

ANOTO

QUARTERLY REPORT

Q2/ 2014

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Anoto Group AB is a global leader in digital writing solutions, which enables fast and reliable transmission of handwriting into a digital format. Anoto operates worldwide through a global partner network that delivers user-friendly digital writing solutions for efficient capture, transmission, distribution and storage of data. Anoto is currently in use across multiple business segments, e.g. healthcare, banking and finance, transportation and logistics and education. The Anoto Group has around 100 employees and is headquartered in Lund (Sweden). The company also has offices in Guildford, Basingstoke and Wetherby (UK), Amsterdam (NL), Boston (US) and Tokyo (Japan). The Anoto share is traded on the Small Cap list of NASDAQ OMX Stockholm under the ticker ANOT.

This report was published August 15, 2014 at 08.30 CET

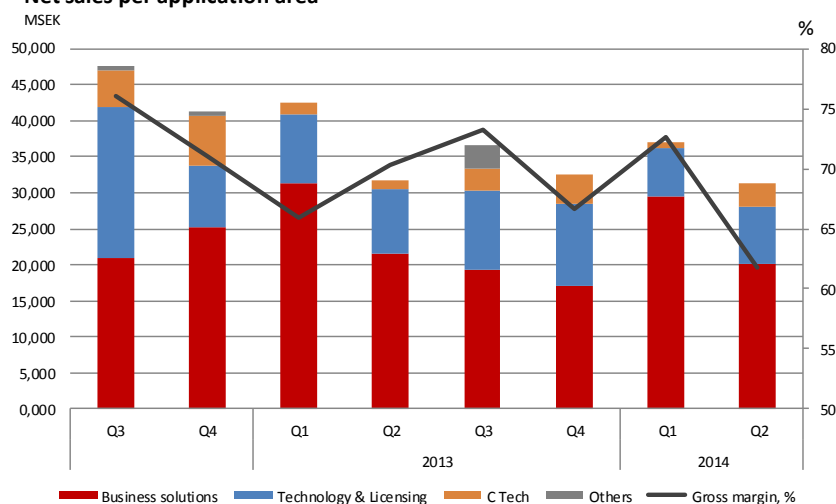
For more information: www.anoto.com

REPORT JANUARY – JUNE 2014

- Net sales in the period amounted to MSEK 68 (78) and Net sales for the quarter amounted to MSEK 31 (35).
- The Gross margin for the period was 68% (68) and Gross margin for the quarter was 63% (70). Gross profit for the period was MSEK 47 (53) and Gross profit for the quarter amounted to MSEK 20 (25).
- Earnings before depreciations and amortizations (EBITDA) for the period was MSEK -25 (-43) and EBITDA for the quarter was MSEK -17 (-26).
- The Result after tax for the period was MSEK -31 (-52) and Result after tax for the quarter was MSEK -18 (-31).
- Earnings per share before and after dilution for the period was SEK -0.07 (-0.34) and for the quarter SEK -0.04 (-0,19).
- Cash flow during the period was MSEK 6 (-3) and Cash flow for the quarter was MSEK 6 (-11). Cash flow from operating activities before changes in working capital in the period was MSEK -27 (-44) and for the quarter MSEK -18 (-27). Cash flow from financing activities during the period was MSEK 39 (43) and for the quarter MSEK 13 (11).

Key ratios	2014	2013	2014	2013	2013
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Net sales, MSEK	31	35	68	78	144
Gross profit/loss	20	25	47	53	97
Gross margin, %	63	70	68	68	68
Operating profit/loss, MSEK	-17	-30	-29	-51	-163
Profit/loss after tax, MSEK	-18	-31	-31	-52	-168
Earnings per share					
before and after dilution, SEK	-0,04	-0,19	-0,07	-0,34	-1,03
Cash flow, MSEK	6	-11	6	-3	2
Cash at end of period, MSEK	13	3	13	3	7

Net sales per application area



Comments from the CEO

Expanding the portfolio from paper to screens

Revenues in the second quarter was MSEK 31.3 compared to MSEK 37,1 for the first quarter. Gross margin was 63% compared to 73% in the first quarter. Operating expenses were MSEK 36,8 in the second quarter compared to MSEK 34,6 in the first quarter. EBITDA was MSEK -17,3 compared to MSEK -7,7 in the first quarter. Cash flow for the quarter was MSEK 5.8, including MSEK 12 of net proceeds from the private placement in June. Included in working capital at the end of the quarter was an inventory of 17,800 DP 201 digital pens for business solutions.

