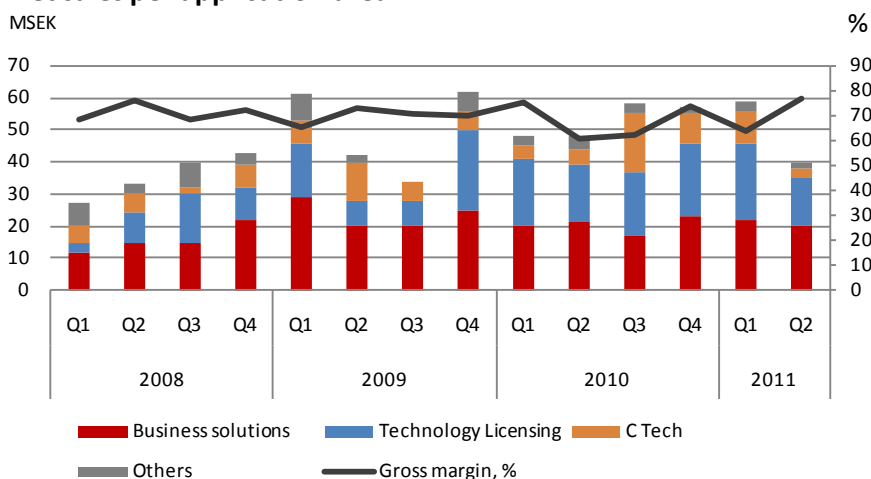


## Interim Report January – June 2011

- Net sales in the first six months amounted to MSEK 99 (95) and net sales in the second quarter amounted to 40 (48) MSEK.
- The gross margin for January-June was 68 % (68) and gross margin for the second quarter was 73% (61). The gross profit for January-June was MSEK 68 (64) MSEK and gross profit in the second quarter was MSEK 29 (29) MSEK.
- Earnings before depreciations and amortizations (EBITDA) in the first six months was MSEK -2 (-27) and EBITDA for the second quarter was MSEK -7 (-27).
- The result after tax for the period was MSEK -10 (-35) and result after tax for the second quarter was MSEK -11 (-28).
- Earnings per share for the first six months 2011 was SEK -0,08 (-0,27), and earnings per share for the second quarter was SEK -0,08 (-0,22).
- The cash flow during the six month period was MSEK -30 (-2) and cash flow for the second quarter was -16 (-7)

Key ratios	2011	2010	2011	2010	2010
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Net sales, MSEK	40	48	99	95	208
Gross profit/loss	29	29	68	64	140
Gross margin, %	73	61	68	68	67
Operating profit/loss, MSEK	-11	-30	-10	-37	-75
Profit/loss after tax, MSEK	-11	-28	-10	-35	-77
Earnings per share					
before and after dilution, SEK	-0,08	-0,22	-0,08	-0,27	-0,60
Cash flow, MSEK	-16	-7	-30	-2	0
Cash at end of period, MSEK	51	79	51	79	81

### Net sales per application area



This report was published July 29<sup>th</sup>, 2011

## Comments from the CEO

Anoto has in the second quarter continued its work to become a more product and customer focused company. Strong efforts have been put into resource optimization to secure a more efficient product development and prepare the ground for a more efficient value chain.

Total revenues are below our expectations, primarily due to lower sales in C-Technologies and Technology Licensing. There is a positive momentum in the Business Solutions market and we recognize a growing interest for digital pen and paper solutions within business process optimization and mobile data capture. We see a growing number of opportunities, especially within healthcare, and several Anoto partners are establishing a foothold with larger system integrators and institutions in the healthcare sector.

Although Technology Licensing had a weak quarter, we still see significant opportunities, especially within Education. Our partner TStudy received a break-through contract in China, which will result in royalty payments to Anoto when products start to be rolled out early next year. There is also strong growth in the market for interactivity and Anoto is discussing with partners how to capture a larger share of that market.

C Technologies introduction of its new C Pen 3.5 software for Android has been delayed and was hence not shipped as expected in Q2. C Pen 3.5 has been well received by customers, but the delay affects sales that will not be fully recovered during 2011.

EBITDA for the first six months is a loss of MSEK 2, including MSEK 4 of exchange rate losses. EBITDA for the second quarter is a loss of MSEK 7. It is important to point out that although OPEX is in line with plans, we will continue to focus on efficiency improvements and optimization of our total resource spending.

