



## Interim Report January – June 2001

- Sales increased by 126% to SEK 82 (36) million.
- Pre-tax loss amounted to SEK –158 (-30) million.
- Liquid assets including current investments amounted to SEK 256 million at the end of the period.
- Ericsson has, as the first among Anoto pen partners, introduced Chatpen, the initial digital pen based on Anoto technology.
- The subsidiary Anoto entered into agreements with mobile operators BT Wireless, Sonera, Europolitan Vodafone and Telefónica Móviles as well as additional calendar, pen and paper manufacturers.
- C Technologies made the first significant move into the PC market by establishing close cooperation with world leading PC and laptop producer Acer.
- The subsidiary WeSpot has, subsequent to the closing of the report period, secured its initial commercial contract.

### Operations

C Technologies is an innovative high tech company within the spheres of digital camera technology, image processing and digital pens. The Company is today best known for its Anoto concept. The subsidiary Anoto has created a global de facto standard by uniting pen and paper with the digital world.

C Technologies' products are based on the integration of digital camera technology with advanced image processing in products with low energy consumption and high speed processing. C Technologies aims to establish its technology platform in the global market, which will be achieved through various license and OEM partnerships and sales of proprietary products.

During the second quarter C Technologies made the first significant move into the PC market by establishing close cooperation with world leading PC and laptop producer Acer regarding the planned launch in 2001 of Magic Stick as a standard PC Notebook accessory.

Anoto last year presented its electronic pen and paper technology enabling transmission of graphical e-mails and placing electronic orders. The initial Anoto products are expected to reach the market at the end of 2001.

During the period Anoto has initiated collaboration with e.g. Mitsubishi Pencil and Pilot based in Japan, A.T. Cross and Sanford in the U.S. (pens), Kokuyo (paper), Daigo and

Nippcraft Ltd in Singapore (calendars) and Cybird (mobile services) as well as Tjiwi Kimia in Indonesia and John Dickinson UK (paper). The partnerships with Mitsubishi, Sanford, Cybird and John Dickinson were established in the second quarter.

Anoto has commenced collaboration with mobile telephone operators Telefónica Móviles, Europolitan Vodafone, Sonera and – in the second quarter - BT Wireless. This is a strategic and vital step in creating the Anoto business model.

Ericsson presented in June Chatpen, the digital pen based on Anoto technology.

In April Anoto established an office in Hong Kong to further strengthen the local presence on the very important Asian market.

In the first quarter minority shareholder Ericsson utilised all remaining warrants in Anoto, thereby increasing its participating interest to 30%.

In the subsidiary WeSpot a surveillance camera that digitally analyses differences in the recorded images and triggers the alarm in case anything out of the ordinary occurs, is developed. At the CeBIT fair in March WeSpot's intelligent cameras and systems for advanced image analysis were presented for the first time.

In the second quarter the existing minority shareholders in the subsidiary WeSpot AB, Malmöhus Invest, SEB Företagsinvest, Bure Equity and CR&T Venture, decided to implement a new share issue to increase WeSpot's share capital by a maximum of about SEK 20 million in 2001, of which SEK 12,9 million was subscribed for and paid up on June 30, 2001. Subsequent to a maximum subscription of this new issue, C Technologies' participating interest in WeSpot will amount to approx. 68%.

A total of 84 new patent applications were submitted during the period, of which 77 by the subsidiary Anoto. Of these, 61 and 56 respectively in the second quarter. The Parent Company furthermore obtained a strategic patent in the first quarter. By the end of the period the total number of applications submitted were 297, of which 6 have been approved.

### **Invoicing and results**

Invoicing for the period amounted to SEK 82 million in comparison with SEK 36 million for the corresponding period last year, which is an increase by 126%. 45% (53%) of the turnover is attributable to C-Pen sales, with the remainder referring to OEM and license sales, contracted consultant services and components sales. Invoiced sales for C-Pen have thus increased by 90% during the first six months compared to the corresponding period last year.

Invoicing in the second quarter amounted to SEK 39 million (SEK18 million), of which 47 % (42%) is attributable to C-Pen. Invoicing in respect of OEM and licenses increased substantially in the second quarter.

Consolidated operating loss for the period amounted to SEK – 263 (-59) million – of which SEK –139 (-40) million in the second quarter – is largely explained by accelerated investments in the subsidiary Anoto in the second quarter, motivated by the extremely positive response the company has received, especially through new partner agreements.

## **Financing, liquidity and cash flow**

At the end of the period, consolidated liquid assets, including short-term investments, totalled SEK 256 million in comparison with SEK 421 million at the beginning of the year, and SEK 575 million at the end of the corresponding period the previous year.