Sales within business solutions was MSEK 20 in Q2, including MSEK 11 in the UK. The second quarter is normally a weaker quarter within the healthcare sector in the UK and significant resources were used to roll out solutions on contracts won in the first quarter. The Nursing Technology Fund second tranche is opening up for submissions later this year and marketing and sales activities were started to target customers for late Q4 or Q1 2015 awards.

Anoto announced on June 19th that the company was in negotiations to divest its Business solutions business. The purpose of the proposed transaction is to realize the full potential of this business segment with a strategic partner to enable a stronger marketing and sales presence. The negotiations are ongoing.

In the second quarter Anoto acquired 25% of we-inspire GmbH, a company specializing in software for digital collaboration environments and Anoto set up a 100% owned subsidiary, We-inspire Inc., based in Los Angeles, California to sell We-inspire solutions in the US market.

Sales to OEM customers Livescribe, Panasonic, TStudy, Steelcase and Dai Nippon Printing were 8.0 MSEK in second quarter versus 6.8 MSEK in the first quarter. It has taken longer than we anticipated for these customers to scale up their business and we expect more business from these and new customers towards the end of this year. Panasonic has escalated their sales and marketing efforts of their 4K Toughpad and Anoto shipped the first 2000 Touch Pens in the second quarter.

OUTLOOK

Anoto will continue to supply partners in the business solutions area with digital pens, components and related services in the similar way as we do with other OEM partners within the technology licensing area. By working closely with a smaller number of larger partners Anoto takes less go to market responsibility in return for a stronger commitment and better scalability with dedicated partners that have more sales and marketing resources.

Anoto's strategic direction will shift to capitalize on its unique position as the leading provider of high precision digital writing solutions for small as well as ultra-large screens. Through we-inspire we want to capture a share of the rapidly increasing market for collaboration solutions. We are one of few companies that can offer real time interactivity between mobile and tablet devices, digital paper, and digital writing for multiple users on ultra-large screens. The increased awareness and proof of concept we get with our partner Panasonic has led to interest from other companies to embed Anoto technology into their products. In the second quarter we finalized the development of a pen-prototype for a large global company who has the potential to become the second large OEM customer in this market segment.

The divestment of Anoto's Business solutions business will, if successful, reduce OPEX and strengthen Anoto's working capital.

Stein Revelsby
CEO
Anoto Group

A partner driven business model

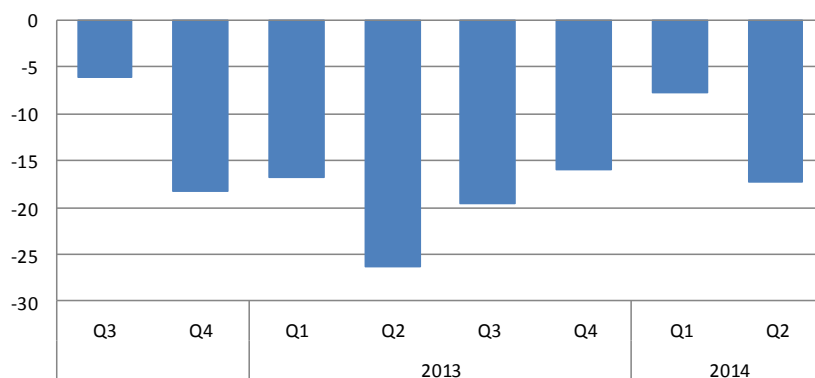
Anoto's business is organized in three business areas: Business Solutions, Technology Licensing/OEM business (education, note taking, voting, and screens) and C Technologies. These three areas generate income in five different categories - licensing, royalty, digital pens, components, NRE (Non Refundable Engineering) and other.

