

# Anoto Group

## Interim Report January-June 2009



**Anoto Group AB** 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 the OMX Nordic Exchange in Stockholm under the ticker ANOT. For more information: [www.anoto.com](http://www.anoto.com)

The Anoto logo, which consists of the word 'Anoto' written in a stylized, red, cursive font.

# **Anoto Group**

## **January – June 2009 Interim report**

- Net sales in the first six months of 2009 amounted to MSEK 107 (59\*). Second quarter net sales were MSEK 44 (33\*).
- The gross margin for January-June was 68 % (71\*) and the gross profit MSEK 73 (42\*). Second quarter gross margin was 73 % (73\*) and the gross profit was MSEK 32 (24\*).
- Earnings Before Interests and Taxes (EBIT) in the first half-year was MSEK -4 (-33\*). For the second quarter it was MSEK -6 (-16\*).
- The first half-year result after tax was MSEK -4 (-35\*). The second quarter result after tax was MSEK -6 (-18\*).
- Earnings per share for the first half-year were SEK -0.03 (-0.27\*). The second quarter earnings were SEK -0.04 (-0.14\*).
- The cash flow during the first half-year amounted to MSEK 10 (-57\*). The second quarter cash flow amounted to MSEK -14 (-36\*).

\*) Comparable numbers for 2008 are reported in accordance with the new format for presenting the profit and loss statement. The numbers exclude the impact of those operations in 2008 that have been divested.

### **Summary of activities during the second quarter 2009**

- Sales improved by 35 % compared to the same period last year. Net Sales amounted to MSEK 44.
- The gross margin improved to 73 % in the second quarter.
- LeapFrog launched Tag Junior, a toddler sized “book explorer” for two to four years old children.
- First deliveries of digital pens to PLUS Vision, Japan. PLUS Vision launched in June 2009 the world’s first portable interactive whiteboard.

### **Comments by CEO Anders Norling**

#### ***Continued sales growth with pen sales playing an important role***

Sales in the first half of 2009 amounted to MSEK 107, corresponding to a growth of 80 % compared to the same period last year. Digital pens now represent more than 40 % of our total sales and amounted to MSEK 46 in the first half of 2009 compared to MSEK 18 a year ago. This development shows the strategic importance of the acquisition in 2008 of the digital pen business from Hitachi Maxell.

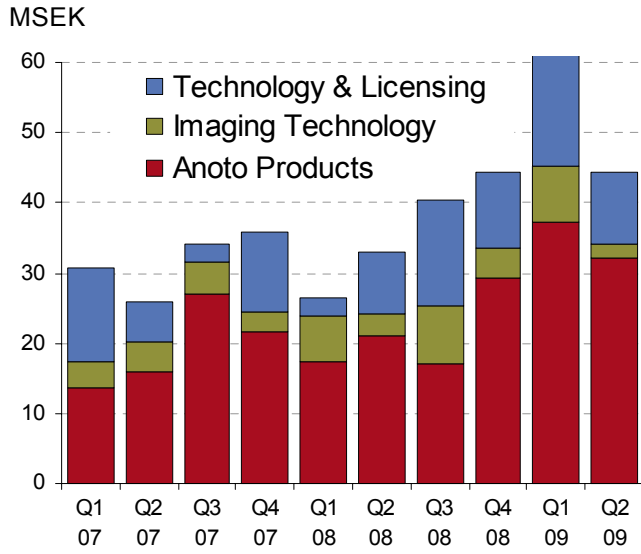
In early 2009 Polyvision launched the first interactive whiteboard based on Anoto technology.

In June the Japanese company PLUS Vision Corporation launched the world's first portable sheet-type interactive display with a digital pen, 'PLUS Wireless Interactive Panel UPIC, also based on technology provided by Anoto. [www.plus-vision.com/en](http://www.plus-vision.com/en). PLUS is Japan's largest company within office supply and also have extensive operations outside Japan. We are optimistic about the future market potential of interactive whiteboards and the partnerships with Polyvision and Plus Vision.

