

## Interim Report January – June 2010

- Net sales in the first six months amounted to MSEK 95 (107). Second quarter net sales were MSEK 48 (44).
- The gross margin for January-June was 68 % (72) and the gross profit was MSEK 64 (77). Second quarter gross margin was 61% (78) and the gross profit was MSEK 29 (35).
- Earnings before depreciations and amortizations (EBITDA) in the first six months 2010 were MSEK -27 (3). In the second quarter it was MSEK -27 (-2).
- The result after tax for the six months period was MSEK -35 (-4) and for the second quarter MSEK -28 (-6).
- Earnings per share for the first six months 2010 were SEK -0.27 (-0.03). Second quarter earnings per share amounted to SEK -0.22 (-0.04).
- The cash flow during the six months period was MSEK -2 (10). Second quarter cash flow was MSEK -7 (-14).

### Second Quarter Summary 2010

- Net sales increased by 7 % during the second quarter up to MSEK 48.
- Restructuring cost amounted to MSEK 12 in the second quarter.
- During the period Anoto has delivered almost 30,000 digital pens
- Close to the report period the Anoto Board and CEO Anders Norling agreed that Anders Norling would leave his position as CEO and Torgny Hellström was appointed acting CEO.

Key ratios	2010 Apr-Jun	2009 Apr-Jun	2010 Jan-Jun	2009 Jan-Jun	2008 Jan-Jun	2009
Net Sales, MSEK	48	44	95	107	59	206
Gross profit, MSEK	29	35	64	77	42	146
Gross Margin, %	61	78	68	72	71	71
EBIT, MSEK	-30	-6	-37	-4	-31	-21
Net result, MSEK	-28	-6	-35	-4	-35	-21
Earnings per share, SEK	-0.22	-0.04	-0.27	-0.03	-0.27	-0.16
Cash Flow, MSEK	-7	-14	-2	10	-57	-18
Cash Flow at closing date, MSEK	79	109	79	109	74	81



## Comments from the CEO

### Increased sales but deteriorated result due to restructuring

As new CEO, I am working with the Board to re-evaluate the strategic priorities, assets and resources to support long term growth.

Sales to our partners (customers) have not developed to expectation due to long decision making processes for end customers within Anoto Products. Compared to the same period last year sales are somewhat lower, partly due to delays in delivery within C Technologies, but also because we have not had any single large order as we had in 2009. I am optimistic about the future though, since signals from our partners indicate growth.

Partner recruitment and other activities within Anoto Products are carrying on well. The new AFS 2.0 platform launched in the last quarter has been favorably received in the market, but has not yet generated any large sales volumes.

Technology & Licensing continue to develop very satisfactorily and within this area sales increased by 80 % up to MSEK 18. Deliveries of digital pens are increasing and so are royalty revenues from new customers successfully selling their products based on our technology.

Net sales for the second quarter were MSEK 48 (44) and the result was MSEK -28 (-6). During the second quarter a restructuring has been done, resulting in some employees leaving the company. The result is i.a. due to restructuring costs of MSEK 12 including change of CEO.

C Technologies' product deliveries have been delayed due to lack of components in the international market and sales are therefore slower than expected. The order situation looks good, however, and we expect to recover the delays during the fall.

Sales of components, ASICs, reached MSEK 4, which is somewhat higher than last year. Orders for these products vary a lot over time and the development is declining.

