

ANOTO

QUARTERLY REPORT

Q3/ 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 Basingstoke and Wetherby (UK), Boston (US), Los Angeles (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 Oct. 20, 2014 at 08.30 CET

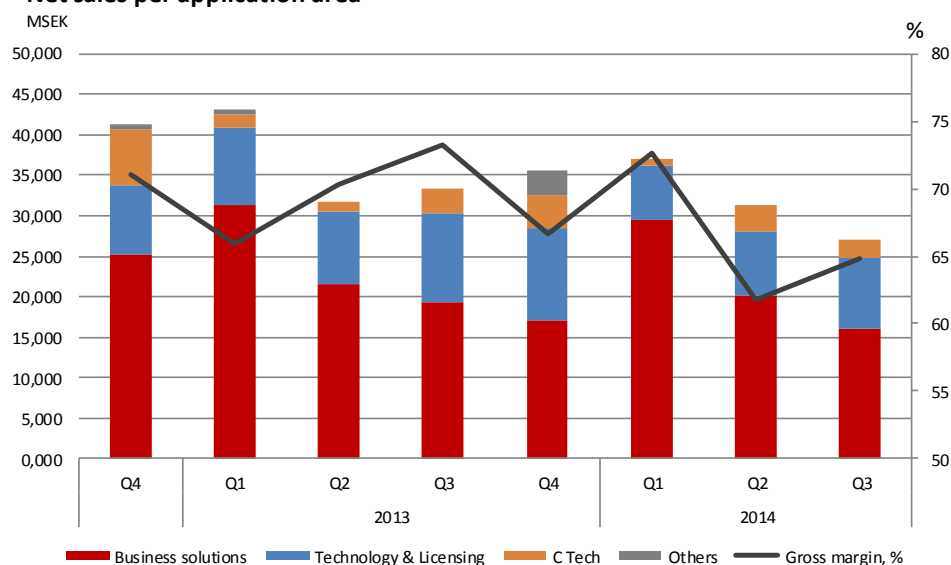
For more information: www.anoto.com

REPORT JANUARY – SEPTEMBER 2014

- Net sales in the period amounted to MSEK 95 (111) and Net sales for the quarter amounted to MSEK 27 (33).
- The Gross margin for the period was 67% (70) and Gross margin for the quarter was 65% (73). Gross profit for the period was MSEK 64 (77) and Gross profit for the quarter amounted to MSEK 18 (24).
- Earnings before depreciations and amortizations (EBITDA) for the period was MSEK -45 (-63) and EBITDA for the quarter was MSEK -20 (-20).
- The Result after tax for the period was MSEK -56 (-75) and Result after tax for the quarter was MSEK -26 (-24).
- Earnings per share before and after dilution for the period was SEK -0.12 (-0.44) and for the quarter SEK -0.06 (-0.14).
- Cash flow during the period was MSEK -5 (-2) and Cash flow for the quarter was MSEK -11 (1). Cash flow from operating activities before changes in working capital in the period was MSEK -50 (-64) and for the quarter MSEK -23 (-19). Cash flow from financing activities during the period was MSEK 46 (56) and for the quarter MSEK 7 (13).

Key ratios	2014	2013	2014	2013	2013
	Jul-Sept	Jul-Sept	Jan-Sept	Jan-Sept	Jan-Dec
Net sales, MSEK	27	33	95	111	144
Gross profit/loss	17	24	64	77	97
Gross margin, %	65	73	67	70	68
Operating profit/loss, MSEK	-23	-23	-52	-74	-163
Profit/loss after tax, MSEK	-26	-24	-56	-75	-168
Earnings per share					
before and after dilution, SEK	-0,06	-0,14	-0,13	-0,47	-1,03
Cash flow, MSEK	-11	1	-5	-2	2
Cash at end of period, MSEK	2	4	2	4	7

Net sales per application area



Comments from the CEO

CROSSING THE CHASM

Revenues in the third quarter was MSEK 27.1 compared to MSEK 31.3 for the second quarter. Gross margin was 65% compared to 63% in the second quarter. Operating expenses were MSEK 34.7 in the third quarter compared to MSEK 36.8 in the second quarter. EBITDA was MSEK -20.7 compared to MSEK -17.3 in the second quarter. Cash flow for the quarter was MSEK -11.4, including MSEK 3.7 of net payment from the private placement in June/July and MSEK 2.8 from a short term loan in September.