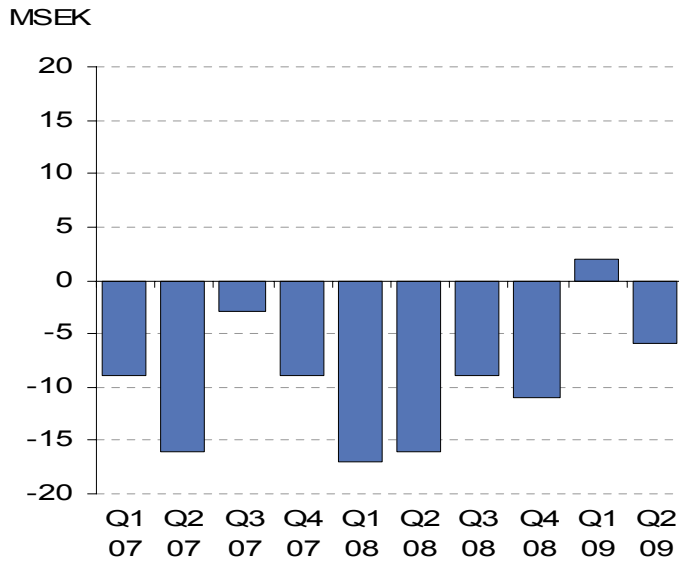
Anoto digital pen and forms partners maintain a high activity level. However leasing and financing support has become an increasing concern for some partners and the general financial downturn is affecting them. We are convinced that Anoto digital pen and paper solutions are an attractive cost effective method of maintaining or increasing efficiency. However, it is still difficult to predict the future development.

Our cash position continues to be strong. During the first half-year 2009 we have had a positive cash flow of MSEK 10 and our closing balance in Q2 2009 was MSEK 109. Livescribe repaid its debt to Anoto of MSEK 20 in March. During the same period the working capital has increased and long term liabilities have been reduced by totally MSEK 7.

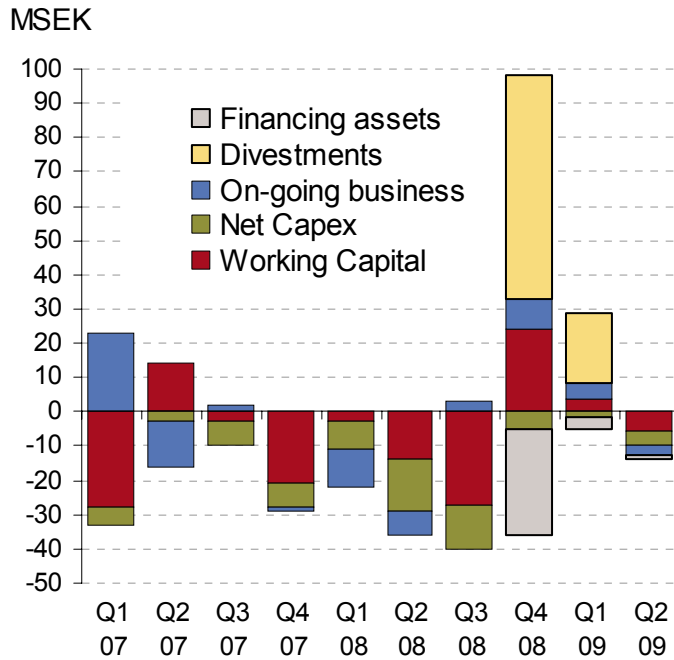
### Net Sales 2007 - 2009



### EBIT 2007-2009



### Cash flow 2007 - 2009



## Organization

The Anoto organization is divided into three areas:

- Anoto Products
- Technology and Licensing
- Imaging Technology

These three application areas generate income in five different categories - licensing, royalty, digital pens, components and NRE (Non-recurring engineering ).

## Net sales per income category

Amounts MSEK	April-June 2009	April-June 2008	January-June 2009	January-June 2008
Licensing fees	11	8	25	13
Royalty fees	4	7	9	9
Digital pens *	21	10	46	18
Components	4	5	16	11
NRE and others	4	3	11	8
<b>Total</b>	<b>44</b>	<b>33</b>	<b>107</b>	<b>59</b>

\* Digital pens include C-Pen

## Anoto Products

Amounts MSEK	April-June 2009	April-June 2008	January-June 2009	January-June 2008
Net sales	32	21	70	38
Gross profit	24	14	49	26

*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 including Anoto penPresenter, may also be marketed through other sales and distribution channels.*

Anoto Products shows growth in all markets in comparison to the same period last year, but less than in the first quarter of 2009, primarily due to delays in larger installations. Most transactions are within applications for the healthcare and clinical trial sectors, but there is also an increased interest within facility management. The inflow of new partners continues to be good.

The order inflow was stable during the period with many small orders. However, several larger projects were delayed.

