Licenses	9	9	34	34
Royalty	8	8	32	30
Digital pens*	29	36	97	121
Components	4	2	10	12
NRE and other	7	2	20	11
Total	**57**	**57**	**192**	**208**

**Digital pens include the C-Pen*





Business Solutions

Business Solutions focuses on systems, products and services that target businesses, primarily in the field of forms processing. Anoto has an indirect business model and markets its products through partners and subsidiaries, working together with system integrators, software developers and IT consulting firms, all of which offer customized solutions with Anoto technology to their customers.

The Net sales during the fourth quarter was MSEK 13 higher than in the same period last year and MSEK 20 higher for the full year compared to last year.

Net sales, excluding the recently acquired Destiny Wireless, for the quarter is MSEK 2 higher than in Q4 last year while accumulated sales is MSEK 4 higher than last year.

Anoto's Swiss partner Digitalpen Corporation installed 700 digital pens at Swiss hospitals. The hospitals will use the pens to capture data for speeding up assessment and invoicing procedures.

One of Anoto's Japanese partners received the largest order ever within Business Solutions from an insurance company in Japan. The order is an important step on the Japanese market that will bring a lot of attention to Anoto's digital pen technology in different user scenarios.

Anoto's subsidiary Destiny Wireless won a contract with British Airways plc for 550 users within their aircraft turnaround teams. The use of digital pen and paper negates the need to process forms via a fax machine and instead sends time critical data from the embarkation tunnel.

The Government in Northern Ireland continued the roll-out of a digital pen solution (sold by one of our UK partners) within the police force where there are now more than 4000 active users.

In the US market, we achieved the largest number of digital pens ever sold on a quarterly basis, with continued Partner growth in Oil & Gas, Field Services and Healthcare Electronic Medical Record systems.

The trend is positive within several business segments where we experience an increasing demand, in particular Oil & Gas.

	2011	2010	2011	2010
MSEK	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	36	23	100	80
Gross profit	25	17	75	61

Technology Licensing

Customers within Technology Licensing develop and sell products based on technology and digital pens provided by Anoto. These products are learning toys, educational tools, visual communication equipment and personal productivity solutions. Several of these products are interactive, enabling real-time audio or visual feedback while writing or when touching interactive areas in books, on paper, whiteboards and flipcharts. End product customers are individual consumers as well as enterprises.

Net sales was MSEK 8 lower in the fourth quarter than in the same period last year and MSEK 18 lower for the full year compared to last year which is below our expectations.

There is a positive movement among customers and potential customers related to Anoto's Technology Licensing business so even if the outcome in 2011 was not satisfying, the outlook for 2012 is positive.

The Interactive Whiteboard market has continued to underperform during Q4, but is showing signs of improvement. There is a substantial interest in whiteboard solutions and software applications for education, and more and more schools and universities are introducing interactive learning.

Another customer product area within Technology Licensing is pens for note taking applications that has had a stable revenue stream but unfortunately less growth than expected.

The ADP601 pen is now ready for production, targeting user scenarios in education and we see progress within this segment by several partners.

MSEK	2011 Oct-Dec	2010 Oct-Dec	2011 Jan-Dec	2010 Jan-Dec
Net sales	15	23	63	81
Gross profit	13	19	48	60

C Technologies

C Technologies develops, manufactures and sells C-Pen®, a handheld scanner solution with character recognition software. The C-Pen captures printed information such as text, numbers and codes, decodes the information and transfers it to computers and smartphones. The products are made available through the C-Pen brand and as OEM-branded versions.

Revenue for the fourth quarter was MSEK 6 below the same quarter last year and MSEK 17 lower for the full year compared to the same period 2010.

The low revenue still depends on a weak development within consumer retail sales along with orders from OEM customers being below our expectations.

Three new retailers have been established during the period, two in Sweden and one in UK, all of which target the educational sector. The product offer has also been updated to include an embedded text to speech engine, making the product both an easy-to-use and flexible reading tool for dyslectics and visually impaired people and moreover a tool to boost learning and reading comprehension by combining visual and auditory learning. I.e. the user can easily simultaneously read and listen to text in any publication without any need for pre-produced digital content.

Within the consumer retail business product development, marketing and channel development are targeting dyslectics, students and schools. Geographically the focus remains on Scandinavia, UK and Germany.

Within the OEM business, the effort to help our existing customers to grow their respective markets remains our main focus. As a result of these efforts we have, as already mentioned in the previous report, received an order worth approximately MSEK 10 from Crealogix AG in Switzerland. We have also received an order from a Chinese OEM customer for our new Android compliant solution.