The cash flow for the first six months is MSEK -30, of which nearly half comes from restructuring activities in 2010 and 2011, with the rest linked to weak sales in Q2 and an increase in inventory by MSEK 5.

After the reporting period, Anoto recently announced the acquisition of 51% of the shares in Destiny Wireless Ltd. in the UK, one of our best selling partners in the mobile data capture market. The acquisition is a first step to secure a larger part of the value chain by consolidating with some of our leading software platform partners to improve product packaging, realize synergies and get economy of scale, whilst providing more cost effective solutions for mobile data capture based on our technology. Destiny will be operated at an arm's length distance. Anoto has the option to acquire the remaining 49% in 2014. Revenues will be consolidated from the closing of the transaction next month. Anoto's strategy with Qualified Channel Partners will continue unaffected with the emphasis to offer a level playing field for all partners. We

will consider further acquisitions within Business Solutions when opportunities arise.

Anoto also announced the establishment of a joint venture for product and business development in Asia, Pen Generations Inc., together with TStudy, a subsidiary of TStone Corp and Amicus Wireless Technology, a subsidiary of Solid Technologies Inc, a leading communications systems provider. Pen Generations is an exciting opportunity to capitalize on our network and partners in Korea, one of the world's most vivid technology centers. Anoto's and Pen Generations engineers will work closely together to provide the market with state of the art digital pen products and solutions. In addition, the joint venture will significantly strengthen Anoto's business development capabilities and resources in Asia. Anoto has an option to increase its ownership from 19% to a minimum of 51% from 2014.

### **Outlook**

Since the revenue in Q2 was below our expectations, we are not likely to be cash flow positive during the coming quarter. Anoto's board and management are however determined to achieve profitable growth in the near future and expect to see improvements including a positive net result and positive cash flow as a result of our ongoing activities.

***Torgny Hellström, 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 application areas generate income in five different categories - licensing, royalty, digital pens, components and NRE (Non Refundable Engineering).

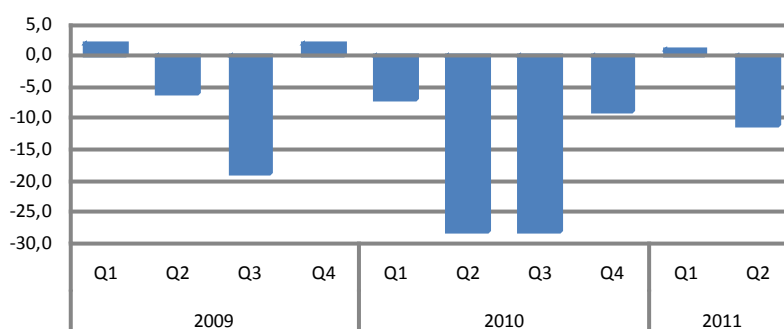
### Net sales per product group

MSEK	2011 Apr-Jun	2010 Apr-Jun	2011 Jan-Jun	2010 Jan-Jun	2010 Jan-Dec
Licenses	9	10	16	19	34
Royalty	8	7	16	16	30
Digital pens*	16	24	49	46	121
Components	1	5	5	8	12
NRE and other	6	2	13	6	11
<b>Total</b>	<b>40</b>	<b>48</b>	<b>99</b>	<b>95</b>	<b>208</b>

\* Digital pens include the C-Pen

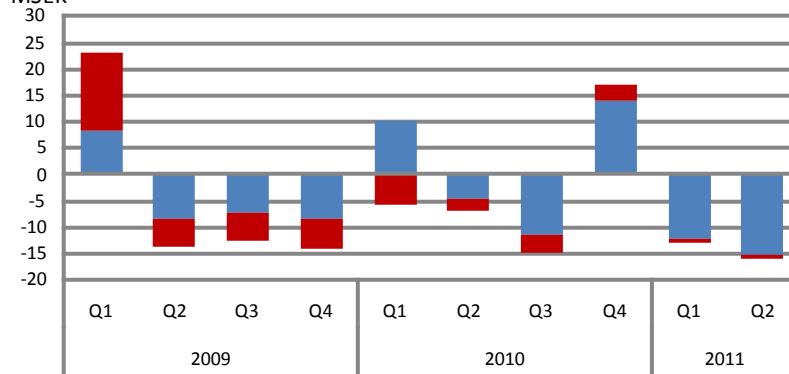
### EBIT 2009-2011

MSEK



### Cash flow 2009-2011

MSEK



■ Cash flow from operating activities ■ Cash flow from other activities

## 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, such as system integrators, software developers and IT consulting firms, all of which offer customized solutions with Anoto technology to their customers.*

Net sales were MSEK 1 lower in the second quarter than in the same period last year and MSEK 2 higher for the first six months than last year which is well in line with our expectations.