During the period we have focused our partner recruitment activities to Sweden and France, attracting new partners in areas where we may expand into new market segments, thus broadening our distribution channels. The Anoto Forms Solution (AFS) platform is an important enabler for these activities and improves Anoto's position in the value chain considerably. A new generation, AFS 2.0 with extended functionality, is planned for launch during Q4.

Sales of the Anoto penPresenter and penDocuments continue to be slower than expected. During the second quarter a distribution agreement for Anoto penPresenter was signed in the US with Douglas Stewart, the largest distributor of computer products, consumer electronics and school supplies exclusively serving the education market.

Sales of C Technologies' C-Pen products, under our own brand and as OEM, continue to be stable and contribute to Anoto's overall result in a positive way. Second quarter sales for C Technologies were much stronger than expected. In the second quarter C Technologies delivered components to be installed in devices for reading water supply.

## Technology and Licensing

Amounts MSEK	April-June 2009	April-June 2008	January-June 2009	January-June 2008
Net sales	10	9	27	11
Gross profit	7	8	18	10

*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.*

Technology & Licensing sales are developing well. PLUS Vision Corporation, Japan, ([www.plus-vision.com/en](http://www.plus-vision.com/en)) has during the period become a new partner to Anoto.

In June, PLUS Vision Corporation launched the world's first foldable sheet-type interactive panel with a digital pen, 'PLUS Wireless Interactive Panel UPIC', with technology provided by Anoto.

The PLUS UPIC is an interactive panel, allowing the user to operate a computer directly from a projected image by using a digital pen. The back of the panel is magnetic, making it easily attachable to different surfaces. During the second quarter the first deliveries of pens to PLUS were shipped.

Anoto delivered additional pens to PolyVision ([www.polyvision.com](http://www.polyvision.com)) during the second quarter to be used with ēno™, an interactive whiteboard with an Anoto digital pen.

Livescribe ([www.livescribe.com](http://www.livescribe.com)) royalty fees from the first quarter 2009 are included in this period, at a lower level than expected however.

The LeapFrog Tag Reading System ([www.leapfrog.com/tag/](http://www.leapfrog.com/tag/)) is selling according to expectation, but has no impact on our cash flow, since LeapFrog paid the royalty in advance. The prepaid amount is reduced by an equal monthly amount as income over the term of the royalty agreement.

LeapFrog launched Tag Junior, toddler sized “book explorer”, for two to four years old children to engage with books, enhancing the narrative with carefully chosen sounds and activities. Tag Junior uses Anoto technology.

### **Imaging Technology**

<b>Amounts MSEK</b>	<b>April-June 2009</b>	<b>April-June 2008</b>	<b>January-June 2009</b>	<b>January-June 2008</b>
Net sales	2	3	10	10
Gross profit	1	2	6	6

*Imaging Technology develops and markets basic Anoto technology, such as ASICs and IP blocks. The application area supplies and licenses imaging technology modules, components and function blocks for integration with customer products or components, accessories and their components.*

Sales within Imaging Technology fell steeply during the second quarter and amounted to MSEK 2. Major customers have decreased their orders during the period due to lower demand of their own products.

## **The second quarter 2009 in figures**

### ***Sales and earnings for the second quarter (April - June)***

Second quarter revenues were MSEK 44 (33\*).

The gross profit was MSEK 32 (24\*), and the gross margin was 73 % (73\*).

Sales and administration expenses, together with research costs, amounted to MSEK -41 (-39\*), of which depreciation, amortization and write-downs accounted for MSEK -4 (-7\*).

The second quarter Earnings Before Interests and Taxes (EBIT) was MSEK -6 (-16\*).

### ***Cash flow for the second quarter (April-June)***

Cash flow from operating activities totaled MSEK -8 (-21) for the second quarter.

Net cash flow amounted to MSEK -14 (-36\*), of which net investment affected the quarter's cash flow by MSEK -4 (-15).

### ***Financing and liquidity***

At the close of the quarter, the group's total cash amounted to MSEK 109 (74).

### ***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 (8), while the pre-tax profit was MSEK 0 (1). At the close of the quarter liquid assets, including current investments amounted to MSEK 1 (17). 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 2008 annual report. The accounting policies are unchanged from those applied in 2008.

### **Risk factors and uncertainties**

No significant additional risks are deemed to have arisen beyond those described in the 2008 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 second quarter, in addition to which 585,000 warrants were outstanding, of which none were deemed to have a value as of June 30, 2009.

