

Interim Report

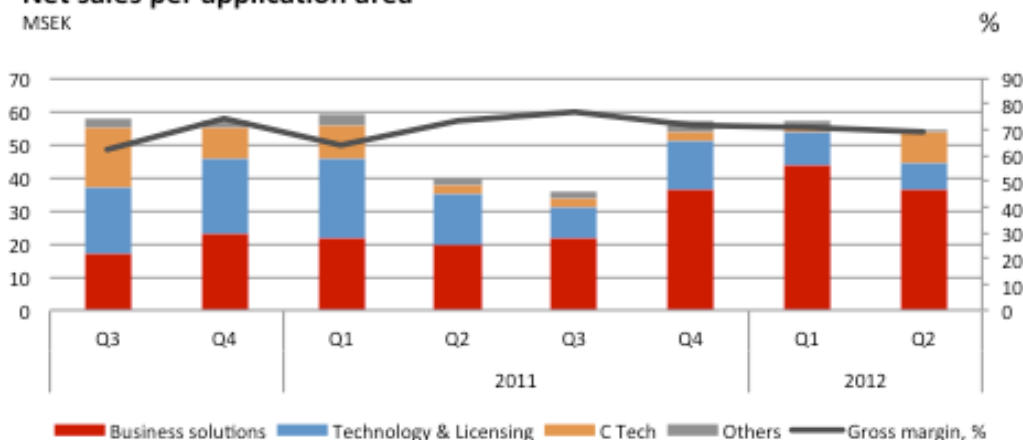
JANUARY – JUNE 2012

Interim Report January – June 2012

- Net sales in the period amounted to MSEK 111 (99) and net sales in the second quarter amounted to MSEK 54 (40).
- The gross margin for the period was 71% (68) and gross margin for the second quarter was 69% (73). The gross profit for the period was MSEK 79 (68) and gross profit in the second quarter was MSEK 37 (29).
- Earnings before depreciations and amortizations (EBITDA) in the first six months was MSEK -1 (-2) and EBITDA for the second quarter was MSEK -3 (-7).
- The result after tax for the period was MSEK -11 (-10) and the result after tax for the second quarter was MSEK -8 (-11).
- Earnings per share before and after dilution for the first six months was SEK -0,08 (-0,08) and earnings per share for the second quarter was SEK -0,06 (-0,08).
- The cash flow during the first six months was MSEK -11 (-30) and the cash flow for the second quarter was MSEK -9 (-16).

Key ratios	2012	2011	2012	2011	2011
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Net sales, MSEK	54	40	111	99	192
Gross profit/loss	37	29	79	68	137
Gross margin, %	69	73	71	68	71
Operating profit/loss, MSEK	-7	-11	-9	-10	-243
Profit/loss after tax, MSEK	-8	-11	-11	-10	-244
Earnings per share					
before and after dilution, SEK	-0,06	-0,08	-0,08	-0,08	-1,89
Cash flow, MSEK	-9	-16	-11	-30	-57
Cash at end of period, MSEK	13	51	13	51	24

Net sales per application area



This report was published August 3, 2012

Comments from the CEO

LAUNCHING LIVE PDF™

Revenues in the second quarter were lower than expected both within Business Solutions and Technology Licensing, despite optimistic forecasts by our partners during the first quarter. Total revenues were MSEK 54 compared with MSEK 57 in the first quarter. Gross margin in the second quarter was 69% compared with 71% in the first quarter. The net loss was MSEK 7.7 and the cash flow was a disappointing minus MSEK 9.4. C Technologies met expectations and delivered long awaited larger volumes primarily to its OEM customer within e-banking, Crealogix AG.

Since the acquisition of the Xpaper technology from Talario in January 2012 we have been working to incorporate Talario's document printing and document capture components in addition to supporting web services. The product, named LIVE PDF™, is now ready for launch and will be shipped with all pens for business solutions from the end of the third quarter. Live PDF™ enables people to gather information on paper, easily digitize it, share that information instantly, update information live, and automatically distribute it to individuals and databases. LIVE PDF™ is the first in a series of LIVE products from Anoto.

