

Anoto Group

January-March 2008 Interim Report

- First quarter sales were SEK 34 million (56). Sales in the first quarter of 2007 included non-recurring revenue of SEK 37 million in connection with the settlement when divesting our U.S. subsidiary, as well as revenue from DNP in Japan.
- The group's first quarter gross margin was 69% (78) and its gross profit was SEK 24 million (44). Adjusted for the non-recurring revenue in connection with the U.S. business and the revenue from DNP, the gross profit increased by SEK 10 million.
- Excluding depreciation and amortization, the loss for the first quarter was SEK -10 million (15).
- The first quarter loss after tax was SEK -13 million (9).
- Earnings per share for the first quarter were SEK -0.10 (0.07).
- First quarter cash flow was SEK -22 million (-10).

Operations

- First quarter sales were in line with the company's plans for 2008. However a change in the product mix led to a weaker margin.
- Anoto entered in April into an agreement with a world-leading global manufacturer of visual communication products in such areas as whiteboards and flipcharts. As a result of the contract, Anoto will deliver technology and digital pens for use in future products. The initial value of the order corresponds to revenue of approximately EUR 800,000.
- In spite of the slower growth of the mobile phone market we expect that the Imaging Technology area will have a strong growth during 2008.
- Early April, Anoto and OKI previewed Anoto PenPresenter, a new product scheduled for September launch.
- In cooperation with Vision Objects, the company launched the second version of its proprietary Forms Solution 1.1 (AFS 1.1) platform, which offers expanded functionality when it comes to character recognition and other uses.

- The Anoto Partner Leapfrog launched its next-generation reading system, Tag Reading System, expected to be available in stores this summer.
- The American Partner Livescribe presented its new consumer pen, Pulse, based on Anoto technology and with a built-in microphone and speaker.

A word from CEO Anders Norling

Sales and earnings continue to improve

Operations performed in line with our plans during the first quarter. Excluding non-recurring revenue of SEK 37 million in the first quarter of 2007 in connection with the divestment of our U.S. subsidiary (now Livescribe) and major revenue from our Japanese partner DNP, sales rose by 84% and the gross profit improved substantially.

We changed the names of Anoto's application areas to more clearly describe their current and future activities. Anoto Products (formerly Forms Solutions and C Tech) and Imaging Technology (formerly Anoto Technology), our two biggest application areas, performed according to plan, i.e., approximately 25% higher volumes for Anoto Products and three times the previous volumes for Imaging Technology. The latter increase was due to greater use of our video technology in mobile phones and other products.

We accelerated development of next-generation digital pens during the first quarter. We will pursue the effort throughout 2008 and we have scheduled the launch for mid-2009. SEK 8 million of the SEK 30 million total estimated costs has been invested so far.

Our focus on the packaging of products and offerings is proceeding as planned, our goal being to sell licenses and digital pens as an integrated product. In the future, Anoto will obtain its product revenue at the time of sale.

The development of proprietary and partner-based products has led to Anoto PenPresenter, a new product that uses Anoto technology as an interactive meeting room tool and to make PowerPoint presentations more effective.

Anoto entered into a first quarter agreement with a global company for development of visual communication. One sphere of application may be the digitalisation of what is written on whiteboards, flipcharts, etc. in conference rooms. In the future, we will deliver patterns and digital pens in addition to technology. Anoto technology has been evaluated over the course of a year. Both Anoto and our partner believe that the technology has major potential in the area of visual communication.

Forms Solutions upgraded to Anoto Products

The number of new forms users is continuing to increase, although somewhat slower than we had expected. The main reason is the postponement of some projects in Japan. But the fact that the total number of agreements is showing healthy growth indicates that the technology has increasing appeal. Many of these end-customers are small or medium-sized companies and other organisations. Because we now sell and distribute both licenses and digital pens at a package price, our license margins are somewhat poorer. But longer-term sales volumes and revenue will rise as a result and we will have better control of our total offering.

Our strategy for Anoto Products requires us to take greater responsibility for packaging products and to continue developing our proprietary flexible platform (AFS).

The second version of the platform (AFS 1.1), which offers expanded functionality for character recognition and other uses in collaboration with Vision Objects, was delivered to our partners in the first quarter.

We held January partner conferences in both Europe and the United States to follow up on the plans communicated to our partners at the big June 2007 conference. Our new products and plans were well received. One of the new products is Anoto PenPresenter, a PowerPoint add-in that permits real-time notes and illustrations directly on slides. As a result, presentations are more effective, attracting greater interest and involvement on the part of the audience.