At the end of the period, shareholders' equity amounted to SEK 293 million in comparison with SEK 503 million (SEK 438 million after adjustment due to changed accounting principle) at the beginning of the year and SEK 618 million (SEK 580 million after adjustment) at the end of the corresponding period the previous year, which corresponds to an equity assets ratio of 74% (June 30, 2000: 90%). During the period shareholders' equity was affected by SEK -65 million in consequence of the change of accounting principle (note 3).

To realise the considerable potential of the Anoto concept and to contribute to the financing of the subsidiary until a positive cash flow is attained, the Board plans to implement measures to provide C Technologies with equity capital in the autumn. The course of action has not yet been resolved. Major shareholders in C Technologies have declared themselves in favour of contributing capital through a new share issue.

## **Investments**

Net investments during the period amounted to SEK 30 (10) million, of which SEK 16 (18) million refer to intangible fixed assets. SEK 14 million and SEK 8 million respectively refer to investments made in the second quarter.

## **Parent Company**

The Parent Company's turnover for the first six months totalled SEK 74 (42) million, of which SEK 32 (21) million refer to the second quarter. Consolidated operating loss amounted to SEK -74 (-36) million, of which SEK -39 (-22) million refer to the second quarter. Consolidated liquid assets including current investments on June 30, 2001 totalled SEK 239 million in comparison with SEK 545 million for the corresponding period the previous year.

## **Accounting principles**

The same accounting policy that was used in the Annual Report 2000 has been applied, with the following exception: Effective as of January 1, 2001 the Company has adopted the Swedish Financial Accounting Standards Council's recommendation 15 (RR15), which deals with the accounting of intangible assets. RR15 briefly implies that costs in respect of research are carried as a continuous expense, while costs in respect of development are set up as an intangible asset. Depreciation plans over 5 years are started as from market introduction of the respective product.

The Company observes the Swedish Financial Accounting Standards Council's recommendations and statements.

## Share Data

C Technologies' share is listed on OM Stockholm Exchange, Attract 40. At the end of the period there was a total of 45.393.870, and 1.241.575 outstanding warrants. Exercised in full these warrants would entail a dilution of existing shares by 2,7%.

## Ownership Structure

The number of shareholders at the period's end was just over 15.200. Foreign shareholders comprised 28%. The main shareholders on July 31, 2001 are shown in the table below

<b>Owner</b>	<b>No. of shares</b>	<b>% of capital votes</b>
Christer Fåhraeus	7.152.870	16%
State Street Bank & Trust Co., U.S.A.	5.445.040	12%
Ericsson Mobile Communications AB	3.466.670	8%
Metallfinans	1.731.700	4%
SEB Fonder	1.329.415	3%
SEB Private Bank, Luxembourg	950.330	2%
Other	25.317.845	55%
<b>Total</b>	<b>45.393.870</b>	<b>100,0</b>

## Significant events after the end of the reporting period

Anoto has signed an agreement with Matsushita/Panasonic with the intention of evaluating mutual business opportunities for the Anoto concept on the Japanese market.

WeSpot has launched a new surveillance camera with enhanced performance and significantly reduced production costs, which is only half the size of the previous model.

WeSpot has furthermore secured its first commercial contract with Overhead Door Corporation (Sanwa Group) regarding a door opener application.

## Outlook 2001

The Anoto technology will be tried in cooperation with partners with the aim of performing commercial fullscale trials at the end of the year. Continuous contractual talks with leading players within the spheres of mobile telephony, PC and electronics industry are ongoing.

Anoto will attain a positive cash flow during the first six months of 2003.

C Technologies will increase C-Pen sales compared to the previous year.

C Technologies foresees a substantial increase in OEM and license sales in the latter part of the year.

The Parent Company C Technologies' cash flow is gradually improving and is expected to become positive during the first six months of 2002, mainly by targeting C-Pen sales at large geographical markets and profitable sales channels and in addition focusing technology sales on PC and mobile phone producers. The latter reflects a distinct ambition to develop future partnerships within the above segments, in addition to already existing ones with Acer and Ericsson

Lund August 22, 2001

Mats Lindoff  
President

The next report, comprising the period January – September 2001, will be published on November 13, 2001.

For further information please contact Mats Lindoff, CEO, C Technologies,  
046 540 10 05.

## **Review Report**

**C Technologies AB (publ)                      Org.No. 556532-3929**

We have reviewed this Interim Report in accordance with the recommendation issued by the Swedish Institute of Authorised Public Accountants.