We continue discussions with our partners within Business Solutions to align resources and interests. The objective is to leverage their expertise, customer references and presence within different market segments and to build relationships with more independent software vendors, value added resellers and system integrators. This is starting to happen especially within healthcare, field service and insurance, where larger companies want to embed digital pen data capture solutions with their enterprise systems.

The healthcare sector in the UK is currently our strongest market. However in the second quarter we also saw a broadening of our business to other segments and regions like South Africa and South America. A major automotive company in Korea has run pilots and is set to launch a digital pen and paper solution for quality inspections in manufacturing plants. The first two installations are scheduled to start in October with further installations at four additional manufacturing plants to start by the end of this year.

Business area Technology Licensing was behind expectations also in the second quarter. However, we are pleased to see that our joint venture partner TStudy, is starting to roll out interactive classroom solutions. So far their Symphony application has, in addition to installations in private schools, also been adopted by 30 public schools in Korea, expected to surpass 100 installations of Symphony in public schools by the end of this year. In China, TStudy has set up permanent product showrooms in Shanghai and is planning to open a showroom in Beijing by the end of August. Our partner Dai Nippon Printing is actively marketing interactive classroom solutions with broad media coverage in Japan.

Our UK subsidiary Destiny Wireless Ltd launched INKWORKS™ in the second quarter, a new and innovative cloud based digital data capture system. This new system provides a fully scalable single platform incorporating digital pen functionality that for the first time will allow users to design and publish their own digital forms. INKWORKS™ also provides clients with the ability to directly manage users, groups, workflows and centrally manage mobile handset configurations.

Operating expenses were MSEK 2 above target in the second quarter, partly due to extra costs related to the development of new pens together with moving supply chain management to Hong Kong. The purpose of moving the supply chain management is to get a closer relationship to our component suppliers and manufacturing partners. This is one of several ongoing activities to improve the operational control.

Outlook

Based upon current activity and ongoing projects we expect a gradual business improvement in the second half of the year. We also expect our cash flow and balance sheet to improve gradually. Anoto's cash position is expected to be sufficient to support our business throughout the rest of the year.

Stein Revelsby, 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 areas generate income in five different categories - licensing, royalty, digital pens, components and NRE (Non Refundable Engineering).

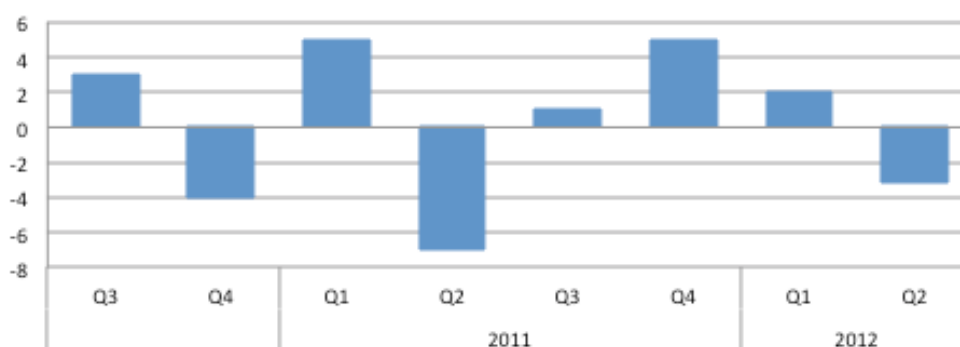
Net sales per product group

MSEK	2012 Apr-Jun	2011 Apr-Jun	2012 Jan-Jun	2011 Jan-Jun	2011 Jan-Dec
Licenses	11	9	23	16	34
Royalty	5	8	10	16	32
Digital pens*	37	16	71	49	97
Components	1	1	2	5	10
NRE and other	1	6	5	13	20
Total	54	40	111	99	192

* Digital pens include the C-Pen

EBITDA 2010-2012

MSEK



Cash flow 2010-2012

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. The offering is Pen Solutions which includes solutions for creating a form in digital format, digital processing of handwritten forms and automatic generation of a digital version of a document with handwritten signatures and notes. 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.