Technology and Licensing (formerly Interactive Media)

The previously announced Tag Reading System, the next-generation Interactive Reading System, by Anoto partner LeapFrog Enterprises, was previewed at the DEMO 08 conference in California and is expected to be available at retail outlets this summer. The Tag Reading System is the first handheld learn-to-read technology that interacts directly with real books. The American Partner Livescribe also participated at DEMO 08 and received a lot of attention when presenting the new consumer pen, Pulse™ Smartpen, based on Anoto's digital pen technology and featuring both speakers and microphone.

Growth remains solid at Imaging Technology (formerly Anoto Technology)

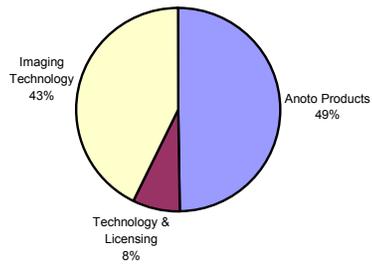
Sales of mobile phones containing Anoto video technology began to take off in late 2007. Royalty revenue increased significantly starting in late 2007 and the trend is expected to continue in 2008 in step with the growth of the market for advanced mobile phones.

Organisation

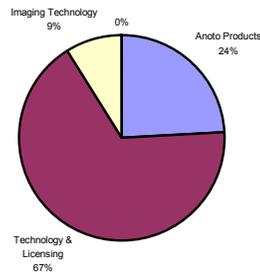
Anoto's organisation is broken down into three application areas.

- Anoto Products
- Technology and Licensing
- Imaging Technolog
-
-

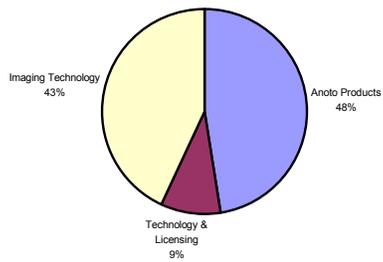
**Net sales per application area
Jan-March 2008**



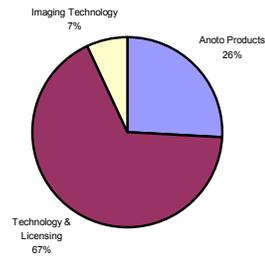
**Net sales per application area
Jan-March 2007**



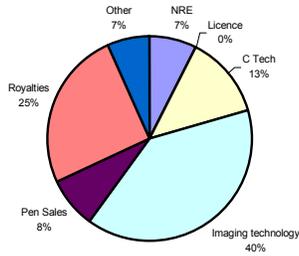
**Gross profit per application area
Jan-March 2008**



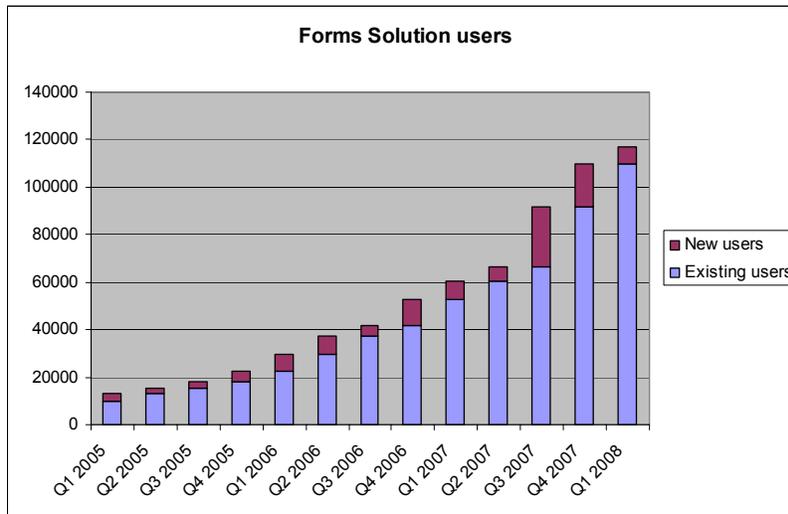
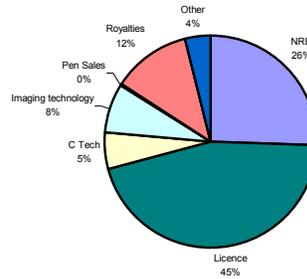
**Gross profit per application area
Jan-March 2007**



**Net sales per revenue category
Jan-March 2008**



**Net sales per revenue category
Jan-March 2007**



Anoto Products

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 systems integrators, software developers and IT consulting firms, all of which offer customised 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.