Net sales per product group

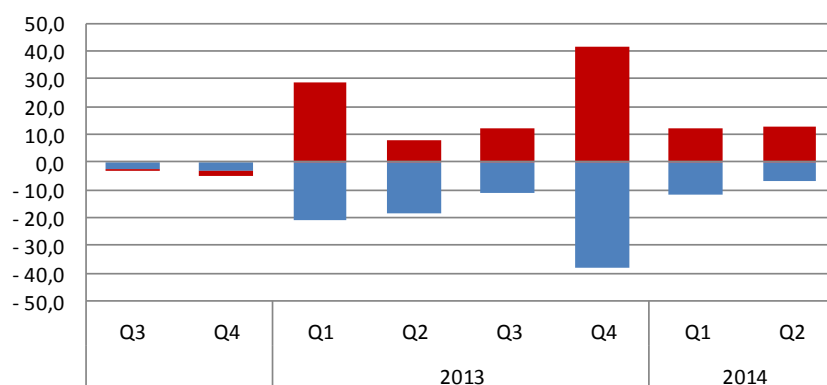
MSEK	2014 Apr-Jun	2013 Apr-Jun	2014 Jan-Jun	2013 Jan-Jun	2013 Jan-Dec
Licenses	6	6	18	15	30
Royalty	1	4	5	9	19
Digital pens*	18	17	34	42	76
NRE	0	0	2	1	10
Other	6	7	9	11	10
Total	31	34	68	78	144

* Digital pens include the C-Pen

EBITDA 2012-2014 (MSEK)



Cash flow 2012-2014 (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 and data capture. 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.

Net sales during the second quarter were MSEK 20, which is MSEK 1 below net sales during the same period last year. We shipped approximately 8,600 pens to partners and customers within business solutions in this quarter.

EMEA

UK: The UK has a traditionally weak quarter due to NHS' buying cycle resulting in majority of the contracts in the first quarter. In the second quarter the lion share of the projects contracted in first quarter were rolled-out to various NHS trusts. UK's marketing division have prepared various initiatives to capture project for the upcoming NTF round 2 (Nursing Technology Fund), opening up for application commencing in the third quarter.

Sweden: our key partner Phoniro extended their market presence with their Health Diary solution into the tele-health market in Sweden and bought over 1,000 pens.

Germany: our partner Takwa closed a contract with a new Rescue Service where ambulances will be equipped with approximately 200 digital pens. In the financial sector, the central IT support organization of the German saving banks, Sparkasse, approved our partner's solution to further roll-out to the participating banks. Our pens will be used to fill out and process their client's financial statement. As well in Germany, we have been invited by a large retailer for the replacement of DP201 pens and roll-out for a large volume of new pen models, Live Pen2. Other partners expanded their market coverage with new pen contracts in the healthcare, financial services and field services market.

Emerging markets

India: Our business development efforts in India are paying off resulting in the first pilots in the financial services and healthcare sectors, and we expect the first commitments from that region in the third quarter.

Turkey: our partner XMS/Magicturk have successfully rolled-out the large contract of more than 1.100 pens model Live Pen 2 for a financial institution to equip their sales force with tools to capture new customer contracts in combination with iPads.

USA

In the US we delivered approximately 3,600 pens in the second quarter. Our strategic partners in the healthcare markets Shareable Ink (1,650 pens), InfoMax (1,175 pens) and NextGen (400 pens) placed orders for DP201 to support their market expansion.

Asia

Japan: our partner Dai Nippon Printing expanded their digital pen base with 1.000 DP201's for their key insurance customer and other financial customers.

Taiwan: the Taiwanese market is getting traction again for business solutions and we're expecting contracts in the 2nd half of 2014.

	2014	2013	2014	2013	2011
MSEK	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Net sales	20	21	50	53	89
Gross profit	13	14	33	33	61

TECHNOLOGY LICENSING (OEM SALES)

Customers within Technology Licensing develop and sell products based on our intellectual property, software, and digital pen products. For many years, Anoto has licensed its technologies to providers of interactive classroom solutions as well as learning aids for children. Productivity tools, such as for note-taking and meeting productivity, are also long-established products in our Technology Licensing segment. Recently, Anoto has established two new application areas through partners: voting solutions and digital design automation. Voting solutions are based on our traditional digital paper technology, while digital design automation solutions help animators and designers unleash the creative power of digital writing with interactive touch displays.