The net sales during the first six months was MSEK 38 higher than in the same period last year. Excluding entities acquired during 2011/2012 Net sales was MSEK 5 higher than in the first six months last year. The net sales in the second quarter was MSEK 16 higher than during the same period last year. Excluding entities acquired during the 2011/2012 Net sales was MSEK 2 higher than the same period last year.

An order of 5000 digital pens was received. The order is targeting Anoto key market segments in South Africa.

Destiny Wireless' successful pilot at Mid Essex NHS Trust is now pushing ahead with a rollout of pens for various applications that include pharmacy prescriptions and collecting survey & audit data of patients. It is also possible that the rollout will be extended to maternity community midwives. Further, the first order from Rentokil Initial was received and following a successful pilot and an agreement to rollout within their Fire Inspection division, the use of digital pens may be considered across the wider group.

Anoto Platinum partner XMS Penvision won a contract of initially 1000 digital pens for a lottery application in Africa. This is the first rollout and if successful, there are more to come.

Phase 2 rollout of the digital pen solution developed by Anoto Platinum partner, DevelopIQ, for the Gwent National Frailty Programme in Wales continued in the quarter. Significant acceleration of this expansion is anticipated in 2012-2013. Demand for digital pen solutions from Maternity teams across the NHS (National Health Service) in the UK is also growing very strongly and DevelopIQ is currently engaged with over 10 Trusts on either pilots or for the delivery of digital pen systems before the end of the year.

A contract was signed with Helping Hands, which is a private healthcare company in the UK. Strategically this is a very important contract since it provides opportunities with 46 hospitals with the largest private healthcare provider in the UK.

The adoption of Electronic Health Record (EHR) is accelerating in the US, and several Anoto partners facilitate adoption with training-free, easy-to-use digital pen solutions. NexGen Healthcare sees continued growth with their digital pen solution within Specialty Physician Practices including deployments with Pacific Cataract and Laser Institute.

Destiny Wireless launched INKWORKS™, a new and innovative cloud based digital data capture system. This new system provides a fully scalable single platform incorporating digital pen functionality that will allow users to design and publish their own digital forms. INKWORKS™ also provides clients with the ability to directly manage users, groups, workflows and centrally manage mobile handset configurations.

	2012	2011	2012	2011	2011
MSEK	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Net sales	36	20	80	42	100
Gross profit	25	16	56	32	75

Technology Licensing

Customers within Technology Licensing develop and sell products based on technology and digital pens provided by Anoto. The main offering is Interactive solutions in the education segment. Interactive solutions create a learning environment that is more oriented towards the individual and where the traditional classroom model is replaced by a more student-centric and interactive approach to teaching. Other end user products are learning toys, visual communication equipment and personal productivity solutions. End product customers are individual consumers as well as enterprises.

The net sales during the first six months was MSEK 21 below the same period last year. Net sales in the second quarter was MSEK 7 below the same period last year.

Anoto fulfilled a substantial order of pens from PolyVision to be used with PolyVision's Eno Whiteboards.

Anoto and Livescribe continue to work closely together to evaluate the introduction of the Livescribe Pen family into Anoto Business Solutions.

Production and delivery of the recently launched digital pen, ADP601, continued according to plan during the second quarter together with Pen Generations in Korea.

MSEK	2012	2011	2012	2011	2011
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Net sales	8	15	18	39	63
Gross profit	7	13	16	27	48

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.

Net sales for the first six months was MSEK 3 below the same period last year and revenue for the quarter was MSEK 7 higher than in the second quarter last year.

The work on strengthening our product offer and distribution channels is ongoing. Within product development, marketing and sales our recourses are still focusing on dyslectics, students and schools, where the products are being used as reading and studying aid.

Within OEM the main focus is still on business development together with existing customers. The products are under continuous development in order to enhance usability and customer utility.