T-systems and five other Anoto partners exhibited Anoto technology at the CeBIT trade show in Hannover, Germany. T-Systems, the leading German IT company, demonstrated its new Electronic Signature Capture application and two other Anoto-based solutions.

During the quarter, Thales Group in Spain began implementing a solution similar to those currently in use by some 20 Swedish municipalities (including Solna and Partille) for 500 home help service users.

The French police authority decided to test Anoto technology at 20 sites for registering traffic offences and parking fines. Thirty-eight Italian cities are already using a similar solution.

Sales of C Tech's C-Pen and Pay Pen scanning pens did well during the quarter. C Tech reported solid overall volume growth.

Technology and Licensing

The application area uses Anoto technology to develop a customer's proprietary products. These products, which are based on a combination of digital material (books, cards and the like) and digital pens that permit immediate feedback by means of speech, sound, etc., have targeted end-customers up to this point. The concept supports learning and teaching products that are simple, intuitive and entertaining for the user. Anoto's strategy is to focus on the corporate market rather than the general consumer market.

Activity at Technology and Licensing was somewhat weaker than anticipated due to the postponed launch of Livescribe's Pulse, the consumer pen that records sound and has a built-in loudspeaker in addition to serving as a digital pen. The product is expected to be popular among students.

LeapFrog will expand its product portfolio based on Anoto Technology when it launches its Tag Reading System this summer. The product replaces LeapPad, which chalked up 30 million units.

Imaging Technology

Imaging Technology 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, including mobile phones, accessories and their components.

Sales of Anoto's IP blocks for video technology in mobile phones were somewhat slower in the first quarter than in late 2007. The product was not sold in the first quarter of 2007. Anoto obtains royalties based on the number of phones sold. The resulting impact on sales and earnings will be considerable over the next few years.

Other Imaging Technology products and services performed very well. Totally has the application area tripled its sales compared with the first quarter of 2007.

Having identified ongoing growth potential at Imaging Technology, we are actively seeking business opportunities in collaboration with new and existing customers.

Anoto Group AB, first quarter of 2008 in figures

Sales and earnings for the first quarter

First quarter sales were SEK 34 million (56). The main reason for lower sales was non-recurring revenue of SEK 37 million in January 2007 in connection with the settlement when divesting our U.S. subsidiary (now Livescribe), as well as major revenue from DNP in Japan.

The gross profit declined by 46% to SEK 24 million (44), and the gross margin was 69% (78). Adjusted for the non-recurring revenue in connection with the U.S. business and the revenue from DNP, the gross profit increased by SEK 10 million.

Excluding depreciation and amortization, the loss was SEK -10 million (15).

Selling and administrative expenses, as well as research costs, amounted to SEK -36 million (-35), of which amortization accounted for SEK -4 million (-6).

The first quarter operating loss was SEK -13 million (9) (adjusted for the above non-recurring transactions, the operating loss for the first quarter of 2007 was SEK -21 million).

Cash flow for the first quarter

Cash flow from operating activities totalled SEK -15 million (-6) for the first quarter. Cash flow was affected by the operating loss.

SEK -8 million (-4) in net investment affected the quarter's cash flow of SEK -22 million (-10). Most of the investments were to upgrade the digital pen.

Financing and liquidity

At the close of the first quarter, the group's liquid assets, including current investments, amounted to SEK 110 million (170).

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 7 million (8), while the pre-tax profit was SEK 1 million (1). At the close of the quarter, liquid assets, including current investments, amounted to SEK 45 million (119). Investments 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 2007 annual report. The accounting policies are unchanged from those applied in 2007.

Risk factors and uncertainties

No significant additional risks are deemed to have arisen beyond those described in the 2007 annual report for the Anoto Group (refer to Note 2 for a detailed presentation of the company's risk exposure and management).

Share data

The company's share is listed on the OMX Nordic Small Cap Index in Stockholm. Shares numbered 128,538,867 at the end of the first quarter, in addition to which 3,515,500 warrants were outstanding, of which 0 were deemed to have a value as of 31 March 2008.

Shareholders

Anoto Group shareholders totalled 7,566 at the end of the first quarter. Foreign investors held 57%, and institutional and industrial investors 89%, of the shares. Norden Technology AS, Swedbank Robur fonder, SEB Enskilda ASA, DNB , Barclays Bank and Carnegie Norway Branch were the largest shareholders as of 31 March, controlling 46.8% of Anoto Group shares.