We continue to see an overall positive trend in Business Solutions, especially within healthcare in areas hospitals, ambulatory care, home healthcare and clinical trials, in particular in North America:

- Anoto has signed an agreement with NextGen Healthcare, a leading provider of healthcare information systems and connectivity solutions.
- Nightingale announced a Joint Venture agreement with Anoto partner ExpeData to launch innovative EMR-integrated digital pen technology

We have further taken a step to be closer to the markets by acquiring a majority stake in Destiny Wireless Limited, a long standing UK based Anoto Partner, with significant adoption and deployments. This acquisition will allow us to better understand end-user requirements from a technical and commercial standpoint and to provide the best possible products into the market and to our partners. Destiny Wireless will be operating at an arms-lengths principle with terms equal to other Anoto Partners.

	2011	2010	2011	2010	2010
MSEK	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Net sales	20	21	42	40	80
Gross profit	16	16	32	31	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 were MSEK 3 lower in the second quarter than in the same period last year and MSEK 1 higher for the first six months than last year which is below our expectations.

We have continued to deliver USB-modules to TStudy during the second quarter and the volumes for the first six months are in line with our plans.

The Interactive Whiteboard market has been a disappointment during Q2 and the lack of deliveries during the second the quarter are because of channel partners previously having built stock in order to be able to participate in larger tenders.

Royalty income is in line with the same period last year but still not in line with expectations.

MSEK	2011 Apr-Jun	2010 Apr-Jun	2011 Jan-Jun	2010 Jan-Jun	2010 Jan-Dec
Net sales	15	18	39	38	81
Gross profit	13	13	27	28	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.*

Sales of C-Pen were MSEK 2 lower in the second quarter than in the same period last year and MSEK 5 higher than the first six months last year. This is significantly below our expectations.

The low sales during the second quarter, is primarily caused by delayed development of the C-Pen 3.5 for Android and delayed deliveries to OEM customers.

During the second quarter we have released a C-Pen software for the Android platform and based on this platform a C-Pen Mobile offer for sales through our retail channels will be released during the third quarter.

We continue our work to further strengthen our European retail channels and plan to release a C-Pen software with an integrated text-to-speech solution during the coming quarters. Text-to-speech is mainly intended for users with reading disabilities such as dyslexics and partially sighted people.

MSEK	2011 Apr-Jun	2010 Apr-Jun	2011 Jan-Jun	2010 Jan-Jun	2010 Jan-Dec
Net sales	3	5	14	9	36
Gross profit	2	2	6	4	18

## Financing and liquidity

At the close of the quarter, the group's total cash amounted to MSEK 51 (79).

## Anoto Group AB

As a pure holding company, Anoto Group AB has a limited number of corporate functions. Sales for the third quarter were MSEK 2 (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 (0). Investments came to MSEK 0 (0).

## 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

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 (owner of TStudy), has been represented in the board of directors since the Annual Meeting in May 2010. Transactions with companies within the Aurora group amounts to MSEK 8,5 during 2011. All transactions have been made on normal commercial conditions.

## Transactions and activities after June 30, 2011

Anoto have announced two major investments after the end of June:

- the acquisition of 51% of the shares in Destiny Wireless, a long standing partner with in Business Solutions
- the forming of a Joint Venture, Pen Generations, together with TStudy and Amicus Wireless in Korea

## Share data

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

## Option program

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

This report has not been reviewed by the company auditors.

Torgny Hellström  
CEO

Jörgen Durban  
Chairman

Gunnel Duveblad  
Board member

Nicolas Hassbjer  
Board member

Andrew Hur  
Board member

Stein Revelsby  
Board member

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 29, 2011.