MSEK	2012	2011	2012	2011	2011
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Net sales	10	3	11	14	19
Gross profit	5	2	6	6	9

Anoto Group AB

As a pure holding company, Anoto Group AB has a limited number of corporate functions.

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 2011 annual report. The accounting policies are unchanged from those applied in 2011.

Risk factors and uncertainties

The liquidity risk has increased during the second quarter of the year.

At the close of the quarter, the group's total cash amounted to MSEK 13, which is a decrease by MSEK 11 compared to year-end of 2011.

Anoto's cash position is expected to be sufficient to support our business throughout the rest of the year.

Apart from liquidity no significant additional risks are deemed to have arisen beyond those described in the 2011 annual report for the Anoto Group. (Please see Note 4 in the Annual report 2011 for a detailed presentation of the company's risk exposure and management.)

Related party transactions

The largest shareholder of Anoto, Aurora Investment Ltd (owned by TStone), has been represented in the board of directors since the Annual Meeting in May 2010. Transactions with companies within the TStone group amounts to MSEK 4.2 during 2012. All transactions have been made on normal commercial conditions.

Transactions and activities after June 30, 2012

There have been no significant transactions after the end of the quarter.

Share data

The Anoto share is listed on the NASDAQ OMX Nordic Small Cap List in Stockholm. Including the 6,721,026 shares issued in relation to the acquisition of Ubiquitous Systems Ltd and Xpaper (from Talario LLC) the total number of shares at the end of the quarter is 137,037,081. See further details in Note 1.

Option program

The AGM decided on May 10 2012 on a warrant program. The warrants have not yet been transferred to employees.

This report has not been reviewed by the company auditors.

Stein Revelsby
CEO

Jörgen Durban
Chairman

Gunnel Duveblad
Board member

Andrew Hur
Board member

Kjell Bråthen
Board member

Ulrika Hagdahl
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 August 3, 2012.

A webcast of the Q2 report will be available from 09.00 on August 3 and a Q&A session via audiocast will be held at 11.00 the same day. For more information, see www.anoto.com/investors.

Calendar 2012

Q2 report	August 3, 2012
Q3 report	November 2, 2012
Q4 report	February 8, 2013

For more information

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Financial report

Condensed statement of comprehensive income

TSEK	Note	2012 Apr-Jun	2011 Apr-Jun	2012 Jan-Jun	2011 Jan-Jun	2011 Jan-Dec
Net sales		54 034	40 158	111 013	99 274	192 286
Cost of goods and services sold		-16 563	-11 002	-32 117	-31 591	-55 719
Gross profit		37 471	29 156	78 896	67 683	136 567
Sales, administrative and R&D costs		-45 030	-40 727	-89 158	-73 238	-159 266
Other operating income/cost		476	564	1 049	-4 153	-220 281
Operating profit/loss		-7 083	-11 007	-9 213	-9 708	-242 980
Writedown of shares		0	0	0	0	-173
Other financial items		-629	79	-1 416	52	-696
Profit before taxes		-7 712	-10 928	-10 629	-9 656	-243 849
Taxes		0		0	-6	-30
Profit/loss for the period		-7 712	-10 928	-10 629	-9 662	-243 879
Other comprehensive income						
Translation differences for the period		-1 355	-425	449	1 883	-1 253
Other comprehensive income for the period		-1 355	-425	449	1 883	-1 253
Total comprehensive income for the period		-9 067	-11 353	-10 180	-7 779	-245 132
Total Profit/loss for the period attributable to:						
Shareholders of Anoto Group AB		-7 631	-10 802	-11 172	-9 848	-246 274
Non controlling interest		-81	-126	543	186	2 395
Total Profit/loss for the period		-7 712	-10 928	-10 629	-9 662	-243 879
Total comprehensive income for the period attributable to:						
Shareholders of Anoto Group AB		-8 485	-11 416	-10 997	-8 154	-246 949
Non controlling interest		-582	63	817	375	1 817
Total comprehensive income for the period		-9 067	-11 353	-10 180	-7 779	-245 132
Key ratios:						
Gross margin		69,3%	72,6%	71,1%	68,2%	71,0%
Operating margin		Neg	Neg	Neg	Neg	Neg
Earnings per share before and after dilution		-0,06	-0,08	-0,08	-0,08	-1,89
Average number of shares before and after dilution		137 037 081	128 583 867	136 476 996	128 583 867	129 161 263