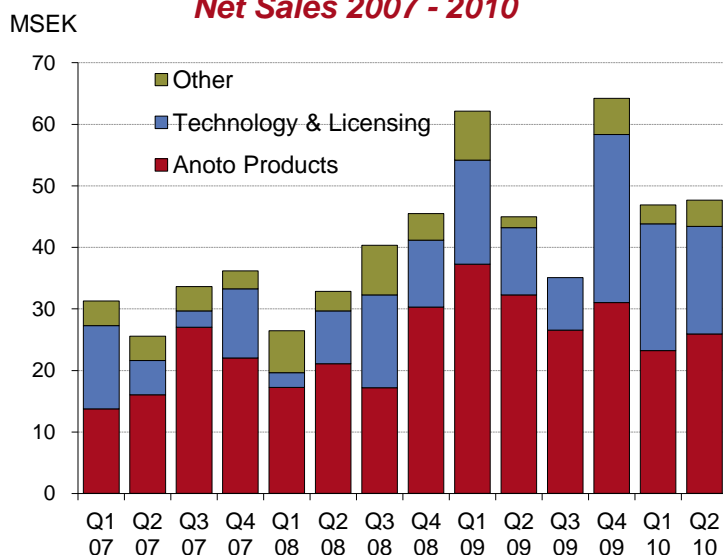
The gross margin dropped to 61 % (78), partly due to the fact that hardware is an increasing part of sales, but also due to depreciation of surplus of certain components in stock. However, I anticipate the gross margin to be increasing for the rest of the year.

Our cash decreased by MSEK 7 during the second quarter and was MSEK 79 at the end of the period. The selling of a larger part of Imaging Technology by the end of 2008 has been finally settled during the period. The cash flow of the operating activities was negative by MSEK -5.

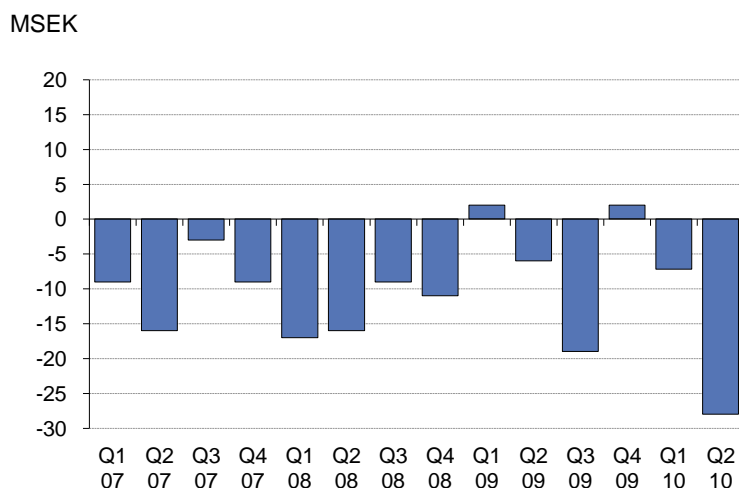
## Outlook

The positive sales development in the application area Technology & Licensing is progressing well and according to plan. The application area Anoto Products has longer sales cycles in the enterprise market, but is starting to gain momentum as the global financial crises eases. As we are re-evaluating the strategic priorities, assets and resources, I am optimistic that Anoto products and technology will be profitable for Anoto and our customers.

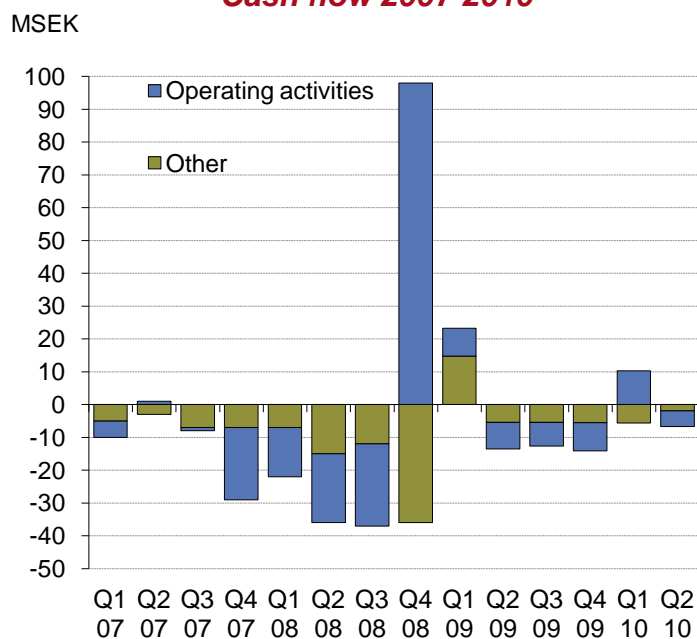
### Net Sales 2007 - 2010



### EBIT 2007-2010



### Cash flow 2007-2010



## A partner-driven business model

The Anoto organization is divided into two application areas, Anoto Products and Technology & Licensing. Anoto Group receives revenue in five different categories: licensing, royalty, digital pens, components and NRE (Non-recurring engineering).