### **Calendar 2011**

Third quarter  
Year end

October 28, 2011  
February 3, 2012

### **For more information**

Please contact:  
Torgny Hellström, CEO  
Phone: +46 (0)733 45 13 00

or

Dan Wahrenberg, CFO  
Phone: +46 (0)733 45 10 19

Anoto Group AB (publ.), Corp. Id. No. 556532-3929  
Box 4106,  
SE-227 22 Lund, Sweden  
Phone: +46 46 540 12 00  
[www.anoto.com](http://www.anoto.com)



# Financial report

## Condensed statement of comprehensive income

TSEK	2011	2010	2011	2010	2010
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Net sales	40 158	47 655	99 274	94 546	208 395
Cost of goods and services sold	-11 002	-18 741	-31 591	-31 206	-68 303
<b>Gross profit</b>	<b>29 156</b>	<b>28 914</b>	<b>67 683</b>	<b>63 340</b>	<b>140 092</b>
Sales, administrative and R&D costs	-40 727	-58 813	-73 238	-101 607	-188 471
Other operating income/cost	564	-2	-4 153	1 127	-26 096
<b>Operating profit/loss</b>	<b>-11 007</b>	<b>-29 901</b>	<b>-9 708</b>	<b>-37 140</b>	<b>-74 475</b>
Writedown of shares	-	-	-	-354	-499
Other financial items	79	1 837	52	2 300	-2 298
<b>Profit before taxes</b>	<b>-10 928</b>	<b>-28 064</b>	<b>-9 656</b>	<b>-35 194</b>	<b>-77 272</b>
Taxes	-	14	-6	-15	-54
<b>Profit/loss for the period</b>	<b>-10 928</b>	<b>-28 050</b>	<b>-9 662</b>	<b>-35 209</b>	<b>-77 326</b>
<b>Other comprehensive income</b>					
Translation differences for the period	-425	-82	1 883	-131	1 049
<b>Other comprehensive income for the period</b>	<b>-425</b>	<b>-82</b>	<b>1 883</b>	<b>-131</b>	<b>1 049</b>
<b>Total comprehensive income for the period</b>	<b>-11 353</b>	<b>-28 132</b>	<b>-7 779</b>	<b>-35 340</b>	<b>-76 277</b>
<b>Total comprehensive income for the period attributable to:</b>					
Shareholders of Anoto Group AB	-11 416	-27 287	-8 154	-34 357	-74 342
Non controlling interest	63	-845	375	-983	-1 935
<b>Total comprehensive income for the period</b>	<b>-11 353</b>	<b>-28 132</b>	<b>-7 779</b>	<b>-35 340</b>	<b>-76 277</b>
<b>Key ratios:</b>					
Gross margin	72,6%	60,7%	68,2%	67,0%	67,2%
Operating margin	Neg	Neg	Neg	Neg	Neg
Earnings per share before and after dilution	-0,08	-0,22	-0,08	-0,27	-0,60
Average number of shares before and after dilution	128 583 867	128 583 867	128 583 867	128 583 867	128 583 867

## Consolidated balance sheet in summary

TSEK	2011-06-30	2010-06-30	2010-12-31
Intangible fixed assets	324 863	360 313	328 614
Tangible assets	7 778	10 803	8 943
Financial fixed assets	1 525	2 380	1 794
<b>Total fixed assets</b>	<b>334 166</b>	<b>373 496</b>	<b>339 351</b>
Inventories	29 913	22 657	25 306
Accounts receivable	21 880	27 713	19 139
Other current assets	14 077	18 536	14 950
<b>Total short-term receivables</b>	<b>35 957</b>	<b>46 249</b>	<b>34 089</b>
Liquid assets, including current investments	51 468	78 788	81 044
<b>Total current assets</b>	<b>117 338</b>	<b>147 694</b>	<b>140 439</b>
<b>Total assets</b>	<b>451 504</b>	<b>521 190</b>	<b>479 790</b>
Equity attributable to shareholders of Anoto Group AB	386 609	434 748	394 763
Non controlling interest	-2 785	-2 208	-3 160
Long term liabilities	14 855	24 758	19 806
Provisions	851	611	829
Other current liabilities	51 974	63 281	67 552
<b>Total current liabilities</b>	<b>52 825</b>	<b>63 892</b>	<b>68 381</b>
<b>Total liabilities and shareholders equity</b>	<b>451 504</b>	<b>521 190</b>	<b>479 790</b>