The 3rd quarter was another weak quarter with respect to sales for Anoto and we had to ask our shareholders for funding once again. The rights issue is guaranteed to 90% by a consortium of Swedish investors and will provide 68 MSEK in cash before transaction costs and fees to underwriters if fully subscribed.

Despite a weak quarter we took another major step towards growth and profitability by developing a successful prototype for one of the world's largest IT companies. The project is progressing well with the objective to launch a high end digital writing solution for displays in the second half of 2015. This follows a successful product launch with Panasonic which has opened up for new opportunities to become a digital writing platform for display manufacturers who are looking for high precision, easier integration with touch technologies, larger displays and the possibilities to use more than one pen per screen.

The negotiations announced on June 19th about divesting our Business Solutions business was terminated in August. The purpose of the proposed transaction was to realize the full potential of the business solutions segment with a strategic partner to enable a stronger marketing and sales presence. However we did not come to agreement on price and decided instead to consolidate all our wholly owned digital paper based business solutions business into a separate business unit, Anoto Enterprise Solutions in the UK. Anoto Enterprise Solutions will continue to support customers in the UK and also Business Solutions partners world-wide. During the 3rd quarter several larger opportunities has evolved within healthcare, banking, insurance and field service in Germany, UK, Turkey and Japan.

We continue to focus on costs and we did further adjustments to reduce OPEX in Q3 by deciding to close our office in Holland and move all Business Solutions related activities to the UK. We see further potential to reduce costs in 2015 but we are cautiously aware that we do not want to reduce the upside revenue potential of our business. Once the lease expires we will move the Swedish organization to a new office in Lund from September next year which will reduce the operating expenses.

OUTLOOK

Following Panasonic product launch and now significant interest from some of the world's largest IT companies 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 and the rapidly increasing demand for collaboration solutions. Initial market focus will be on high end market segments where users demand high accuracy, fast and reliable interaction and multiple users per screen. Touch Display Research estimates that active digital pen shipments will surpass 90 million units this year and increase to more than 500 million pens in 2020. By working with some of the world's leading brands we see a large opportunity to participate in this market. In the short term we expect a significant improvement in revenues in the coming two quarters both within Business Solutions from ongoing projects as well as within our OEM business with customers Livescribe, Smartmatic, Tstudy, Steelcase and others.



Stein Revelsby
CEO, Anoto Group

A PARTNER DRIVEN BUSINESS MODEL

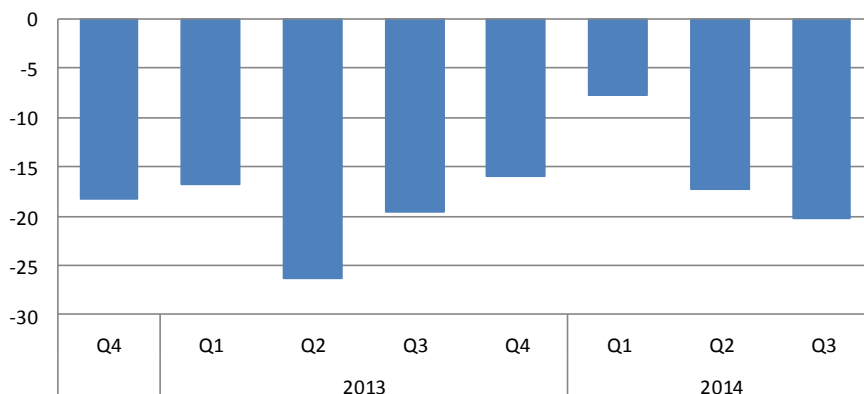
Anoto's business is organized in three business areas: Business Solutions, Technology Licensing (education, note taking, voting, interactive touch displays) and C Technologies. These three areas generate income in five different categories - licensing, royalty, digital pens, components, NRE (Non Refundable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