### Net Sales per income category

Amounts in MSEK	2010 Apr-Jun	2009 Apr-Jun	2010 Jan-Jun	2009 Jan-Jun	2009
Licensing fees	10	11	19	25	49
Royalty fees	7	4	16	9	19
Digital pens *	24	21	46	46	89
Components	5	4	8	16	22
NRE and Other	2	4	6	11	27
<b>Total</b>	<b>48</b>	<b>44</b>	<b>95</b>	<b>107</b>	<b>206</b>

\* Digital pens include C-Pen

### Application area - Anoto Products

Amounts in MSEK	2010 Apr-Jun	2009 Apr-Jun	2010 Jan-Jun	2009 Jan-Jun	2009
Net Sales	26	32	49	70	128
Gross profit	18	24	35	49	86

*Anoto Products 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, such as system integrators, software developers and IT consulting firms, all of which offer customized solutions with Anoto technology to their corporate customers. Turnkey products, such as existing scanning and translation pens, as well as newly developed products may also be marketed through other sales and distribution channels.*

Sales development in Anoto Products has been disappointing so far this year. We have delivered digital pens and received royalties for a large number of small and medium sized projects. So far this year we have not seen any larger orders like the ones we had in the beginning of 2009. We do, however, contribute to a number of discussions with partners and their end customers on projects containing large deliveries of digital pens as well as licensing.

The AFS 2.0 platform was launched earlier this year. It is a platform with increased functionality, such as encryption and improved user administration focusing on installation of digital pens in large enterprises/end users. During the second quarter we have delivered several platforms to old and new partners.

The development within C Technologies and the sales of C-Pen products are satisfactory. The products are marketed under their own as well as under customer brands (OEM). Sales have also during the second quarter been negatively affected by delivery problems from our

manufacturers. The order inflow continue to be good and we expect during the fall of 2010 to recover the delivery delays we have had during the first part of the year.

OVUM, an independent research company, conducted a technical review describing Anoto Forms Solutions (AFS) as a ground breaking technology with a potential to revolutionize methods for data entry collection, especially for mobile workers. The OVUM report describes AFS as a non obtrusive technology well suited to a broad range of business scenarios.

During the latest quarter Anoto has participated in a large number of trade fairs and conferences in the Healthcare sector both in North America and in Europe. Here Anoto’s digital pen technology is greatly noticed.

**Application area - Technology & Licensing**

Amounts in MSEK	2010 Apr-Jun	2009 Apr-Jun	2010 Jan-Jun	2009 Jan-Jun	2009
Net Sales	18	10	38	27	63
Gross profit	13	7	28	18	49

*Customers within Technology Licensing develop and sell products based on technology and digital pens provided by Anoto. The customers of the end products are both individual consumers and enterprises.*

*Such 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.*

For the past two years Anoto has established co-operation with several companies in visual communication and education. These enterprises now use Anoto’s technology in their niche areas developing their own products. We are now experiencing the effect of these co-operations in increased sales of digital pens and increasing royalty revenues.

Customers in this application area, i.a. PolyVision, Acco Brands Europe, Plus and TStudy continuously order digital pens for their products.

Royalty income from LiveScribe ([www.livescribe.com](http://www.livescribe.com)) for the first quarter in 2010 is part of the report for this period.

## **Anoto Group AB**

As a pure holding company, Anoto Group AB has a limited number of corporate functions. Sales for the second quarter were MSEK 1 (-1), while the pre-tax profit was MSEK 0 (0). At the close of the quarter liquid assets, including current investments amounted to MSEK 0 (1). Investments came to MSEK 0 (0).