## Option programs

The parent company has issued options as part of various incentive programs. Full exercise of all remaining programs would result in a dilution of about 0.5 %.

## Outlook

### Anders Norling, CEO

Due to the uncertainty in the global economy it is still difficult to assess the future. In the long-term, I continue to see a growth potential for Anoto digital pen and paper technology and I look to the future with confidence.

### *Reporting schedule*

Third quarter report	November 3, 2009
Year-end report 2009	February 4, 2010
Annual General Meeting	May 14, 2010

Lund, July 31, 2009

Hans Otterling  
Chairman

Håkan Eriksson

Leif Eriksrød

Charlotta Falvin

Stein Revelsby

Anders Norling  
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 July 31, 2009.*

**For more information**

You are welcome to participate in Anoto's teleconference for financial analysts and the media at 10.00 CET on July 31, 2009.

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## Consolidated income statement in summary

(SEK thousand)	Note	Q2		Half year		Full year	
		April - June 2009	April - June 2008	Jan - June 2009	Jan - June 2008	Jan - Dec 2008	
<b>Ongoing operations</b>							
Net sales		44 466	32 866	106 588	59 268	143 975	
Cost of goods and services sold		-12 175	-8 911	-33 823	-17 275	-46 313	
<b>Gross profit</b>		<b>32 291</b>	<b>23 955</b>	<b>72 765</b>	<b>41 993</b>	<b>97 662</b>	
Sales, administrative and R&D costs		-41 090	-39 163	-82 149	-72 808	-152 003	
Other operating income/cost		3 164	574	5 793	-669	2 961	
<b>Operating profit/loss</b>		<b>-5 635</b>	<b>-14 634</b>	<b>-3 590</b>	<b>-31 484</b>	<b>-51 380</b>	
Share of earnings in group companies		-323	0	-323	0	0	
Writedown of shares in associated companies		-50	-1 686	-428	-1 686	-2 431	
Other financial items		266	-1 618	719	-973	-6 239	
<b>Profit/loss before taxes</b>		<b>-5 742</b>	<b>-17 938</b>	<b>-3 622</b>	<b>-34 143</b>	<b>-60 050</b>	
Taxes		-1	9	14	-859	-853	
<b>Profit/loss for the period</b>		<b>-5 743</b>	<b>-17 929</b>	<b>-3 609</b>	<b>-35 002</b>	<b>-60 903</b>	
<b>Closed operations</b>							
Profit from closed operations	1	0	2 878	0	6 449	91 352	
<b>Profit/loss for the period (including Closed operations)</b>		<b>-5 743</b>	<b>-15 051</b>	<b>-3 609</b>	<b>-28 553</b>	<b>30 449</b>	

### Group - Statement of comprehensive income for the period

(SEK thousand)	April - June 2009	April - June 2008	Jan - June 2009	Jan - June 2008	Jan - Dec 2008
Translation differences for the year	1 604	-159	848	-65	2 932
<b>Other comprehensive income/cost for the period</b>	<b>1 604</b>	<b>-159</b>	<b>848</b>	<b>-65</b>	<b>2 932</b>
<b>Total comprehensive income for the period</b>	<b>-4 139</b>	<b>-15 210</b>	<b>-2 761</b>	<b>-28 618</b>	<b>33 381</b>
<b>Total comprehensive income for the period attributable to:</b>					
Shareholders of Anoto Group AB	-3 703	-14 717	-1 937	-28 072	35 610
Minority shareholders	-436	-493	-824	-546	-2 229
<b>Total comprehensive income for the period</b>	<b>-4 139</b>	<b>-15 210</b>	<b>-2 761</b>	<b>-28 618</b>	<b>33 381</b>
<b>Key ratios:</b>					
Gross margin	72,6%	72,9%	68,3%	70,9%	67,8%
Operating margin	Neg	Neg	Neg	Neg	Neg
<b>Earnings per share</b>					
Earnings per sharee (kr) <sup>2</sup>	-0,04	-0,12	-0,03	-0,22	0,24
Earnings per share after dilution (kr) <sup>2</sup>	-0,04	-0,12	-0,03	-0,22	0,24
<b>Earnings per share from ongoing operations</b>					
Earnings per sharee (kr) <sup>2</sup>	-0,04	-0,14	-0,03	-0,27	-0,47
Earnings per share after dilution (kr) <sup>2</sup>	-0,04	-0,12	-0,03	-0,22	-0,47
<b>Average number of shares</b>					
Before dilution	128 583 867	128 583 867	128 583 867	128 583 867	128 583 867
After dilution	128 583 867	128 583 867	128 583 867	128 583 867	128 583 867

<sup>1</sup> Disposal of business

<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.