Consolidated balance sheet in summary*

TSEK	2012-06-30	2011-06-30	2011-12-31
Intangible fixed assets	134 517	324 863	118 739
Tangible assets	5 513	7 778	6 910
Financial fixed assets	3 968	1 525	1 486
Total fixed assets	143 998	334 166	127 135
Inventories	21 528	29 913	27 236
Accounts receivable	39 005	21 880	39 138
Other current assets	18 110	14 077	18 649
Total short-term receivables	57 115	35 957	57 787
Liquid assets, including current investments	13 285	51 468	23 941
Total current assets	91 928	117 338	108 964
Total assets	235 926	451 504	236 099
Equity attributable to shareholders of Anoto Group AB	159 898	386 609	152 988
Non controlling interest	-12 257	-2 785	-13 074
Total equity	147 641	383 824	139 914
Loans	19 426	0	15 695
Other long term liabilities**	4 952	14 855	9 903
Total long term liabilities	24 378	14 855	25 598
Provisions	87	851	240
Other current liabilities	63 820	51 974	70 347
Total current liabilities	63 907	52 825	70 587
Total liabilities and shareholders equity	235 926	451 504	236 099

* Effect on balance sheet from acquisitions, see Note 1

** Non refundable prepayment from Leapfrog

Changes in shareholders equity

TSEK	Share capital	Other capital contributed	Reserves	Profit/loss for the year	Shareholders equity	Non-controlling interest	Total equity
Opening balance 1 januari 2011	2 572	448 508	931	-57 248	394 763	-3 160	391 603
Profit/loss for the year				-246 274	-246 274	2 395	-243 879
Other comprehensive income			-675		-675	-578	-1 253
Summa totalresultat			-675	-246 274	-246 949	1 817	-245 132
Acquisitions					0	-11 731	-11 731
New share issue	34	5 140			5 174		5 174
Closing balance 31 december 2011	2 606	453 648	256	-303 522	152 988	-13 074	139 914
Profit/loss for the year				-11 172	-11 172	543	-10 629
Other comprehensive income			175		175	274	449
Summa totalresultat			175	-11 172	-10 997	817	-10 180
New share issue*	135	17 772			17 907		17 907
Closing balance 30 June 2012	2 741	471 420	431	-314 694	159 898	-12 257	147 641

* See Note 1

Consolidated Cash flow statement in summary

TSEK	2012	2011	2012	2011	2011
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Profit/loss after financial items	-7 712	-10 928	-10 629	-9 656	-243 849
Depreciation, amortisation and write-downs	3 847	3 960	7 845	7 665	246 929
Other items not included in cash flow	18	-83	-153	16	-11
Total items not included in cash flow	3 865	3 877	7 692	7 681	246 918
Cash flow from operating activities before change in working capital	-3 847	-7 051	-2 937	-1 975	3 069
Change in working capital	-4 125	-8 511	-154	-24 990	-53 046
Cash flow from operating activities	-7 972	-15 562	-3 091	-26 965	-49 977
Cash flow from investments activities	-5 301	-774	-11 296	-2 611	-7 126
Total cash flow before financing activities	-13 273	-16 336	-14 387	-29 576	-57 103
Cash flow from financing activities	3 841	0	3 731	0	0
Cash flow for the period	-9 432	-16 336	-10 656	-29 576	-57 103
Liquid assets at the beginning of the period	22 717	67 804	23 941	81 044	81 044
Liquid assets at the end of the period	13 285	51 468	13 285	51 468	23 941

Key ratios

TSEK	2012	2011	2012	2011	2011
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Cash flow for the period	-9 432	-16 336	-10 656	-29 576	-57 103
Cashflow / share before and after dilution (SEK) ¹	-0,07	-0,13	-0,08	-0,23	-0,44
			2012-06-30	2011-06-30	2011-12-31
Equity/assets ratio			67,8%	85,6%	64,8%
Number of shares			137 037 081	128 583 867	130 316 055
Shareholders equity per share (kr)			1,17	3,01	1,17

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.