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

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

Malmö August 22, 2001

**ARTHUR ANDERSEN AB**

Per-Arne Pettersson  
Authorised Public Accountant

**Summarised Profit & Loss Account****The Group**

(Amounts in SEK thousand)

	Quarter 2		Accumulated		Year
	April - June	April - June <sup>1</sup>	Jan - June	Jan - June <sup>1</sup>	Jan - Dec <sup>1</sup>
	2001	2000	2001	2000	2000
Net sales	38 738	18 463	82 252	36 411	80 014
Costs of goods sold	(37 155)	(16 529)	(80 886)	(30 620)	(84 531)
<b>Gross profit</b>	<b>1 583</b>	<b>1 934</b>	<b>1 366</b>	<b>5 791</b>	<b>(4 517)</b>
Sales, administration & R&D	(136 274)	-37 753	(257 002)	(62 861)	-210 486
Depreciation of intangible assets	(962)	(431)	(2 527)	(774)	(1 757)
Depreciation of tangible assets	(3 042)	(708)	(5 209)	(1 311)	(4 233)
<b>Operating income (loss)</b>	<b>(138 695)</b>	<b>(36 958)</b>	<b>(263 372)</b>	<b>(59 155)</b>	<b>(220 993)</b>
Income from participation in Group Companies <sup>2</sup>	10 017	23 188	59 394	23 188	27 638
Other financial items	2 748	4 179	6 003	4 079	10 935
Minority share	28 183	1 494	40 256	1 855	13 359
<b>Income (loss) before taxes</b>	<b>(97 747)</b>	<b>(8 097)</b>	<b>(157 719)</b>	<b>(30 033)</b>	<b>(169 061)</b>
Taxes	(46)	(700)	(96)	(700)	(47)
<b>Income (loss) after taxes</b>	<b>(97 793)</b>	<b>(8 797)</b>	<b>(157 815)</b>	<b>(30 733)</b>	<b>(169 108)</b>

**Balance Sheet (summarised)**

(Amounts in SEK thousand)

**The Group**

	Jun 30, 2001	Dec 31, 2000 <sup>1</sup>	Jun 30, 2000 <sup>1</sup>
Fixed assets <sup>3</sup>	63 728	41 741	20 638
Other current assets	78 971	73 070	45 800
Liquid assets and investments	255 770	421 206	574 561
<b>Total assets</b>	<b>398 469</b>	<b>536 017</b>	<b>640 999</b>
Shareholder's equity <sup>3</sup>	293 165	438 489	579 696
Minority interests	1 661	12 139	8 482
Interest-bearing liabilities	1 250	2 084	5 975
Other liabilities	102 393	83 305	46 846
<b>Total shareholder's equity and liabilities</b>	<b>398 469</b>	<b>536 017</b>	<b>640 999</b>

<b>Changes in Equity</b>	<b>The Group</b>	<b>The Group<sup>1</sup></b>	<b>The Group<sup>1</sup></b>
(Amounts in SEK thousand)	<b>Jan - June 2001</b>	<b>Jan - June 2000</b>	<b>Jan - Dec 2000</b>
<b>Opening balance according to the adopted Balance Sheet for the previous year</b>	<b>503 055</b>	<b>43 204</b>	<b>43 204</b>
Effect of change of accounting principle <sup>3</sup>	-68 545	-28 290	-28 290
Minority share	3 979	86	86
<b>Opening balance adjusted according to the new Accounting Principles</b>	<b>438 489</b>	<b>15 000</b>	<b>15 000</b>
New share issue	-	150 000	150 000
New share issue	-	437 500	437 500
Costs of new share issue	-205	-24 590	-27 324
Redemption of warrants	975	31 005	39 878
Subordinated debentures with subscribed options	1 732	1 477	7 223
Minority share of submitted stockholder's share	-	-	-253
Minority share of directed new share issue <sup>6</sup>	-	-	-13 911
Minority share of submitted stockholder's share in Subsidiaries	-588	-218	-351
Minority share of result for the year not recorded in The profit and loss statement <sup>4</sup>	12 684	245	-67
Translation difference	-2 107	10	-98
Loss for the year	-157 815	-30 733	-169 108
<b>Closing balance</b>	<b>293 165</b>	<b>579 696</b>	<b>438 489</b>