MSEK	2011 Oct-Dec	2010 Oct-Dec	2011 Jan-Dec	2010 Jan-Dec
Net sales	3	9	19	36
Gross profit	2	5	9	18

Anoto Group AB

As a pure holding company, Anoto Group AB has a limited number of corporate functions.

Following the write down in Group goodwill, the value of the shares in Anoto AB has been written down accordingly.

Accounting policies

This interim report was prepared in accordance with IAS 34, Interim Financial Reporting and applicable parts of the Swedish Annual Accounts Act chapter 9. For information about the accounting policies applied, refer to the 2010 annual report. The accounting policies are unchanged from those applied in 2010.

Risk factors and uncertainties

The liquidity risk has increased over the year as cash flow so far has been a disappointment. This is due to a combination of factors, mainly explained by sales not being in line with our expectations along with payments from the 2010 restructuring.

At the close of the quarter, the group's total cash amounted to MSEK 24(81).

The cash flow is expected to show improvements in the coming quarters and therefore we expect the cash balance to be sufficient to support the business in the coming year.

Apart from liquidity no significant additional risks are deemed to have arisen beyond those described in the 2010 annual report for the Anoto Group. (Please see Note 4 in the Annual report 2010 for a detailed presentation of the company's risk exposure and management.)

Related party transactions

The largest shareholder of Anoto, Aurora Investment Ltd (owned by TStone), has been represented in the board of directors since the Annual Meeting in May 2010. Transactions with companies within the TStone group amounts to MSEK 9 during 2011. All transactions have been made on normal commercial conditions.

Transactions and activities after December 31, 2011

The most important events after the quarterly closing has been:

- Acquisition of UK partner Ubiquitious Systems Ltd completed, see note 3
- Acquisition of Xpaper technology from Talario LLC completed, see note 3

Share data

The company share is listed on the NASDAQ OMX Nordic Small Cap List in Stockholm. Including the shared issued in relation to the acquisition of Destiny Wireless Ltd the total number of shares is 130 316 055 at the end of the quarter. No warrants were issued.

After the end of the period 6 721 026 shares have been issued in relation to the acquisitions of Ubiquitous Systems Ltd and Xpaper technology.

Option program

Anoto has no outstanding warrants or other incentive programs.

Distribution of profits

The Board proposes that no dividend is paid in relation to 2011.

Stein Revelsby	Jörgen Durban	Gunnel Duveblad
CEO & Board member	Chairman	Board member
Nicolas Hassbjer	Andrew Hur	
Board member	Board member	

This report has not been reviewed by the company auditors.

Anoto Group AB may be required to disclose the information provided herein pursuant to the Securities Markets Act. The information was submitted for publication at 08.30 on February 3, 2012.

A webcast for the Q4 report will be held at 10.00 on February 3rd and a video presentation will be available on www.anoto.com.

Calendar 2012

Annual report 2011	April, 2012*
Q1 report	April 27, 2012
AGM	May 10, 2012

** The annual report will be available at www.anoto.com from week 14.*

For more information

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Financial report

Condensed statement of comprehensive income

TSEK	2011 Oct-Dec	2010 Oct-Dec	2011 Jan-Dec	2010 Jan-Dec
Net sales	57 100	56 735	192 286	208 395
Cost of goods and services sold	-15 880	-15 619	-55 719	-68 303
Gross profit	**41 220**	**41 116**	**136 567**	**140 092**
Sales, administrative and R&D costs*	-44 702	-51 591	-159 266	-188 471
Other operating income/cost	3 706	-3 471	-220 281	-26 096
Operating profit/loss	**224**	**-13 946**	**-242 980**	**-74 475**
Writedown of shares	0	0	-173	-499
Other financial items	-606	3	-696	-2 298
Profit before taxes	**-382**	**-13 943**	**-243 849**	**-77 272**
Taxes	-24	-25	-30	-54
Profit/loss for the period	**-406**	**-13 968**	**-243 879**	**-77 326**
Other comprehensive income				
Translation differences for the period	-84	957	-1 253	1 049
Other comprehensive income for the period	**-84**	**957**	**-1 253**	**1 049**
Total comprehensive income for the period	**-490**	**-13 011**	**-245 132**	**-76 277**
Total Profit/Loss for the year attributable to:				
Shareholders of Anoto Group AB	-361	-14 361	-246 274	-75 527
Non controlling interest	-45	393	2 395	-1 799
Total Profit/Loss for the year	**-406**	**-13 968**	**-243 879**	**-77 326**
Total comprehensive income for the period attributable to:				
Shareholders of Anoto Group AB	-445	-13 404	-246 949	-74 342
Non controlling interest	-45	393	1 817	-1 935
Total comprehensive income for the period	**-490**	**-13 011**	**-245 132**	**-76 277**
Key ratios:				
Gross margin	72,2%	72,5%	71,0%	67,2%
Operating margin	0,4%	Neg	Neg	Neg
Earnings per share before and after dilution	0,00	-0,11	-1,89	-0,60
Average number of shares before and after dilution	130 316 055	128 583 867	129 161 263	128 583 867