Option programmes

The parent company has issued options as part of various incentive programmes. Full exercise of all remaining programmes would result in dilution of about 2.7%.

Outlook for 2008***Anders Norling, CEO***

I am optimistic about Anoto's future. We have recently announced several new products and entered into highly promising cooperative agreements. The increased share of sales of Anoto branded pens in connection with forms-licenses ensures a more stable base and improved revenue flow. In spite of the slower growth of the mobile phone market I expect a strong growth of the Imaging Technology during 2008.

Reporting schedule

January-June	7 August 2008
January-September	7 November 2008
2008 year-end report	10 February 2009

Annual general meeting 15 May 2008

Anoto Group AB's 2007 annual report is available at www.anoto.com. A printout of the digital version may be ordered from the company.

The company's auditors have not reviewed this report.

Lund, 7 May 2008

Anders Norling
CEO

For more information

You are welcome to participate in Anoto's teleconference for financial analysts and the media at 10.00 CET on 7 May 2008.

Date: Wednesday, 7 May 2008
Time: 10.00 CET
Phone: +44 (0) 20 7162 0025
Specify: Anoto

Or call:
Anders Widesjö
CFO
+46 46 540 12 34

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

Profit & Loss Statement

The Group

(SEK thousand)	Note	The Group			
		Q4	Year		
		Jan - Mar 2008	Jan - Mar 2007	Jan - Dec 2007	Jan - Dec 2006
Net sales		34 412	56 131	168 771	108 725
Costs of goods and services sold		(10 842)	(12 494)	(39 657)	(30 321)
Gross profit/loss		23 570	43 637	129 114	78 404
Sales, administrative and research costs		(35 690)	(35 299)	(138 319)	(210 223)
Share of earnings in associated companies		-	-	-	-
Other operating income		(1 242)	554	(459)	-
Operating profit/loss		(13 362)	8 892	(9 664)	(131 819)
Share of earnings in group companies		-	-	(252)	(769)
Other financial items		728	387	3 269	794
Profit/loss after financial items		(12 634)	9 279	(6 647)	(131 794)
Minority share		53	(145)	(110)	41
Profit/loss before taxes		(12 581)	9 134	(6 757)	(131 753)
Taxes		(868)	(366)	(791)	(1 208)
Profit/loss for the period		(13 449)	8 768	(7 548)	(132 961)
<i>Profit/loss from ongoing operations</i>		<i>(13 449)</i>	<i>8 768</i>	<i>(7 548)</i>	<i>(80 602)</i>
<i>Profit/loss for the period from closed operations</i>	1	<i>-</i>	<i>-</i>	<i>-</i>	<i>(51 879)</i>
Key ratios					
Gross profit		68,5%	77,7%	76,5%	72,1%
Operating margin		Neg	Neg	Neg	Neg
Earnings per share (SEK) ¹		(0,10)	0,07	(0,06)	(1,03)
Earnings per share after dilution (SEK) ¹		(0,10)	0,07	(0,06)	(1,03)

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

(SEK thousand)

Intangible fixed assets
Tangible assets
Financial fixed assets
Other current assets
Liquid assets, including current investments
Total assets
Equity attributable to shareholders of Anoto Group AB
Equity attributable to minority interests
Long-term provisions
Interest-bearing liabilities
Current provisions
Other current liabilities
Total liabilities and shareholders' equity

The Group

2008-03-31	2007-12-31	2006-12-31
345 023	339 473	343 324
3 262	4 046	3 512
8 815	8 883	5 080
74 657	80 763	45 220
109 586	131 301	179 841
541 343	564 466	576 977
439 468	452 768	458 237
1 906	2 110	1 959
-	-	4 150
603	572	578
130	1 627	1 529
99 235	107 388	110 524
541 343	564 466	576 977

Change in shareholders' equity

Opening balance

Issue of new shares
Changes in minority interest
Costs of granting options
Translation differences
Profit/loss for the period

Closing balance

The Group

Jan - Mar 2007	Jan - Dec 2007	Jan - Dec 2006
454 878	460 196	555 690
-	-	28 596
(204)	151	1 959
55	3 766	7 896
94	(1 687)	(980)
(13 449)	(7 549)	(132 965)
441 374	454 878	460 196

Cash Flow Statement

(SEK thousand)

Profit/loss after financial items
Adjustment for items not included in cash flow
Change in provisions
Depreciation, amortisation and write-downs
Profit on shares in Group and associated companies
Costs of granting options
Other financial items
Taxes paid
Cash flow from operating activities
before change in working capital
Change in working capital
Cash flow from operating activities
Net investments
Total cash flow before financing activities
Financing activities
Issues of new shares
Cost of issues of new shares
Change in long-term liabilities
Capital from minority interests
Other financial items
Recovered VAT for underwriting expenses
Other items
Cash flow for the period
Liquid assets at the beginning of the period*
Liquid assets at the end of the period*