## **Accounting policies**

This interim report was prepared in accordance with IAS 34, Interim Financial Reporting. For information about the accounting policies applied, refer to the 2009 annual report. The accounting policies are unchanged from those applied in 2009.

## **Risk factors and uncertainties**

No significant additional risks are deemed to have arisen beyond those described in the 2009 annual report for the Anoto Group. (Please see Note 2 for a detailed presentation of the company's risk exposure and management.)

## **Share data**

The company's share is listed on the NASDAQ OMX Nordic Small Cap List in Stockholm. Shares numbered 128,583,867 at the end of the first quarter. No warrants are issued.

## **Options program**

At the moment Anoto has no outstanding warrants or other incentive program.

## **Calendar 2010**

Q 3 Interim report	10 November 2010
Year-end report 2010	4 February 2011
Annual meeting	May 2011

The Board of Directors and CEO hereby ensure that this interim report offers a fair presentation of the company's and the group's operations, financial position, sales and earnings, as well as it describes the essential risks and uncertainty factors faced by the company and its subsidiaries.

Lund, August 3, 2010

Jörgen Durban  
Chairman

Charlotta Falvin

Hans Otterling

Paddy Padmanabhan

Stein Revelsby

Joonhee Won

Torgny Hellström  
CEO

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 August 3, 2010.*

### **For more information**

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## Consolidated income statement in summary

SEK Thousand	Note	Q2		Accumulated		Full year
		Apr-Jun 2010	Apr-Jun 2009	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
Net sales		47 655	44 466	94 546	106 588	205 862
Other income		-798	2 394	918	4 327	3 148
Cost of goods and services sold		-17 943	-12 175	-31 206	-33 823	-63 390
<b>Gross profit</b>		<b>28 914</b>	<b>34 685</b>	<b>64 258</b>	<b>77 092</b>	<b>145 620</b>
Sales, administrative and R&D costs		-58 813	-41 090	-101 607	-82 149	-167 908
Other operating income		-2	770	209	1 466	1 439
<b>Operating profit/loss</b>		<b>-29 901</b>	<b>-5 635</b>	<b>-37 140</b>	<b>-3 591</b>	<b>-20 849</b>
Writedown of shares		-	-50	-354	-428	-1 100
Other financial items		1 837	-57	2 300	396	1 015
<b>Profit before taxes</b>		<b>-28 064</b>	<b>-5 742</b>	<b>-35 194</b>	<b>-3 623</b>	<b>-20 934</b>
Taxes		14	-1	-15	14	257
<b>Profit/loss for the period</b>		<b>-28 050</b>	<b>-5 743</b>	<b>-35 209</b>	<b>-3 609</b>	<b>-20 677</b>

## Statement of comprehensive income for the period

SEK Thousand	Apr-Jun 2010	Apr-Jun 2009	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
Translation differences for the period	-82	1 604	-131	848	94
<b>Other comprehensive income/cost for the period</b>	<b>-82</b>	<b>1 604</b>	<b>-131</b>	<b>848</b>	<b>94</b>
<b>Total comprehensive income/cost for the period</b>	<b>-28 132</b>	<b>-4 139</b>	<b>-35 340</b>	<b>-2 761</b>	<b>-20 583</b>
<b>Total comprehensive income/cost for the period attributable to:</b>					
Shareholders of Anoto Group AB	-27 287	-3 703	-34 357	-1 937	-19 518
Minority shareholders	-845	-436	-983	-824	-1 065
<b>Total comprehensive income/cost for the period</b>	<b>-28 132</b>	<b>-4 139</b>	<b>-35 340</b>	<b>-2 761</b>	<b>-20 583</b>
<b>Key ratios: <sup>1</sup></b>					
Gross margin	60,7%	78,0%	68,0%	72,3%	70,7%
Operating margin	Neg	3,3%	Neg	Neg	Neg
Earnings per share before and after dilution	-0,22	-0,04	-0,27	-0,03	-0,16
Total comprehensive income/cost before and after dilution	-0,22	-0,03	-0,27	-0,02	-0,16
Average number of shares before and after dilution	128 583 867	128 583 867	128 583 867	128 583 867	128 583 867

<sup>2</sup> Based on the weighted average number of shares and outstanding warrants for each period. Only warrants for which the present value of the issue price is below the fair value of the ordinary share are included in the calculation.