Net sales during the quarter were MSEK 8, which is MSEK 1 lower than the same period last year.

In the second quarter Anoto acquired 25% of we-inspire GmbH, a company specializing in software for digital collaboration environments and Anoto set up a 100% owned subsidiary, We-inspire Inc., based in Los Angeles, California to sell We-inspire solutions in the US market. We-inspire solutions enables multiple users to work on ultra-large interactive wall surfaces and to interact by using different devices, such as Anoto digital pens, mobile phones and tablets. Workgroups are able to collaborate and interact by drawing, writing, making notes, import documents, pictures or movies, sketches and even capture analogue content written on paper in real time. Work can be saved locally or in the cloud to be distributed to participants of a meeting. The solution is already in use at large companies within construction (Skanska), toy manufacturing (Lego), German car manufacturers, Austrian police and a global pharmaceuticals company. We-inspire solutions demonstrates the unique capability of Anoto's technology and allows for real time interaction between multiple users on different devices combined with high precision digital writing on small, analog (paper) as well as ultra-large surfaces and screens. Sales focus in the US is now on high performance users within film, media and creative industries as well as large corporations need for collaborative work space solutions within product development, planning and research.

Panasonic escalated sales and marketing efforts of their 20" 4K Toughpad and we shipped the first 2000 Touch pens. Dai Nippon Printing confirmed their commitment to the Japanese education sector and purchased 5,000 DP 601's and Livescribe shipped approximately 40,000 pens in the second quarter.

Tstudy is in the process of closing a larger financing to prepare for a significant ramp up of business activities in China.

Smartmatic works on finalizing digital pen applications for voting, census and people registration. Several pilots are currently being evaluated in different parts of the world and we believe 2015 will be the year when we will see Anoto technology being applied to make election processes more efficient and reliable.

In July we finalized a pen-prototype for a large global company to embed high precision digital writing with their monitors and displays. Subject to a successful evaluation we believe this can be our second large customer in addition to Panasonic within this business segment.

MSEK	2014	2013	2014	2013	2011
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Net sales	8	9	15	19	42
Gross profit	5	7	10	15	29

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 during the period were MSEK 4 which is MSEK 1 higher than during the same period last year.

The business was downsized during last year. C Technologies continues to sell its products to OEM customers as well as within select retail channels.

MSEK	2014	2013	2014	2013	2011
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Net sales	3	1	4	3	10
Gross profit	1	1	1	2	4

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 2012 annual report. The accounting policies are unchanged from those applied in 2013.

RISK FACTORS AND UNCERTAINTIES

At the close of the quarter, the group's total cash amounted to MSEK 13.2 which is an increase by MSEK 6.2 compared to year-end of 2013.

Following continued weak sales during the quarter, Anoto is faced with continued challenges related to liquidity. Working capital consists of a large amount of pens in inventory and the company's ability to sell these will have a significant impact on cash flow. Unless sales increase significantly in Q3 the company may need to consider options for financing, hence some uncertainty exists regarding going concern.

No significant additional risks are deemed to have arisen beyond those described in the 2013 annual report for the Anoto Group. (Please see Note 4 in the Annual report 2013 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 2.9 during 2014. All transactions have been made on normal commercial conditions and at the end of the quarter there are no overdue receivables on entities within the TStone group.

Antonio Mugica, representing Anotos second largest shareholder (Goldeigen Kapital) and also the CEO of Anoto's partner Smartmatics has been a member of the Board of Anoto Group since the AGM 2014. There has been no business transactions with Smartmatic during the second quarter.

TRANSACTIONS AND ACTIVITIES AFTER JUNE 30, 2014

In July we finalized a prototype for a large global company to embed high precision digital writing with their monitors and displays. Subject to a successful evaluation we believe this can be our second large customer in addition to Panasonic within this business segment.