** including depreciation, writedowns of intangibles (ex Goodwill) and FA´s.*

Consolidated balance sheet in summary *

TSEK	Note	2011-12-31	2010-12-31
Intangible fixed assets	1,2	118 739	328 614
Tangible assets		6 910	8 943
Financial fixed assets		1 486	2 141
Total fixed assets		**127 135**	**339 698**
Inventories		27 236	25 306
Accounts receivable		39 138	19 139
Other current assets		18 030	14 603
Total short-term receivables		**57 168**	**33 742**
Liquid assets, including current investments		23 941	81 044
Total current assets		**108 345**	**140 092**
Total assets		**235 480**	**479 790**
Equity attributable to shareholders of Anoto Group AB		152 988	394 763
Non controlling interest		-13 074	-3 160
Total Equity		**139 914**	**391 603**
Loans**		8 296	-
Long term liabilities***		9 903	19 806
Provisions		240	829
Other current liabilities****		77 127	67 552
Total current liabilities		**77 367**	**68 381**
Total liabilities and shareholders equity		**235 480**	**479 790**

* *Effect on balance sheet from acquisitions, see note 1*

** *Loans in Destiny Wireless*

*** *Non refundable prepayment from Leapfrog*

**** *Including current liabilities in Destiny Wireless of 22 M SEK and non refundable prepayment from Leapfrog, 10 M SEK*

Change in shareholders equity

TSEK	Share capital	Other capital contributed	Reserves	Profit for the year	Shareholders equity	Non controlling interest	Total shareholders equity
Opening balance January 1, 2010	**2 572**	**448 508**	**-77**	**18 102**	**469 105**	**-1 225**	**467 880**
Total comprehensive income for the period			1 185	-75 527	-74 342	-1 935	-76 277
Shareholders equity December 31, 2010	**2 572**	**448 508**	**1 108**	**-57 425**	**394 763**	**-3 160**	**391 603**
Profit/Loss for the year				-246 274	-246 274	2 395	-243 879
Other comprehensive income			-675		-675	-578	-1 253
Total comprehensive income for the period	**0**	**0**	**-675**	**-246 274**	**-246 949**	**1 817**	**-245 132**
Acquisitions*					0	-11 731	-11 731
New share issue*	34	5 140			5 174		5 174
Shareholders equity Dec 31, 2011	**2 606**	**453 648**	**433**	**-303 699**	**152 988**	**-13 074**	**139 914**

** See note 1*

Consolidated Cash flow statement in summary

TSEK	2011 Oct-Dec	2010 Oct-Dec	2011 Jan-Dec	2010 Jan-Dec
Profit/loss after financial items	**-382**	**-13 943**	**-243 849**	**-77 272**
Depreciation, amortisation and write-downs	4 294	9 587	246 929	49 748
Other items not included in cash flow	-119	105	-11	-54
Total items not included in cash flow	**4 175**	**9 692**	**246 918**	**49 694**
Cash flow from operating activities before change in working capital	**3 793**	**-4 251**	**3 069**	**-27 578**
Change in working capital	-9 462	18 748	-53 046	42 886
Cash flow from operating activities	**-5 669**	**14 497**	**-49 977**	**15 308**
Cash flow from investments activities	-1 069	2 611	-7 126	-15 034
Total cash flow before financing activities	**-6 738**	**17 108**	**-57 103**	**274**
Cash flow from financing activities	-	-	-	-
Cash flow for the period	**-6 738**	**17 108**	**-57 103**	**274**
Liquid assets at the beginning of the period	30 679	63 936	81 044	80 770
Liquid assets at the end of the period	**23 941**	**81 044**	**23 941**	**81 044**

Key ratios

TSEK	2011 Oct-Dec	2010 Oct-Dec	2011 Jan-Dec	2010 Jan-Dec
Cash flow for the period	-6 738	17 108	-57 103	274
Cashflow / share before and after dilution (SEK) [1]	-0,05	0,13	-0,44	0,00

	2011-12-31	2010-12-31
Equity/assets ratio	65,0%	82,3%
Number of shares	130 316 055	128 583 867
Shareholders equity per share (SEK)	1,17	3,07

