



Interim Report January – March 2001

- Sales increased by 144% to SEK 44 (18) million.
- Pre-tax loss amounted to SEK –60 (-22) million.
- Liquid assets including current investments amounted to SEK 390 million at the end of the period.
- Ericsson has successfully launched CommuniCam™ – a camera module for mobile phones – developed by C Technologies and based on the company's technology.
- The subsidiary Anoto has entered agreements with mobile operators Sonera, Europolitan Vodafone and Telefónica Móviles as well as additional calendar, pen and paper manufacturers.
- Minority shareholder Ericsson has fully utilised the remaining warrants in Anoto and increased its shareholding to 30% through a new share issue and thereby provided Anoto with just over SEK 88 million.
- WeSpot has, since the period ended, signed collaboration agreements with new investors who will be providing a maximum of some SEK 20 million through a new share issue, 13 of which have been subscribed for and paid.

Operations

C Technologies is an innovative high tech company within the fields of digital camera technology, image processing and digital pens. The Company is best known for its scanning pen C-Pen, which reads, stores, processes and transfers text to PCs or mobile phones using wireless communication technology.

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' aim is to establish its new technology platform in the global market, which will be achieved through various licensing and OEM partnerships and sales of its proprietary products. The new version of C-Pen, which can translate from English to Russian and vice versa, was presented in February in collaboration with the Russian development company ABBYY Software House. Cooperation with additional foreign publishers of dictionaries was established during the period, and PartnerTech became the new principal partner in respect of production.

Last year the subsidiary Anoto presented its technology for an electronic pen with additional paper, 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 also entered into agreements with e.g. Pilot Corporation, Kokuyo Co., Ltd, and Daigo Corporation based in Japan, with Tjiwi Kimia in Indonesia, Nippcraft Ltd in Singapore and A.T. Cross Corporation in the U.S.

Anoto has initiated a technology evaluation with mobile operators Telefónica Móviles, Europolitan Vodafone and Sonera. This is strategically important and essential in order to establish the Anoto concept.

Anoto has also signed an agreement with Ericsson Microsoft Mobile Venture with the intention of making the mobile e-mail solution Moso compatible with the Anoto functionality, to enable the contents of the paper calendar to be transmitted via the Anoto pen to Microsoft Outlook.

The minority shareholder Ericsson has during the period utilised all remaining warrants in Anoto, which has provided Anoto with just over SEK 88 million. Ericssons' participating interest is thereafter 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.

A total of 23 new patent applications have been submitted during the period, of which 21 were submitted by the subsidiary Anoto. The Parent Company has furthermore obtained a strategic patent. By the end of the period the total number of applications submitted were 236, of which 6 have been approved.

Invoicing and results

Invoicing for the period amounted to SEK 44 million in comparison with SEK 18 million for the corresponding period last year, which is an increase by 144%. 42% (56%) of turnover is attributable to C-Pen sales, with the remainder referring to contracted consultant work and component sales. Invoiced sales for C-Pen have thus increased by 83%.

Consolidated operating loss amounted to SEK -125 (-23) million.

Financing, liquidity and cash flow

At the end of the period, consolidated liquid assets, including short-term investments totalled SEK 390 million in comparison with SEK 421 million at the beginning of the year and SEK 197 million at the end of the corresponding period the previous year.

At the end of the period, shareholders' equity amounted to SEK390 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 204 million at the end of the corresponding period the previous year, which corresponds to an equity assets ratio of 75% (March 31, 2000: 74%).

During the period, shareholders' equity has been affected by SEK -65 million in consequence of the change of accounting principle (note 3).

Investments

Net investments during the period amounted to SEK 14 (3) million, of which SEK 3 (2) million refer to intangible fixed assets.

Accounting principles

The same accounting policy that has been used previously is applied by the company, with the following exception: Effective as of January 1, 2001 the Group 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 shares, and 2.552.150 outstanding warrants. Exercised in full, these warrants would entail a dilution of existing shares by 5,6%.

Ownership structure

The number of shareholders at the period's end was just over 14,300. Foreign shareholders comprised 28%. The main shareholders as of March 30, 2001 are shown in the table below.

Owner	No. of shares	% of capital/votes
Christer Fåhraeus	7.152.870	16%
State Street Bank & Trust Co., USA	5.447.570	12%
Ericsson Mobile Communications AB	3.466.670	8%
Metallfinans	1.731.700	4%
SEB Fonder	1.550.400	3%
SEB Private Bank, Luxemburg	972.480	2%
Other	25.072.180	55%
Total	45.393.870	100,0

Significant events after the end of the reporting period

C Technologies has signed a collaboration agreement with FöreningsSparbanken regarding Internet banking services, with the intention of offering the bank's clients a simplified way of handling Internet payments by the use of C-Pen, complete with jointly developed software.

In April Anoto opened an office in Hong Kong to further strengthen the local presence on the Asian market, which is of significant importance to the Company.

Anoto entered into an agreement with John Dickinson Stationary Ltd, the largest manufacturer of quality note pads and stationery in the U.K., regarding production and distribution of digital paper products based on the Anoto technology.

Anoto initiated collaboration with Sanford, one of world's the leading pen manufacturers, in order to develop pens with Anoto functionality.

The existing minority shareholders of the subsidiary WeSpot AB, Malmöhus Invest and SEB Företagsinvest, Bure Equity and CR&T Ventures have signed an agreement regarding a new share issue which provides WeSpot with close to SEK 20 million during 2001, of which SEK 12,9 million has been subscribed for and paid.