## Change in shareholders equity

TSEK	Share capital	Other capital contributed	Reserves	Profit for the year	Shareholders equity	Non controlling Interest	Total shareholders equity
<b>Opening balance January 1, 2010</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			1 049	-75 391	-74 342	-1 935	-76 277
<b>Shareholders equity December 31, 2010</b>	<b>2 572</b>	<b>448 508</b>	<b>931</b>	<b>-57 248</b>	<b>394 763</b>	<b>-3 160</b>	<b>391 603</b>
Total comprehensive income for the period			1 883	-10 037	-8 154	375	-7 779
<b>Shareholders equity March 31, 2011</b>	<b>2 572</b>	<b>448 508</b>	<b>2 814</b>	<b>-67 285</b>	<b>386 609</b>	<b>-2 785</b>	<b>383 824</b>

## Consolidated Cash flow statement in summary

TSEK	2011	2010	2011	2010	2010
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
<b>Profit/loss after financial items</b>	<b>-10 928</b>	<b>-28 064</b>	<b>-9 656</b>	<b>-35 194</b>	<b>-77 272</b>
Depreciation, amortisation and write-downs	3 960	3 355	7 665	10 330	49 639
Other items not included in cash flow	-83	27	16	-186	-7
<b>Total items not included in cash flow</b>	<b>3 877</b>	<b>3 382</b>	<b>7 681</b>	<b>10 144</b>	<b>49 632</b>
<b>Cash flow from operating activities</b>					
<b>before change in working capital</b>	<b>-7 051</b>	<b>-24 682</b>	<b>-1 975</b>	<b>-25 050</b>	<b>-27 640</b>
Change in working capital	-8 511	19 973	-24 990	33 056	45 002
<b>Cash flow from operating activities</b>	<b>-15 562</b>	<b>-4 709</b>	<b>-26 965</b>	<b>8 006</b>	<b>17 362</b>
Cash flow from investments activities	-774	-1 959	-2 611	-9 988	-17 088
<b>Total cash flow before financing activities</b>	<b>-16 336</b>	<b>-6 668</b>	<b>-29 576</b>	<b>-1 982</b>	<b>274</b>
Cash flow from financing activities		-			
<b>Cash flow for the period</b>	<b>-16 336</b>	<b>-6 668</b>	<b>-29 576</b>	<b>-1 982</b>	<b>274</b>
Liquid assets at the beginning of the period	67 804	85 456	81 044	80 770	80 770
<b>Liquid assets at the end of the period</b>	<b>51 468</b>	<b>78 788</b>	<b>51 468</b>	<b>78 788</b>	<b>81 044</b>

## Key ratios

TSEK	2011	2010	2011	2010	2010
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
<b>Cash flow for the period</b>	<b>-16 336</b>	<b>-6 668</b>	<b>-29 576</b>	<b>-1 982</b>	<b>274</b>
Cashflow / share before and after dilution (SEK) <sup>1</sup>	-0,13	-0,05	-0,23	-0,02	0,00
			2011-06-30	2010-06-30	2010-12-31
Equity/assets ratio			85,6%	83,4%	82,3%
Number of shares			128 583 867	128 583 867	128 583 867
Shareholders equity per share (kr)			3,01	3,38	3,07

<sup>1</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.

## Parent company, summary of income statement

TSEK	2011	2010	2011	2010	2010
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Net sales	2 258	1 216	4 019	2 148	9 126
Gross profit	<b>2 258</b>	<b>1 216</b>	<b>4 019</b>	<b>2 148</b>	9 126
Administrative costs	-2 053	-1 084	-3 655	-1 958	-7 966
<b>Operating profit</b>	<b>205</b>	<b>132</b>	<b>364</b>	<b>190</b>	<b>1 160</b>
Financial items	0	2	1	3	6
<b>Profit for the period</b>	<b>205</b>	<b>134</b>	<b>365</b>	<b>193</b>	<b>1 166</b>

## Parent company, balance sheet in summary

TSEK	2011-06-30	2010-06-30	2010-12-31
Intangible fixed assets	443	569	506
Tangible assets	38	81	49
Financial fixed assets	377 194	344 700	344 699
<b>Total fixed assets</b>	<b>377 675</b>	<b>345 350</b>	<b>345 254</b>
Other short-term receivables	33 382	108 540	108 374
Liquid assets, including current investments	267	327	1 042
<b>Total current assets</b>	<b>33 649</b>	<b>108 867</b>	<b>109 416</b>
<b>Total assets</b>	<b>411 324</b>	<b>454 217</b>	<b>454 670</b>
Equity	407 627	453 045	453 260
Other current liabilities	3 697	1 170	1 410
<b>Total liabilities and shareholders equity</b>	<b>411 324</b>	<b>454 215</b>	<b>454 670</b>