## Consolidated balance sheet in summary

SEK Thousand	2010-06-30	2009-06-30	2009-12-31
Intangible fixed assets	360 313	363 711	360 059
Tangible assets	10 803	5 079	9 184
Financial fixed assets	2 380	10 937	2 835
<b>Total fixed assets</b>	<b>373 496</b>	<b>379 727</b>	<b>372 078</b>
Inventories	22 657	28 013	29 356
Accounts receivable	27 713	32 136	45 013
Other current assets	18 536	30 971	27 182
<b>Total short-term receivables</b>	<b>46 249</b>	<b>63 107</b>	<b>72 195</b>
Current investments	0	0	504
Liquid assets, including current investments	78 788	109 022	80 770
<b>Total current assets</b>	<b>147 694</b>	<b>200 142</b>	<b>182 825</b>
<b>Total assets</b>	<b>521 190</b>	<b>579 869</b>	<b>554 903</b>
Equity attributable to shareholders of Anoto Group AB	434 748	486 428	469 105
Equity attributable to minority interests	-2 208	-984	-1 225
Long term liabilities	24 758	36 447	31 007
Provisions	611	975	782
Other current liabilities	63 281	67 003	55 234
<b>Total current liabilities</b>	<b>88 650</b>	<b>67 978</b>	<b>56 016</b>
<b>Total liabilities and shareholders equity</b>	<b>521 190</b>	<b>589 869</b>	<b>554 903</b>

## Change in shareholders equity

SEK Thousand	Share capital	Other capital contributed	Reserves	Profit for the year	Shareholders equity	Minority shareholders	Total shareholders equity
<b>Opening balance January 1, 2009</b>	<b>2 572</b>	<b>448 508</b>	<b>-152</b>	<b>37 546</b>	<b>488 474</b>	<b>-160</b>	<b>488 314</b>
Total comprehensive income for the period			34	-19 553	-19 519	-1 065	-20 584
Adjustment costs for the share options				150	150		150
<b>Shareholders equity December 31, 2009</b>	<b>2 572</b>	<b>448 508</b>	<b>-118</b>	<b>18 143</b>	<b>469 105</b>	<b>-1 225</b>	<b>467 880</b>
Total comprehensive income for the period			-131	-34 226	-34 357	-983	-35 340
<b>Shareholders equity June 30, 2010</b>	<b>2 572</b>	<b>448 508</b>	<b>-249</b>	<b>-16 083</b>	<b>434 748</b>	<b>-2 208</b>	<b>432 540</b>

## Consolidated cash flow statement in summary

SEK Thousand	Not	Apr-Jun 2010	Apr-Jun 2009	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
<b>Profit/loss after financial items</b>		<b>-28 064</b>	<b>-5 742</b>	<b>-35 194</b>	<b>-3 623</b>	<b>-20 933</b>
Depreciation, amortisation and write-downs		3 355	3 883	10 330	6 742	14 738
Other items not included in cash flow		27	-748	-186	-992	-317
<b>Total items not included in the cash flow</b>		<b>3 382</b>	<b>3 135</b>	<b>10 144</b>	<b>5 750</b>	<b>14 421</b>
<b>Cash flow from operating activities</b>						
<b>before change in working capital</b>		<b>-24 682</b>	<b>-2 607</b>	<b>-25 050</b>	<b>2 127</b>	<b>-6 512</b>
Change in working capital		19 973	-5 561	33 056	-1 890	2 351
<b>Cash flow from operating activities</b>		<b>-4 709</b>	<b>-8 168</b>	<b>8 006</b>	<b>237</b>	<b>-4 161</b>
<b>Cash flow from investments activities</b>		<b>-1 959</b>	<b>-4 284</b>	<b>-9 988</b>	<b>-5 777</b>	<b>-14 093</b>
<b>Total cash flow before financing activities</b>		<b>-6 668</b>	<b>-12 452</b>	<b>-1 982</b>	<b>-5 540</b>	<b>-18 254</b>
<b>Cash flow from financing activities</b>		<b>0</b>	<b>-1 128</b>	<b>0</b>	<b>15 218</b>	<b>0</b>
<b>Cash flow for the period</b>		<b>-6 668</b>	<b>-13 580</b>	<b>-1 982</b>	<b>9 678</b>	<b>-18 254</b>
Liquid assets at the beginning of the period *		85 456	122 602	80 770	99 344	99 024
<b>Liquid assets at the end of the period *</b>		<b>78 788</b>	<b>109 022</b>	<b>78 788</b>	<b>109 022</b>	<b>80 770</b>