## Consolidated balance sheet in summary

(SEK thousand)	2009-06-30	2008-06-30	2008-12-31
Intangible fixed assets	363 711	355 857	364 025
Tangible assets	5 079	4 263	5 279
Financial fixed assets	10 937	5 160	30 599
<b>Total fixed assets</b>	<b>379 727</b>	<b>365 280</b>	<b>399 903</b>
Inventories	38 013	20 376	37 329
Accounts receivable	32 136	20 054	32 564
Other current assets	30 971	41 712	32 304
<b>Total short-term receivables</b>	<b>63 107</b>	<b>61 766</b>	<b>64 868</b>
Liquid assets, including current investments	109 022	74 076	99 344
<b>Total current assets</b>	<b>210 142</b>	<b>156 218</b>	<b>201 541</b>
<b>Total assets</b>	<b>589 869</b>	<b>521 498</b>	<b>601 444</b>
	0	0	0
Equity attributable to shareholders of Anoto Group AB	486 428	428 811	488 474
Equity attributable to minority interests	-984	1 509	-160
Long term liabilities	36 447	48 321	41 891
Current provisions	975	396	800
Other current liabilities	67 003	46 461	70 439
<b>Total current liabilities</b>	<b>67 978</b>	<b>46 857</b>	<b>71 239</b>
<b>Total liabilities and shareholders' equity</b>	<b>589 869</b>	<b>525 498</b>	<b>601 444</b>

## Change in shareholders' equity

	Share capital	Other capital contributed	Reserves	Profit for the year	Shareholders equity	Minority shareholders	Total shareholders equity
<b>Opening balance 1st of Januari 2008</b>	<b>2 572</b>	<b>448 508</b>	<b>-3 063</b>	<b>4 791</b>	<b>452 808</b>	<b>2 069</b>	<b>454 877</b>
Total comprehensive income for the period	0	0	2 911	32 699	35 610	-2 229	33 381
Adjustment costs for share options	0	0	0	56	56	0	56
<b>Shareholders equity 31st of December 2008</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	0	0	848	-2 785	-1 937	-824	-2 761
Adjustment costs for share options	0	0	0	-109	-109	0	-109
<b>Shareholders equity 31st of March 2009</b>	<b>2 572</b>	<b>448 508</b>	<b>696</b>	<b>34 652</b>	<b>486 428</b>	<b>-984</b>	<b>485 444</b>

## Consolidated Cash flow statement in summary

(SEK thousand)

	April - June 2009	April - June 2008	Jan - June 2009	Jan - June 2008	Jan - Dec 2008
<b>Profit/loss after financial items</b>	<b>-5 742</b>	<b>-15 060</b>	<b>-3 622</b>	<b>-27 694</b>	<b>31 302</b>
Depreciation, amortisation and write-downs	3 883	6 505	6 742	10 101	21 483
Other items not included in cash flow	-748	1 773	-992	-1 345	6 854
<b>Total items not included in cash flow</b>	<b>3 135</b>	<b>8 278</b>	<b>5 750</b>	<b>8 756</b>	<b>28 337</b>
<b>Cash flow from operating activities before change in working capital</b>	<b>-2 607</b>	<b>-6 782</b>	<b>2 128</b>	<b>-18 938</b>	<b>59 639</b>
Change in working capital	-5 561	-13 912	-1 891	-16 248	-9 317
<b>Cash flow from operating activities</b>	<b>-8 168</b>	<b>-20 694</b>	<b>237</b>	<b>-35 186</b>	<b>50 322</b>
<b>Cash flow from investment activities</b>	<b>-4 284</b>	<b>-14 743</b>	<b>-5 777</b>	<b>-22 836</b>	<b>-40 257</b>
<b>Total cash flow before financing activities</b>	<b>-12 452</b>	<b>-35 437</b>	<b>-5 540</b>	<b>-58 022</b>	<b>10 065</b>
<b>Cash flow from financing activities</b>	<b>-1 128</b>	<b>-73</b>	<b>15 218</b>	<b>797</b>	<b>-42 022</b>
<b>Cash flow for the period</b>	<b>-13 580</b>	<b>-35 510</b>	<b>9 678</b>	<b>-57 225</b>	<b>-31 957</b>
Liquid assets at the beginning of the period*	122 602	109 586	99 344	131 301	131 301
<b>Liquid assets at the end of the period*</b>	<b>109 022</b>	<b>74 076</b>	<b>109 022</b>	<b>74 076</b>	<b>99 344</b>
<i>Cash flow from ongoing operations</i>	-13 580	-36 464	9 678	-61 640	-116 199
<i>Cash flow from closed operations</i>	-	954	-	4 415	84 242