The Group

Jan - Mar 2008	Jan - Mar 2007	Jan - Dec 2007	Jan - Dec 2006
(12 634)	9 279	(6 647)	(131 798)
-	-	-	-
(1 577)	(332)	(4 330)	(26 215)
3 596	10 829	15 912	28 317
-	-	252	4
55	1 937	3 766	7 896
(728)	386	(3 269)	(794)
(868)	(366)	(791)	(295)
(12 156)	21 733 #	4 893	(122 885)
(2 935)	(27 496)	(38 031)	73 642
(15 091)	(5 763)	(33 138)	(49 243)
(8 039)	(4 486)	(16 402)	(14 190)
(23 130)	(10 249)	(49 540)	(63 433)
-	-	-	28 596
-	-	-	-
31	16	(6)	578
-	-	-	2 000
728	(386)	3 269	794
-	-	-	-
656	341	(2 263)	(184)
(21 715)	(10 278)	(48 540)	(31 649)
131 301	179 841	179 841	211 490
109 586	169 563	131 301	179 841
<i>Cash flow from ongoing operations</i>	<i>(21 715)</i>	<i>(10 278)</i>	<i>(48 540)</i>
<i>Cash flow from closed operations</i>	-	-	(49 335)

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

Key ratios**The Group**

	Jan - Mar 2008	Jan - Mar 2007	Jan - Dec 2007	Jan - Dec 2006
Cash flow for the year (KSEK)	(21 715)	(10 278)	(48 540)	(31 649)
Cash flow per share (SEK) ²	(0,17)	(0,08)	(0,38)	1,42
Cash flow per share after dilution (SEK) ²	(0,17)	(0,08)	(0,38)	1,40

	2008-03-31	2007-12-31	2006-12-31
Equity/assets ratio	81,2%	80,2%	79,4%
Number of shares ³	128 583 867	128 583 867	128 744 414
Shareholders' equity per share (SEK) ³	3,42	3,52	3,56

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 (08-02-31: 0, 07-12-31: 0, 06-12-31: 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**Profit & Loss Statement**

(SEK thousand)	Jan - Mar 2008	Jan - Mar 2007	Jan - Dec 2007	Jan - Dec 2006
Net sales	7 093	7 691	26 155	41 513
Gross profit	7 093	7 691	26 155	41 513
Administrative costs	(6 199)	(8 097)	(26 507)	(32 473)
Operating profit	894	(406)	(352)	9 040
Financial items	(239)	1 799	9	(120 906)
Profit for the period	655	1 393	(343)	(111 866)
Earnings per share before dilution (SEK)	0,01	0,01	(0,00)	(0,87)
Earnings per share after dilution (SEK)	0,01	0,01	(0,00)	(0,87)

Parent Company**Summary of Balance Sheet**

(SEK thousand)	2008-03-31	2007-12-31	2006-12-31
Intangible fixed assets	775	804	792
Tangible assets	408	366	190
Financial fixed assets	344 700	344 700	344 700
Other current assets	65 666	44 553	3 615
Liquid assets, including current investments	44 987	67 896	143 570
Total assets	456 535	458 319	492 867
Equity	451 392	450 737	451 080
Provisions	-	-	-
Other current liabilities	5 143	7 583	41 787
Total liabilities and shareholders' equity	456 535	458 320	492 867

Note 1 Closed operations - Profit & Loss

	Jan - Mar 2008	Jan - Mar 2007	Jan - Dec 2007	Jan - Dec 2006
Net sales	-	-	-	752
Costs from operations	-	-	-	(52 151)
Loss from disposal of assets	-	-	-	-
Loss before taxes	-	-	-	(51 399)
Income tax	-	-	-	(480)
	-	-	-	-
Loss for the year from closed operations	-	-	-	(51 879)

Note 2 Closed operations - Cash flow

	Jan - Mar 2008	Jan - Mar 2007	Jan - Dec 2007	Jan - Dec 2006
Profit/loss after financial items	-	-	-	(51 399)
Depreciation	-	-	-	1 107
Costs of granting options	-	-	-	4 937
Taxes paid	-	-	-	(480)
Investments	-	-	-	(3 500)
	-	-	-	-
Cash flow for the period	-	-	-	(49 335)