[1] *Based on the weighted average number of shares for each period.*

Parent company, summary of income statement

TSEK	2011 Oct-Dec	2010 Oct-Dec	2011 Jan-Dec	2010 Jan-Dec
Net sales	3 423	1 756	9 128	4 509
Gross profit	**3 423**	**1 756**	**9 128**	**4 509**
Administrative costs	-3 074	-1 595	-8 264	-4 102
Operating profit	**349**	**161**	**864**	**407**
Writedowns of shares in group companies	-10 500	-46 000	-240 570	-46 000
Financial items	0	1	4	3
Profit for the period	**-10 151**	**-45 838**	**-239 702**	**-45 590**

Parent company, balance sheet in summary

TSEK	2011-12-31	2010-12-31
Intangible fixed assets	381	507
Tangible assets	27	49
Financial fixed assets	180 135	344 699
Total fixed assets	**180 543**	**345 255**
Other short-term receivables	233	62 373
Liquid assets, including current investments	325	1 042
Total current assets	**558**	**63 415**
Total assets	**181 101**	**408 670**
Equity	172 733	407 262
Other current liabilities	8 368	1 408
Total liabilities and shareholders equity	**181 101**	**408 670**

Note 1 Acquisitions 2011

The 31st of August the Group acquired 51% of the shares in the unlisted company Destiny Wireless Ltd for MSEK 15,5. Destiny Wireless has been a long standing partner to Anoto, active within application area Business Solutions. Through the acquisition the group moves up in the value chain and takes a step closer to the market where the group´s services and products are sold.

During the period up to 31st of December the acqureid entities contribution to Group Net sales amounted to MSEK 16,2.

If the acquisition had taken place as per January 1st mangement estimates that the contribution to Group Net sales would have been MSEK 52,6.

Effects from acquistions 2011

The acquired company´s net assets at the time of acquisition:

(KSEK)	
Intangible assets	1 319
Tangible assets	1 088
Inventory	495
Current assets	22 545
Liquid assets	44
Interest bearing liabilities	-14 949
Current liablilities	-34 482
Net identifyable assets and liabilities	**-23 940**
Non controlling interest (49%)	11 731
Group goodwill	27 759
Consideration	**15 550**

The Group goodwill is based on a preliminary valuation of assets and liabilities.

Goodwill

The goodwill value includes additional sales recources, customer contacts and an increased precense on the UK market. No part of the goodwill is expected to be tax deductible.

Acquisition related expenses

Expenses related to the acquisition amounts to 2,8 MSEK and includes fees to consultants in relation to the due dilligence. These expenses have been accounted as operating expenses in the Condensed statment of comprehensive income.

Consideration

(KSEK)	
Liquid assets	5 173
Issued shares	5 174
Credit note	5 203
Total consideration	**15 550**

Fair value of the 1 732 188 shares issued as part of the total consideration paid for the shares in Destiny Wireless Ltd is based on the price for the Anoto share on the day of the transaction.

Note 2 Goodwill

The impairment test has been updated based on Group result and cash flow as per 30 September. The expected sales used in the test for the years to come are based on volumes which have been discussed with customers and partners. The estimated sales growth for the years 2013-2016 is 5% p.a. and thereafter a perpetual growth of 2% p.a. Operating expenses are based on next years budget and an annual increase of 3%. The WACC has been raised to 15% in order to better reflect the increased liquidity risk. The test shows a recoverable amount which was MSEK 230 below the bookvalue. The goodwill value has therefore been written down by this amount.

Note 3 Acquisitions after the end of the period

The 12th of January 2012 the Group acquired 100% of the shares in the unlisted company Ubiquitous Systems Ltd for MSEK 12,8. Ubiquitous Systems Ltd has been a long standing partner within the Anoto network, active within application area Business Solutions. Through the acquisition the group moves up in the value chain and takes a step closer to the market where the group´s services and products are sold. The estimated effect on Anoto Group net sales from this acquisition is MSEK 10 p.a.
The balance sheet is not yet finalized but the estimated effect on Group goodwill from this acquisition is MSEK 12,8.

The 16th January the Board of Anoto Group decided to issue shares for the acquisition of Xpaper technology from US partner Talario LLC for MSEK 5,1. The Xpaper software makes it easy to use Anoto´s pen and paper technology with any software application or paper document. The objective is to incorporate Talario´s document printing and docment capture components along with supporting web services in Anoto´s core offering. The estimated initial effect on Group net sales from this acquisition is MSEK 2 p.a. The acquired software will be booked as an intangible asset and amortized over the estimated useful lifetime.

	Ubiquitous Systems Ltd	**Xpaper technology**
Consideration (KSEK)	12 829	5 077
No of shares issued	4 706 324	2 014 702

Fair value of the 6 721 026 shares issued is based on the price for the Anoto share on the day of the transaction.