SHARE DATA

The Anoto share is listed on the NASDAQ OMX Nordic Small Cap List in Stockholm. The total number of shares at the end of the period, including the private placement of 19,291,639 shares carried out during the first quarter, amounts to 453,353,534.

OPTION PROGRAM

The AGM 2014 mandated the Board to issue personnel options with a maximum dilution of 2%.

Stein Revelsby
CEO

Jörgen Durban
Chariman

Gunnel Duveblad

Andrew Hur

Joonhee Won

Antonio Mugica

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 August 15, 2014.

A webcast of the Q2 report will be available from 09.00 on May 9 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 2014

Q3 report	7 Nov, 2014
Q4 report	February 2015

FOR MORE INFORMATION

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FINANCIAL REPORTS

Condensed statement of comprehensive income

TSEK	Note	2014 Apr-Jun	2013 Apr-Jun	2014 Jan-Jun	2013 Jan-Jun	2013 Jan-Dec
Net sales		31 297	34 954	68 371	77 582	144 306
Cost of goods and services sold		-11 723	-10 395	-21 861	-24 921	-46 832
Gross profit		19 574	24 559	46 510	52 661	97 474
Sales, administrative and R&D costs		-39 441	-55 926	-78 063	-104 318	-185 417
Other operating income/cost		3 313	1 025	2 894	887	-75 508
Operating profit/loss		-16 554	-30 342	-28 659	-50 770	-163 451
Other financial items		-1 032	-542	-1 825	-1 155	-4 839
Profit before taxes		-17 586	-30 884	-30 484	-51 925	-168 290
Taxes		-20	-	-26	-	-12
Profit/loss for the period		-17 606	-30 884	-30 510	-51 925	-168 302
Other comprehensive income						
Translation differences for the period		-1 548	-1 970	-1 850	1 256	5 194
Other comprehensive income for the period		-1 548	-1 970	-1 850	1 256	5 194
Total comprehensive income for the period		-19 154	-32 854	-32 360	-50 669	-163 108
Total Profit/loss for the period attributable to:						
Shareholders of Anoto Group AB		-17 053	-30 672	-30 692	-51 892	-166 231
Non controlling interest		-553	-212	182	-33	-2 071
Total Profit/loss for the period		-17 606	-30 884	-30 510	-51 925	-168 302
Total comprehensive income for the period attributable to:						
Shareholders of Anoto Group AB		-18 415	-32 316	-31 442	-51 257	-161 226
Non controlling interest		-739	-538	-918	588	-1 882
Total comprehensive income for the period		-19 154	-32 854	-32 360	-50 669	-163 108
Key ratios:						
Gross margin		62,5%	70,3%	68,0%	67,9%	67,5%
Operating margin		Neg	Neg	Neg	Neg	Neg
Earnings per share before and after dilution		-0,04	-0,19	-0,07	-0,34	-1,03
Average number of shares before and after dilution		453 353 534	166 741 238	440 700 253	151 889 159	162 858 591

Consolidated balance sheet in summary

TSEK	2014-06-30	2013-06-30	2013-06-30
Intangible fixed assets	73 643	143 359	71 318
Tangible assets	3 569	3 627	3 084
Financial fixed assets	3 725	3 661	3 605
Total fixed assets	80 937	150 647	78 007
Inventories	19 798	32 819	27 985
Accounts receivable	24 857	31 328	27 502
Other current assets	18 437	19 358	31 347
Total short-term receivables	43 294	50 686	58 849
Liquid assets, including current investments	13 238	2 715	7 008
Total current assets	76 330	86 220	93 842
Total assets	157 267	236 867	171 849
Equity attributable to shareholders of Anoto Group AB	66 377	137 075	82 657
Non controlling interest	-17 506	-14 333	-16 770
Total equity	48 871	122 742	65 887
Loans	0	0	1 011
Total long-term liabilities	0	0	1 011
Provisions	364	411	493
Loans*	29 939	17 131	16 313
Other current liabilities	78 093	96 583	88 145
Total current liabilities	108 396	114 125	104 951
Total liabilities and shareholders equity	157 267	236 867	171 849

