



Anoto Group, January – March 2007 Interim Report

- First quarter sales rose by 27% to SEK 56 million (40).
- The Group's first-quarter gross margin amounted to 78% (79), while the gross profit was up by 38% to SEK 44 million (32).
- Earnings before depreciation and amortisation for the first quarter were SEK 15 million (–11).
- Earnings after taxes for the first quarter were SEK 9 million (–14).
- Earnings per share for the first quarter were SEK 0.07 (–0.11).
- First quarter cash flow was SEK –10 million (65).

Business developments

- Active forms users numbered approximately 60,000, up 14% from the previous quarter and 104% from a year ago.
- One of Anoto's German partners, Diagramm Halbach, has won a European public tender for delivering an e-voting system solution based on Anoto digital pen and paper technology to the City of Hamburg for the elections in 2008. The project has a potential of 12,000 pens.
- Anoto's subsidiary for video technology and proprietary ASICs signed a new video technology agreement with a global manufacturer of mobile phone platforms. The agreement is expected to generate non-recurring engineering (NRE) income of SEK 8 million, most of which will be recognized as revenue in 2007. Anoto will also receive royalty on future sales. Anoto have previously entered into a number of similar agreements with the manufacturer.
- Anoto signed an agreement with a new U.S. pen partner headed up by Jim Marggraff, former president of Anoto Inc. in Oakland, California. The agreement covers development and marketing of the next-generation digital pen and paper solution for the consumer market. Anoto is receiving USD 3.5 million plus sales-based royalties.
- Anoto and Dai Nippon Printing (DNP) completed the previously announced license agreement for next-generation interactive solutions in Japan. At the beginning of the second quarter Anoto received EUR 2 million and the remaining EUR 1.5 million will be paid in two instalments based on achieved deliverables. Anoto will also receive royalty on future net sales.



A word from CEO Anders Norling

Anoto reports a profit for the first time

I am pleased to announce that Anoto generated an operating profit for the first time in its history. Our performance was due to underlying growth, two major license agreements and cost control measures. The challenge is to ensure that our ongoing sales are high enough to maintain profitability without depending on individual license orders.

Forms Solutions

The number of active forms users grew a little slower than the average for the past few quarters. But activity in the application area is brisk and we anticipate persistently strong growth. We are continuing to package our solutions – in the first quarter, we launched the initial version of Anoto Forms Solution 1.0.

Diagramm Halbach GmbH, an Anoto partner in Germany, won a European public tender process during the first quarter for e-voting in the 2008 Hamburg municipal elections. It is a well known fact that election commissions have been plagued by difficulties when it comes to counting votes, balloting procedures and timely results. The obvious advantages of digital pen and paper make e-voting a promising area for Anoto technology.

Interactive Media

We are working closer and closer with DNP. We have completed the previously announced license agreement for joint development of next-generation solutions in Japan. DNP will initially use Anoto technology to expand and improve its forms business. Eventually the systems for interactive solutions will create additional opportunities in new application areas as well.

Anoto also signed a license agreement with a new pen partner headed up by Jim Marggraff, former president of Anoto Inc. in Oakland, California. The company will design a new platform for the consumer market based on licensed Anoto technology. The platform will expose our technology to the market. We believe that the result will be increased usage and shorter sales cycles for our forms business as well.

Anoto Technology

Our new video technology subsidiary received its first order during the quarter. We are very pleased by the confirmation that the decision to handle video technology as a separate business was a wise one.



Operations

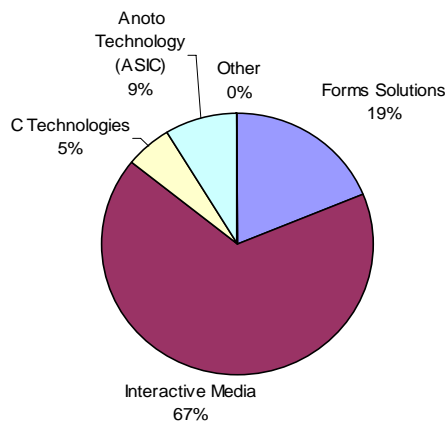
The Content and Applications business unit has been phased out, leaving Anoto's traditional operations. The activities are broken down into five application areas.