### **Cash Flow Analysis**

### **The Group**

(Amounts in SEK thousand)	<b>April - June 2001</b>	<b>April - June<sup>1</sup> 2000</b>	<b>Jan - June 2001</b>	<b>Jan - June<sup>1</sup> 2000</b>	<b>Jan - Dec<sup>1</sup> 2000</b>
Operating income before depreciation	(134 691)	(35 819)	(255 636)	(57 070)	(215 003)
Minority share of profit/loss	28 183	1 494	40 256	1 855	13 359
Change in warranty provision	531	404	1 249	851	2 014
Taxes paid	(46)	(700)	(96)	(700)	(47)
Change in operating funds	829	(18 487)	10 222	(18 776)	(11 800)
<b>Operating cash flow before investments</b>	<b>(105 194)</b>	<b>(53 108)</b>	<b>(204 005)</b>	<b>(73 840)</b>	<b>(211 477)</b>
Net investments	(15 998)	(8 594)	(29 723)	(9 519)	(34 526)
<b>Operating cash flow after investments</b>	<b>(121 192)</b>	<b>(61 702)</b>	<b>(233 728)</b>	<b>(83 359)</b>	<b>(246 003)</b>
Result from participation in Group Companies	10 017	23 188	59 394	23 188	27 638
Other financial items	2 748	4 179	6 003	4 079	10 935
<b>Operating cash flow after net financial activities</b>	<b>(108 427)</b>	<b>(34 335)</b>	<b>(168 331)</b>	<b>(56 092)</b>	<b>(207 430)</b>
Financing	(25 507)	411 784	2 895	600 032	598 015
<b>Cash flow after financing</b>	<b>(133 934)</b>	<b>377 449</b>	<b>(165 436)</b>	<b>543 940</b>	<b>390 585</b>

**Key Ratios**

	<b>The Group</b>				
	April - June	April - June <sup>1</sup>	Jan - June	Jan - June <sup>1</sup>	Jan - Dec <sup>1</sup>
	2001	2000	2001	2000	2000
Gross margin	4,1%	10,5%	1,7%	15,9%	Neg
Operating margin	Neg	Neg	Neg	Neg	Neg
Cash flow (kSEK)	(133 934)	377 449	(165 436)	543 940	390 585
Cash flow / share (SEK) <sup>5</sup>	(2,83)	8,50	(3,50)	12,80	9,19
Earnings per share	(2,15)	(0,21)	(3,48)	(0,80)	(4,34)
Earnings per share after dilution <sup>5</sup>	(2,07)	(0,20)	(3,34)	(0,72)	(3,95)
	June 30, 2001	Dec 31, 2000 <sup>1</sup>	June 30, 2000 <sup>1</sup>		
Equity/Asset ration	73,6%	81,8%	90,4%		
Number of employees	303	180	92		
Number of shares <sup>5</sup>	46 635 445	47 946 020	47 946 020		
Equity per share (SEK) <sup>5</sup>	6,29	9,15	12,09		

**Notes**

1

Previous periods have been translated with regard to the performed change of accounting principles as at Jan 1, 2001-01-01 (see note 3 below).

The change of accounting principles regarding R&D costs has effected the operating profit/loss for quarter April 1, 2000 - June 30, 2000 negatively by -6 742 and for the period Jan 1, 2000 - June 30, 2000 negatively by -10 423. For the whole year Jan 1, 2000 - Dec 31, 2000 the change of accounting principles has effected the operating profit/loss negatively by -40 256.

<sup>2</sup> During the period the Group made a profit totalling 59.934 (after the minority share has been taken into account) through share issues directed at minority holders in group companies, of which 49.377 refers to a new share issue in the subsidiary Anoto directed at Ericsson Mobile Communications AB. The remaining profit amounting to 10.017 refers to a new share issue in the group company WeSpot AB directed at minorities.

<sup>3</sup> As of Jan 1, 2001 the Group has changed accounting principle in respect of R&D and patent costs. Effective as of Jan 1, 2001 the Swedish Financial Accounting Standards Council's Recommendation RR 15 (intangible assets) is applied. The principle according to RR 15 briefly implies that costs in respect of research are carried as a continuous expense. Costs in respect of development are set up as an intangible asset. The C Technologies Group starts a depreciation plan based on an economic life of five years as from the market introduction of the respective product. In regard to transitional regulations, a lump sum write-down of historical capitalised R&D costs through Dec 31, 2000 in the amount of 68 545 has been effectuated. The accumulated effect (64 566 after the minority holding has been taken into account) of the change of accounting principle is recorded as an adjustment entry in the equity opening balance as of Jan 1, 2001 in accordance with the Swedish Financial Accounting Standards Council's RR 5 Recommendation (change of accounting principle).

<sup>4</sup> The minority share in Anoto AB was increased from 15% till 30% at the end of March 2001. In order to give a more true and fair view of the profit and loss statement, 15% has in the profit and loss statement been used when eliminating the minority share of the result for the period Jan 1, 2001- March 31, 2001. The effect of the remaining 15% (11.396) becomes a positive item of the Group's equity. The increase from 10,7 % to 26,2 % of the minority shares in WeSpot AB in April has in the same manner as for Anoto resulted in a sum of 1.288 becoming a positive item of the Group's equity.

<sup>5</sup> Incl. outstanding warrants (June 30,2001: 1 241 575; Dec 31,2000: 2 602 150; June 30, 2000: 3 090 250).

<sup>6</sup> Refers to a new share issue in the group company Anoto AB directed at the majority shareholder C Technologies AB.