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

\*\* Includes non-repayable advances from customer

### Key ratios

	April - June 2009	April - June 2008	Jan - June 2009	Jan - June 2008	Jan - Dec 2008
Cash flow for the year (KSEK)	-13 580	-35 510	9 678	-57 225	-31 957
Cash flow per share (SEK) <sup>2</sup>	-0,11	-0,28	0,08	-0,45	-0,25
Cash flow per share after dilution (SEK) <sup>2</sup>	-0,11	-0,28	0,08	-0,45	-0,25
			2009-06-30	2008-06-30	2008-12-31
Equity/assets ratio			82,5%	82,2%	81,2%
Number of shares <sup>3</sup>			128 583 867	128 583 867	128 583 867
Shareholders' equity per share (SEK) <sup>3</sup>			3,78	3,33	3,80

<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 (09-03-31: 0, 08-12-31)

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

	April - June 2009	April - June 2008	Jan - June 2009	Jan - June 2008	Jan - Dec 2008
(SEK thousand)					
Net sales	-880	7 764	7 447	14 857	30 044
Gross profit	-880	7 764	7 447	14 857	30 044
Administrative costs	802	-7 344	-6 760	-13 553	-28 226
<b>Operating profit</b>	<b>-78</b>	<b>420</b>	<b>687</b>	<b>1 304</b>	<b>1 818</b>
Financial items	-2	293	-10	54	-873
<b>Resultat efter finansiella poster</b>	<b>-80</b>	<b>713</b>	<b>677</b>	<b>1 358</b>	<b>945</b>

## Parent company, balance sheet in summary

	2009-06-30	2008-06-30	2008-12-31
(SEK thousand)			
Intangible fixed assets	684	745	711
Tangible assets	295	433	356
Financial fixed assets	344 700	344 700	344 699
<b>Total fixed assets</b>	<b>345 678</b>	<b>345 878</b>	<b>345 766</b>
Other short-term receivables	118 581	94 539	119 312
Liquid assets, including current investments	922	16 713	897
<b>Total current assets</b>	<b>119 503</b>	<b>111 252</b>	<b>120 209</b>
<b>Total assets</b>	<b>465 181</b>	<b>457 130</b>	<b>465 975</b>
Equity	452 359	452 090	451 682
Other current liabilities	12 822	5 040	14 293
<b>Total liabilities and shareholders' equity</b>	<b>465 181</b>	<b>457 130</b>	<b>465 975</b>

### Note 1 Closed operations - Profit & Loss

	April - June 2009	April - June 2008	Jan - June 2009	Jan - June 2008	Jan - Dec 2008
Net sales	0	8 322	0	16 333	38 229
Cost of goods & services	0	-1 060	0	-3 538	-5 949
<b>Gross profit</b>	<b>0</b>	<b>7 262</b>	<b>0</b>	<b>12 795</b>	<b>32 280</b>
Sales, administrative & R&D costs	0	-4 523	0	-6 568	-12 580
Other income	0	0	0	0	71 387
<b>Operating profit</b>	<b>0</b>	<b>2 739</b>	<b>0</b>	<b>6 227</b>	<b>91 087</b>
Financial items	0	139	0	222	265
<b>Profit from closed operations</b>	<b>0</b>	<b>2 878</b>	<b>0</b>	<b>6 449</b>	<b>91 352</b>

### Note 2 Closed operations - Cash flow

	April - June 2009	April - June 2008	Jan - June 2009	Jan - June 2008	Jan - Dec 2008
Profit/loss after financial items	0	2 878	0	6 449	91 352
Depreciation	0	181	0	364	148
Taxes paid	0	-1 552	0	-1 609	-6 004
Investments	0	-553	0	-789	-1 254
<b>Cash flow for the period from closed operations</b>	<b>0</b>	<b>954</b>	<b>0</b>	<b>4 415</b>	<b>84 242</b>