- Forms Solutions
- Interactive Media
- Personal Productivity
- Anoto Technology (ASIC)
- C Technologies

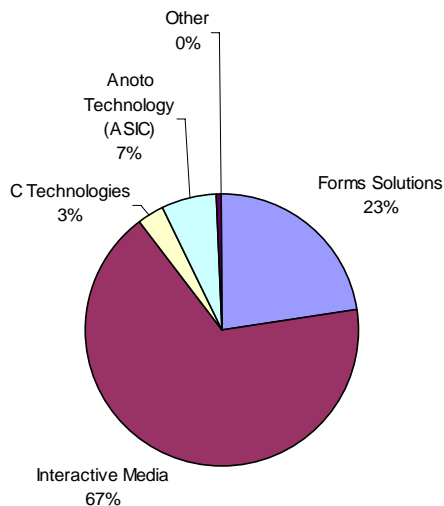
Anoto enjoyed rapid growth compared to the first quarter of 2006 when it came to both sales and gross profit. The improvement was primarily attributable to license revenue for Interactive Media from the agreement signed with a new pen partner in the United States, as well as completion of the agreement with DNP. The agreements boosted sales by SEK 37 million and gross profit by SEK 30 million.

The other application areas also performed well.

Net sales per application area Jan-March 2007

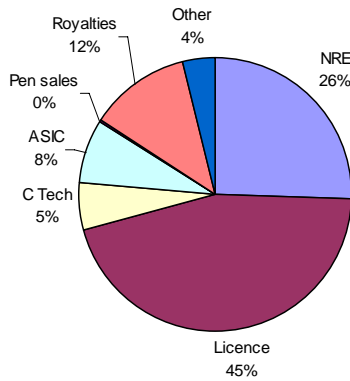


Gross profit per application area Jan-March 2007





Net sales per revenue category Jan-March 2007

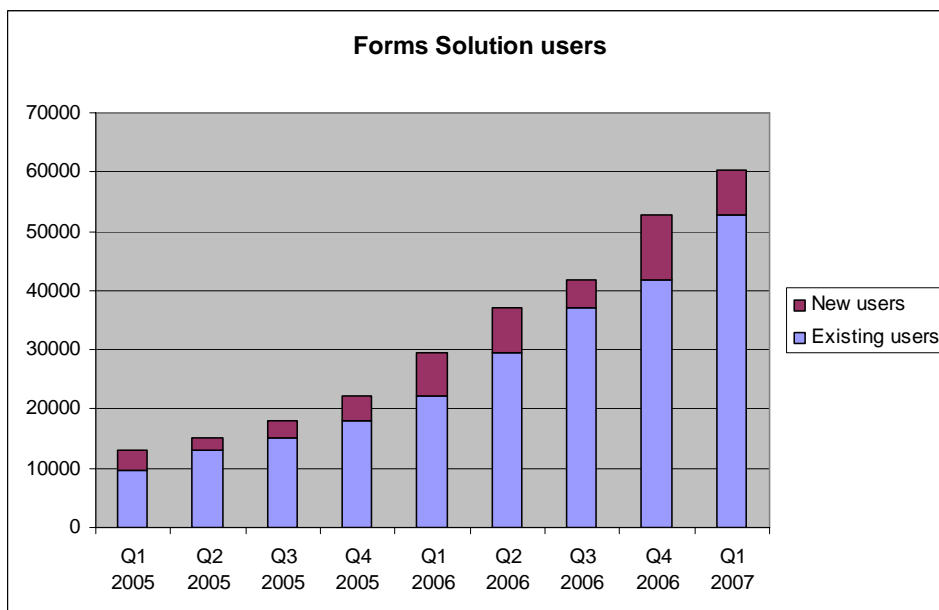


Revenue from ongoing royalties and product sales (Royalties, C Tech, ASIC and Other) accounted for 29% of net sales in the first quarter.

Forms Solutions

The Forms Solutions application area focuses on systems, products and services that target businesses, primarily in the field of forms processing. Among Anoto's partners are system integrators, software developers and IT consulting firms, all of which offer customised solutions with Anoto functionality to their corporate customers. Anoto's strategy is to market and supply its products and services through these partners. Anoto obtains revenue based on the use of digital pens per unit of time.

Active forms users numbered approximately 60,000, up by 104% on an annual basis and 14% from the previous quarter.