\*) Cash, bank balances and current investments

## Key ratios

	Apr-Jun 2010	Apr-Jun 2009	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
<b>Cash flow for the period (SEK thousand)</b>	-6 668	-13 580	-1 982	9 678	-18 254
Cashflow / share before and after dilution (SEK) <sup>2</sup>	-0,05	-0,11	-0,02	0,08	-0,14
			<b>2010-06-30</b>	<b>2009-06-30</b>	<b>2009-12-31</b>
Equity/assets ratio			83,4%	83,9%	84,5%
Number of shares <sup>3</sup>			128 583 867	128 583 867	128 583 867
Shareholders equity per share (kr) <sup>3</sup>			3,38	3,78	3,65

<sup>2</sup> Based on the weighted average number of shares and outstanding warrants for each period. Only warrants for which the present value of the issue price is lower than the fair value of the ordinary share are included in the calculation.

<sup>3</sup> Including outstanding warrants (09-12-31: 0)

Only warrants for which the present value of the issue price is lower than the fair value of the ordinary share are included in the calculation.

## Parent company, summary of income statement

SEK Thousand	Apr-Jun 2010	Apr-Jun 2009	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
Net sales	1 216	-880	2 148	7 447	9 126
Gross profit	1 216	-880	2 148	7 447	9 126
Administrative costs	-1 084	802	-1 958	-6 760	-7 966
<b>Operating profit</b>	<b>132</b>	<b>-78</b>	<b>190</b>	<b>687</b>	<b>1 160</b>
Financial items	2	-2	3	-10	6
<b>Profit / loss for the period</b>	<b>134</b>	<b>-80</b>	<b>193</b>	<b>677</b>	<b>1 166</b>

## Parent company, balance sheet in summary

SEK Thousand	2010-06-30	2009-06-30	2009-12-31
Intangible fixed assets	569	684	628
Tangible assets	81	295	113
Financial fixed assets	344 700	344 700	344 700
<b>Total fixed assets</b>	<b>345 350</b>	<b>345 679</b>	<b>345 441</b>
Other short-term receivables	108 540	118 581	108 218
Liquid assets, including current investments	327	922	1 286
<b>Total current assets</b>	<b>108 867</b>	<b>119 503</b>	<b>109 504</b>
<b>Total assets</b>	<b>454 217</b>	<b>465 182</b>	<b>454 945</b>
Equity	453 045	452 359	452 852
Other current liabilities	1 170	12 822	2 093
<b>Total liabilities and shareholders equity</b>	<b>454 215</b>	<b>465 181</b>	<b>454 945</b>



Anoto Group is the company behind and world leading in the unique technology for digital pen and paper, which enables fast and reliable transmission of handwritten text into a digital format. Anoto operates through a global partner network that focuses on user-friendly forms solutions for efficient capture, transmission and storage of data within different business segments, e.g. healthcare, bank and finance, transport and logistics and education. The Anoto Group has around 110 employees, offices in Lund (head office), Boston and Tokyo. The Anoto share is traded on the Small Cap list of OMX Nordic Exchange in Stockholm under the ticker ANOT. For more information: [www.anoto.com](http://www.anoto.com).