Parent company, summary of income statement

TSEK	2012 Apr-Jun	2011 Apr-Jun	2012 Jan-Jun	2011 Jan-Jun	2011 Jan-Dec
Net sales	1 757	2 258	2 985	4 019	9 128
Gross profit	1 757	2 258	2 985	4 019	9 128
Administrative costs	-1 668	-2 053	-2 783	-3 655	-8 264
Operating profit	89	205	202	364	864
Profit/loss from shares in Group companies	0	0	0	0	-240 570
Financial items	-1	0	-1	1	4
Profit for the period	88	205	201	365	-239 702

Parent company, balance sheet in summary

TSEK	2012-06-30	2011-06-30	2011-12-31
Intangible fixed assets	321	443	381
Tangible assets	16	38	27
Financial fixed assets	182 989	377 194	180 135
Total fixed assets	183 326	377 675	180 543
Other short-term receivables	11 877	33 382	233
Liquid assets, including current investments	91	267	325
Total current assets	11 968	33 649	558
Total assets	195 294	411 324	181 101
Equity	190 840	407 627	172 733
Other current liabilities	4 454	3 697	8 368
Total liabilities and shareholders equity	195 294	411 324	181 101

Note 1 - Acquisitions 2012

Ubiquitous Systems Ltd

On January 12, 2012 the Group acquired all shares in the UK based unlisted company Ubiquitous Systems Ltd (Ubisys) for MSEK 12.8. Ubisys which is active within Business Solutions has been a long standing Anoto partner. Anoto have consolidated Ubisys as from January 1, 2012.

Through this acquisition Anoto increases its presence on the UK market.

During the period up until June 30 Ubisys contribution to Net sales was MSEK 7.8.

Effects from acquisitions

The acquired company's net assets at the time of acquisition:

(KSEK)	
Intangible assets	0
Tangible assets	91
Inventory	53
Current assets	899
Liquid assets	192
Interest bearing liabilities	-821
Current liabilities	-1 231
Net identifiable assets and liabilities	-816
Group goodwill	13 645
Consideration	12 829

The Group goodwill is based on a preliminary valuation of assets and liabilities.

Goodwill

The goodwill value includes additional sales resources, customer contacts and an increased presence on the UK market.

No part of the goodwill is expected to be tax deductible.

Expenses related to the acquisition amounts to 0.8 MSEK and includes fees to consultants in relation to the due diligence.

These expenses have been accounted as operating expenses in the Condensed statement of comprehensive income.

Consideration

(KSEK)	
Credit note	12 829
Total consideration	12 829

Fair value of the 4,706,324 shares issued as part of the total consideration paid for the shares in Ubisys is based on the price for the Anoto share on the day of the transaction.

Xpaper

On January 16 the Group acquired Xpaper from Talario LLC for 5.1 MSEK. The Xpaper software makes it easy to use Anoto's pen and paper technology with any software application or paper document. The objective is to incorporate Talario's document printing and document capture components along with supporting web services in Anoto's core offering.

The estimated effect on Group Net sales from this acquisition during 2012 is MSEK 2.

Effects from acquisitions

The acquired software has been booked as an intangible asset and amortized over the estimated useful lifetime.

The acquisition cost for Xpaper is 5.1 MSEK.

Acquisition related expenses

Anoto have only had minor expenses, mainly internal, related to the acquisition of Xpaper.

Consideration

(KSEK)	
Shares issued	5 077
Total consideration	5 077

Fair value of the 2,014,702 shares issued as part of the total consideration paid for Xpaper is based on the price for the Anoto share on the day of the transaction.