Interactive Media

This application area uses Anoto technology for products based on a combination of digital material (books, cards and the like) and a digital pen that enables immediate feedback by means of voice, audio, etc. The concept supports learning and teaching products that are simple, intuitive and entertaining for the user.

After the holiday season, sales of the LeapFrog FLY Pentop Computer proceeded at a more modest pace. The segment is highly cyclical, most sales coming in the fourth quarter.

Activity within Interactive Media is very brisk, including LeapFrog's launch of FLY Fusion later this year and closer cooperation with both DNP and our new U.S. partner under Jim Marggraff's management.

Personal Productivity

The Personal Productivity application area focuses on developing and marketing products that make it easier for people to communicate and be efficient in their daily activities. Offering such products through its partners, Anoto targets the end-customer. Digital pens, as well as PC and mobile phone applications, are all included.

Sales of notebook solutions to end-customers are proceeding modestly.

Anoto Technology

The Anoto Technology application area develops and markets basic Anoto technology as ASICs and IP blocks. The area supplies or licenses Anoto modules, components and function blocks for integration with the customer's products or components, such as other pen-like units, mobile phones and mobile phone accessories or components.

In December 2006, Anoto transferred its development division for handling video technology (ASIC) to the new Logipard AB subsidiary. The goal was to pave the way for faster growth and higher profitability.

Anoto holds 80% of the shares in the subsidiary, while a number of key employees hold the remaining 20%.

The subsidiary hired Linus Wiebe as its new CEO during the first quarter.

In the first quarter, Anoto signed a new agreement covering IP blocks for video technology with a global manufacturer of mobile phone platforms. Anoto continues to anticipate excellent commercial opportunities and ongoing expansion in this segment.

C Technologies

The products of the C Technologies application area, of which the C-Pen scanning pen is the best known, are based on the integration of digital camera technology with leading-edge image processing in products characterised by energy efficiency and high performance.

C-Pen 20 sales are proceeding as planned. The rollout of the previously announced order from China has begun but is behind the original schedule.



Anoto Group AB – the first quarter of 2007 in figures

Sales and earnings for the first quarter (January-March)

First quarter sales rose by 27% to SEK 56 million (40). The improvement was due to underlying growth, along with two major license agreements that boosted sales by SEK 37 million (23).

The gross profit rose by 38% to SEK 44 million (32), or 78% (79).

The profit before depreciation and amortisation was SEK 15 million (–11).

Sales, administrative and research costs, amounted to SEK –35 million (–49), of which depreciation accounted for –6 million (–6). The decrease from the first quarter of 2006 was primarily due to the phase-out of the Content and Applications business unit in Oakland, California with expenses of SEK 0 million (9).

The first quarter operating profit was SEK 9 million (–17).

Cash flow for the first quarter (January-March)

Cash flow from operating activities totalled SEK –6 million (–15) for the first quarter. The reason for the negative figure was that Anoto did not receive the first partial payment of SEK 17 million for the license agreement with DNP until after the end of the quarter.

SEK –4 million (–5) in net investment affected the quarter's cash flow of SEK –10 million (65). The large positive cash flow in 2006 was due to payment of the SEK 70 million financial revenue that arose in connection with the Group's legal restructuring at the beginning of the year, as well as the SEK 16 million new share issue for redemption of employee stock options.

Financing and liquidity

At the close of the first quarter, the Group's liquid assets, including current investments, amounted to SEK 170 million (277).

Anoto Group AB

As a pure holding company, Anoto Group AB has a limited number of corporate functions and employees. First quarter sales were SEK 8 million (10), while the pre-tax profit was SEK 1 million (1). At the close of the quarter, the parent company's liquid assets, including current investments, amounted to SEK 119 million (261). Investment came to SEK 0 million (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 2006 annual report. The accounting policies are unchanged from those applied in 2006.

Share data

The Anoto Group share is quoted on the Nordic Mid Cap list of the Stockholm Stock Exchange. Shares numbered 128,538,867 at the end of the quarter, in addition to which 7,415,002 warrants were outstanding, of which 0 were deemed to have a value as of 31 March 2007.