*Including convertible loan of 13 MSEK

Changes in shareholders equity

TSEK	Share capital	Ongoing share issue	Other capital contributed	Reserves	Profit/loss for the year	Shareholders equity	Non-controlling interest	Total equity
Opening balance 1 January 2013	2 741	0	471 420	2 464	-345 934	130 691	-14 888	115 803
Profit/loss for the year					-166 231	-166 231	-2 071	-168 302
Other comprehensive income				5 005		5 005	189	5 194
Total comprehensive income				5 005	-166 231	-161 226	-1 882	-163 108
New share issue	5 056		97 091			102 147		102 147
Ongoing new share issue		884	10 161			11 045		11 045
Closing balance 31 December 2013	7 797		578 672	7 469	-512 165	82 657	-16 770	65 887
Profit/loss for the year					-30 510	-30 510	182	-30 328
Other comprehensive income				-932		-932	-918	-1 850
Total comprehensive income				-932	-30 510	-31 442	-736	-32 178
Share issue	386		14 776			15 162		15 162
Closing balance 30 Jun 2014	8 183	0	593 448	6 537	-542 675	66 377	-17 506	48 871

Consolidated Cash flow statement in summary

TSEK	2014	2013	2014	2013	2013
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Profit/loss after financial items	-17 586	-30 884	-30 484	-51 925	-168 290
Items not included in cash flow	-814	3 605	3 573	7 440	85 052
Cash flow from operating activities before changes in working capital	-18 400	-27 279	-26 911	-44 485	-83 238
Change in operating receivables	5 492	11 689	15 555	-7 017	-15 192
Change in inventory	2 369	-7 505	8 187	-1 903	2 931
Change in operating liabilities	3 764	4 397	-3 594	11 364	6 097
Cash flow from operating activities	-6 775	-18 698	-30 505	-42 041	-89 402
Cash flow from net capital expenditures	-289	-3 153	-2 305	-3 357	-3 946
Total cash flow before financing activities	-7 064	-21 851	-32 810	-45 398	-93 348
New share issue	0	11 034	27 443	43 758	94 800
Change in financial liabilities	12 838	186	11 597	-1 104	97
Cash flow from financing activities	12 838	11 220	39 040	42 654	94 897
Cash flow for the period	5 774	-10 631	6 230	-2 744	1 549
Liquid assets at the beginning of the period	7 464	13 346	7 008	5 459	5 459
Liquid assets at the end of the period	13 238	2 715	13 238	2 715	7 008

Key ratios

TSEK	2014	2013	2014	2013	2013
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Cash flow for the period	5 774	-10 631	6 230	-2 744	1 549
Cashflow / share before and after dilution (SEK) ¹	0,01	-0,06	0,01	-0,02	0,01
			2014-06-30	2013-06-30	2013-12-31
Equity/assets ratio			42,2%	57,9%	48,1%
Number of shares			453 353 534	173 624 758	389 882 641
Shareholders equity per share (kr)			0,15	0,79	0,21

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	2014 Apr-Jun	2013 Apr-Jun	2014 Jan-Jun	2013 Jan-Jun	2013 Jan-Dec
Net sales	1 853	2 696	3 179	3 393	6 804
Gross profit	1 853	2 696	3 179	3 393	6 804
Administrative costs	-1 682	-2 452	-2 883	-3 035	-5 565
Operating profit	171	244	296	358	1 239
Profit/loss from shares in Group compan	-	-	-	-	-143 604
Financial items	-992	2	-7	-49	-583
Profit for the period	-821	246	289	309	-142 948

Parent company, balance sheet in summary

TSEK	2014-06-30	2013-06-30	2013-12-31
Intangible fixed assets	185	261	221
Tangible assets		0	0
Financial fixed assets	114 385	201 430	114 385
Total fixed assets	114 570	201 691	114 606
Other short-term receivables	51 124	25 994	103 862
Liquid assets, including current investments	68	1	3 933
Total current assets	51 192	25 995	107 795
Total assets	165 762	227 686	222 401
Equity	146 425	218 882	131 711
Loans	13 000	0	0
Other current liabilities	6 337	8 804	90 690
Total liabilities and shareholders equity	165 762	227 686	222 401