When the maximum number of new shares have been subscribed for, C Technologies' holding in WeSpot will be approx 68%.

Outlook 2001

C Technologies will increase C-Pen sales considerably compared to last year.

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

The Anoto technology will be tested together with partners, with the aim of running full scale tests during the latter part of the year.

The cash flow of the Parent Company C Technologies is gradually improving and is expected to become positive during the first six months of 2002. Anoto's concentration is reflecting a continued positive response by the market. In all, this implies that the consolidated cash flow will gradually improve as of the second half of 2001.

Lund May 10, 2001

Mats Lindoff
President

The next report, comprising the period January – June 2001, will be published on August 22, 2001.

This report has not been examined by the Company's auditors.

Summarised Profit & Loss Account

The Group

(Amounts in SEK thousand)	Quarter 1			Year
	Jan – March	Jan – March ¹	Jan - Dec ¹	
	2001	2000	2000	
Net sales	43 514	17 948	80 014	
Costs of goods sold	(43 731)	(14 091)	(84 531)	
Gross profit	(217)	3 857	(4 517)	
Sales, administration & R&D	(120 728)	(25 685)	(210 486)	
Depreciation of intangible assets	(1 565)	(115)	(706)	
Depreciation of tangible assets	(2 167)	(603)	(4 233)	
Operating income (loss)	(124 677)	(22 546)	(219 942)	
Income from participation in Group Companies ²	49 377	-	27 638	
Other financial items	3 255	(100)	10 935	
Minority share	12 073	362	13 465	
Income (loss) before taxes	(59 972)	(22 284)	(167 904)	
Taxes	(50)	-	(47)	
Income (loss) after taxes	(60 022)	(22 284)	(167 951)	

Balance Sheet (summarised)

(Amounts in SEK thousand)

The Group

March 31, 2001 March 31, 2000¹ Dec 31, 2000¹

Fixed assets ³	51 734	43 363	41 741
Other current assets	76 551	33 845	73 070
Liquid assets and investments	389 704	197 112	421 206
Total assets	517 989	274 320	536 017
Shareholders' equity ³	389 608	204 345	438 489
Minority interests	28 116	9 914	12 139
Interest-bearing liabilities	1 667	7 842	2 084
Other liabilities	98 598	52 219	83 305
Total shareholders' equity and liabilities	517 989	274 320	536 017

Changes in equity

The Group

Total equity

Opening balance Jan 1, 2001 according to the adopted Balance sheet for the previous year	503 055
Effect of change of accounting principle ³	-68 545
Minority share	3 979
Opening balance Jan 1, 2001 adjusted according to The new accounting principle	438 489
Redemption of warrants	975
Subordinated debentures with subscribed options	1 274
Minority share of submitted stockholder's share in subsidiaries	-382
Minority share of result for the year not recorded in the profit and loss statement ⁴	11 396
Translation difference	-2 122
Loss for the year	-60 022
Closing balance March 31, 2001	389 608

Cash flow analysis

The Group

(Amounts in SEK thousand)	Jan - March 2001	Jan - March ¹ 2000	Jan - Dec ¹ 2000
Operating income before depreciation	(120 945)	(21 828)	(215 003)
+/- items not affecting liquidity	4 450	1 165	6 953
Change in operating funds	9 393	(289)	(11 800)
Operating cash flow before investments	(107 102)	(20 952)	(219 850)
Net investments	(13 725)	26 674	(10 211)
Operating cash flow after investments	(120 827)	5 722	(230 061)
Result from participation in Group companies	49 377	-	27 638
Other financial items	3 255	(100)	10 935
Operating cash flow after net financial activities	(68 195)	5 622	(191 488)
Financing	36 693	160 869	582 073
Cash flow after financing	(31 502)	166 491	390 585

Key ratios**The Group**

	Jan - March 2001	Jan – March ¹ 2000	Jan - Dec ¹ 2000
Gross margin	-0,5%	21,5%	-5,6%
Operating margin	Neg	Neg	Neg
Cash flow (kSEK)	(31 502)	166 491	390 585
Cash flow / share (SEK) ⁵	(0,66)	4,27	9,19
Earnings per share	(1,32)	(0,62)	(4,34)
Earnings per share after dilution ⁵	(1,25)	(0,57)	(3,95)

	March 31, 2001	March 31, 2000 ¹	Dec 31, 2000 ¹
Equity/Asset ratio	75,2%	74,5%	81,8%
Number of employees	254	74	180
Number of shares ⁵	47 946 020	40 876 270	47 946 020
Equity per share (SEK) ⁵	8,13	5,00	9,15

Notes

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

The change of accounting principles regarding R&D costs has affected the operating profit/loss for year 2000 negatively by -39 205, of which -4 030 relates to the period January through March.

² During the period the Group has made a profit through a new share issue in the subsidiary Anoto AB directed at Ericsson Mobile Communications AB. The consolidated profit amounts to 49 377 after the minority holding has been taken into account.

³ 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).

⁴ The minority share in Anoto AB was increased from 15% to 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. The effect of the remaining 15% is a positive item of the Group's equity.

⁵ Incl. outstanding warrants (March 31, 2001: 2 552 150; Dec 31, 2000: 2 602 150; March 31, 2000: 840 250; Dec 31, 1999: 4 897 500).