Shareholders

Anoto Group shareholders numbered 8,660 at the end of the quarter. Foreign investors held 57%, and institutional and industrial investors 87%, of the shares. Norden Technology AS, Robur fonder, SEB Enskilda ASA, Sofa, DNB and Staffan Rasjö were the largest shareholders as of 31 March, controlling 49% of Anoto Group shares.



Option programmes

The parent company has issued options as part of various incentive programmes. Full exercise of all programmes would result in total dilution of about 5% as of 31 March 2007.

Outlook for 2007

Group

The license agreement with a new US partner in the area of Content and Applications, as well as the restructuring of Anoto Technology (ASIC), enables a greater focus on Forms Solutions. As a result of this Anoto expects that the number of active users of Forms Solutions will continue to grow strongly in 2007. The 2006 increase was 137%.

Upcoming interim reports

January-June report	7 August 2007
January-September report	7 November 2007
Year-end report	7 February 2008
Annual general meeting	15 May 2008

The company's auditors have not reviewed this report.

Lund, 8 May 2007

Anders Norling
CEO



Consolidated income statements

The Group

(SEK thousand)	Note	Quarter 1		Full year	
		Jan-March 2007	Jan-March 2006	Jan - Dec 2006	Jan - Dec 2005
Net sales		56 131	40 220	108 725	113 230
Costs of goods and services sold		(12 494)	(8 563)	(30 321)	(33 835)
Gross profit/loss		43 637	31 657	78 404	79 395
Sales, administrative and research costs		(35 299)	(48 571)	(210 223)	(159 162)
Share of earnings in associated companies		-	-	(4)	(8)
Other operating income		554	-	-	-
Operating profit/loss		8 892	(16 914)	(131 823)	(79 775)
Share of earnings in group companies		-	-	(769)	70 457
Other financial items		387	2 752	794	(4 446)
Profit/loss after financial items		9 279	(14 162)	(131 798)	(13 764)
Minority share		(145)	-	41	-
Profit/loss before taxes		9 134	(14 162)	(131 757)	(13 764)
Taxes		(366)	(77)	(1 208)	(120)
Profit/loss for the period		8 768	(14 239)	(132 965)	(13 884)
<i>Profit/loss from ongoing operations</i>		8 768	(3 486)	(80 606)	(7 831)
<i>Profit/loss for the period from closed operations</i>	1	-	(10 753)	(52 359)	(6 053)
Key ratios					
Gross profit		77,7%	78,7%	72,1%	70,1%
Operating margin		15,8%	Neg	Neg	Neg
Earnings per share (kronor) ¹		0,07	(0,11)	(1,03)	(0,11)
Earnings per share after dilution (kronor) ¹		0,07	(0,11)	(1,03)	(0,11)

¹ 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.



Summary of Balance Sheet

The Group

(SEK thousand)	2007-03-31	2006-03-31	2006-12-31	2005-12-31
Intangible fixed assets	336 665	354 866	343 324	357 536
Tangible assets	3 828	5 213	3 512	3 568
Financial fixed assets	5 108	5 308	5 080	5 346
Other current assets	94 618	58 522	45 220	128 200
Liquid assets, including current investments	169 563	276 809	179 841	211 490
Total assets	609 782	700 718	576 977	706 140
Equity attributable to shareholders of Anoto Group AB	468 903	558 260	458 237	555 690
Equity attributable to minority interests	2 104	-	1 959	-
Long-term provisions	4 150	4 231	4 150	4 231
Current provisions	1 541	29 912	1 529	28 021
Other current liabilities	132 490	108 315	110 524	118 198
Total liabilities and shareholders' equity	609 782	700 718	576 977	706 140

Change in shareholders' equity

The Group

	Jan - March 2007	Jan - March 2006	Jan - Dec 2006	Jan - Dec 2005
Opening balance	460 196	555 690	555 690	385 629
Issue of new shares	-	15 807	28 596	365
Changes in minority interest	145	-	1 959	181 859
Recovered VAT for underwriting expenses	-	-	-	175
Costs of granting options	1 937	1 935	7 896	1 190
Translation differences	(39)	(933)	(980)	356
Profit/loss for the period	8 768	(14 239)	(132 965)	(13 884)
Closing balance	471 007	558 260	460 196	555 690



Cash Flow Statement

The Group

(SEK thousand)	Jan - March 2007	Jan - March 2006	Jan - Dec 2006	Jan - Dec 2005
Profit/loss after financial items	9 279	(14 162)	(131 798)	(13 764)
Adjustment for items not included in cash flow				
Change in provisions	(332)	(6 109)	(26 215)	(931)
Depreciation, amortisation and write-downs	10 829	6 157	28 317	26 299
Profit on shares in Group and associated companies	-	-	4	(70 449)
Costs of granting options	1 937	1 935	7 896	1 190
Other financial items	386	(2 752)	(794)	4 446
Taxes paid	(366)	(77)	(295)	(114)
Cash flow from operating activities				
before change in working capital	21 733	(15 008)	(122 885)	(53 323)
Change in working capital	(27 496)	67 796	73 642	60 251
Cash flow from operating activities	(5 763)	52 788	(49 243)	6 928
Net investments	(4 486)	(5 133)	(14 190)	(14 933)
Total cash flow before financing activities	(10 249)	47 655	(63 433)	(8 005)
Financing activities				
Issues of new shares	-	15 807	28 596	187 635
Cost of issues of new shares	-	-	-	(5 776)
Change in long-term liabilities	16	-	578	-
Capital from minority interests	-	-	2 000	-
Other financial items	(386)	2 752	794	(4 446)
Recovered VAT for underwriting expenses	-	-	-	175
Other items	341	(895)	(184)	81
Cash flow for the period	(10 278)	65 319	(31 649)	169 664
Liquid assets at the beginning of the period*	179 841	211 490	211 490	41 826
Liquid assets at the end of the period*	169 563	276 809	179 841	211 490
<i>Cash flow from ongoing operations</i>	-	74 739	17 686	175 717
<i>Cash flow from closed operations</i>	2	(9 420)	(49 335)	(6 053)

*Cash, bank balances and current investments with a duration of less than 6 months

Key ratios
The Group

	Jan - March 2007	Jan - March 2006	Jan - Dec 2006	Jan - Dec 2005
Cash flow for the year (ksek)	(10 278)	65 319	(31 649)	169 664
Cash flow per share (sek) ²	(0,08)	0,51	(0,25)	1,32
Cash flow per share after dilution (sek) ²	(0,08)	0,51	(0,25)	1,32
	<u>2007-03-31</u>	<u>2006-03-31</u>	<u>2006-12-31</u>	<u>2005-12-31</u>
Equity/assets ratio	76,9%	79,7%	79,4%	78,7%
Number of shares ³	128 583 867	128 658 885	128 583 867	128 744 414
Shareholders' equity per share (kronor) ³	3,65	4,34	3,56	4,32

2 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.

3 Including outstanding warrants (06-06-30: 0; 05-12-31: 2 209 213)

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.

Note 1 Closed operations - Profit & Loss

	Jan - March 2007	Jan - Mar 2006	Jan - Dec 2006	Jan - Dec 2005
Net sales	-	-	752	-
Costs from operations	-	(10 676)	(52 631)	(6 053)
Loss from disposal of assets	-	-	-	-
Loss before taxes	-	(10 676)	(51 879)	(6 053)
Income tax	-	(77)	(480)	-
Loss for the year from closed operations	-	(10 753)	(52 359)	(6 053)

Note 2 Closed operations - Cash flow

	Jan - March 2007	Jan - Mar 2006	Jan - Dec 2006	Jan - Dec 2005
Profit/loss after financial items	-	(9 115)	(46 462)	(6 053)
Depreciation	-	139	1 107	-
Taxes paid	-	(77)	(480)	-
Investments	-	(367)	(3 500)	-
Cash flow for the period	-	(9 420)	(49 335)	(6 053)



For more information

You are cordially invited to take part in Anoto's teleconference for media and financial analysts at 10.00 on 8 May.

Date: Tuesday, 8 May 2007
Time: 10.00
Phone: +44 (0) 207 162 0125
Specify: Anoto

Or phone:
Maria Galvin
Corporate Communications Manager
+46 46 540 10 21

The 2006 annual report is available at www.anoto.com. Although the report will not be printed, a printout of the digital version may be ordered from the company.

Anoto Group AB (publ), company registration no. 556532-3929
Emdalavägen 18
SE-223 69 Lund, Sweden
Phone: +46 46 540 12 00
www.anoto.com