Net sales per product group

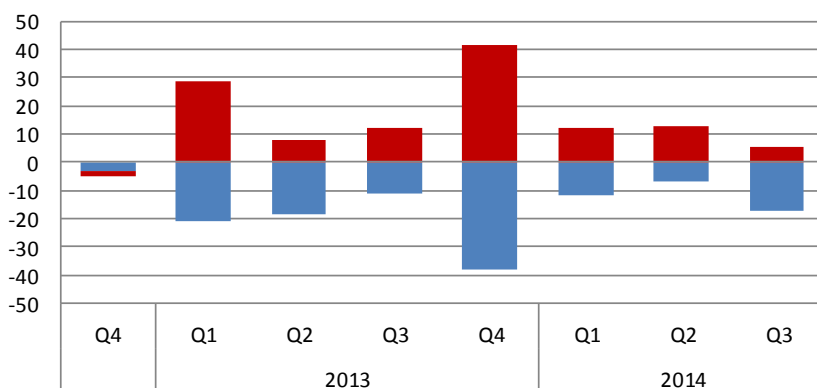
MSEK	2014	2013	2014	2013	2013
	Jul-Sept	Jul-Sept	Jan-Sept	Jan-Sept	Jan-Dec
Licenses	6	8	24	24	30
Royalty	3	4	8	13	19
Digital pens*	14	16	50	59	76
NRE	2	3	3	8	10
Other	3	2	10	7	10
Total	27	33	95	111	144

* 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 period were MSEK 66, which is MSEK 6 below net sales during the same period last year. We shipped approximately 3,000 pens to partners and customers within business solutions in this quarter.

The negotiations announced on June 19 about divesting our Business Solutions business was terminated in August. We did not come to agreement on price and decided instead to consolidate all our wholly owned digital paper based business solutions business into a separate business unit, Anoto Enterprise Solutions in the UK. The potential transaction took significant management resources and attention which hurt our business. During the quarter we took immediate measures to reduce OPEX within business solutions by 5 MSEK on an annual basis, including a decision to close our sales office in Holland. Further optimization and cost reductions will be considered for 2015.

EMEA

There were no larger deals in the quarter. The pipeline looks strong for the coming two quarters especially in Germany and the UK. The Nursing Tech Fund 2 is expected to be announced before year end. The successful roll-out of 1,100 pens in combination with iPads to the large bank in Q2 has reached the industry press and more financial institutions are evaluating our solutions.

INDIA

Our business development efforts in India are paying off resulting in the first 100 pens of a roll-out in total of approximately 2,200 pens and Anoto Live Forms in the services sectors.

	2014	2013	2014	2013	2013
MSEK	Jul-Sept	Jul-Sept	Jan-Sept	Jan-Sept	Jan-Dec
Net sales	16	19	66	72	89
Gross profit	11	15	44	50	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 period were MSEK 23, which is MSEK 7 lower than the same period last year.

In Q3 we delivered 5,000 pens to partner Steelcase for interactive whiteboard solutions and 5,000 pens to Tstudy China. Livescribe sold approximately 45,000 pens in the quarter. No significant deliveries were made to other OEM partners in the quarter. Anoto has ongoing discussions with new partners and has noticed a significant increase in interest for the company's technology, especially in the wake of the company's partnership with Panasonic. We invoiced the first Non Refundable Engineering contract for the successful development of a prototype for one of the world's largest IT companies. The project is progressing well with the objective to launch a high end digital writing solution for displays in the second half of 2015.

MSEK	2014 Jul-Sept	2013 Jul-Sept	2014 Jan-Sept	2013 Jan-Sept	2013 Jan-Dec
Net sales	9	11	23	30	42
Gross profit	6	7	17	21	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 6 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 Jul-Sept	2013 Jul-Sept	2014 Jan-Sept	2013 Jan-Sept	2013 Jan-Dec
Net sales	2	3	6	5	10
Gross profit	1	1	2	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 2013 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 1.9 which is a decrease by MSEK 5.1 compared to year-end of 2013.

Anoto's current working capital is not sufficient for the Company's needs for the next twelve months. The Company believes that if the Company's earning capacity is not improved, the capital injection of up to SEK 68 million before costs from the rights issue is not sufficient to cover the estimated capital need. In that case, the Board intends to submit a proposal to issue new shares at a general meeting. Based upon this the Board believes that the financial statements shall be prepared applying the going concern principle.

The Convertible loan issued in June this year will mature at the end of February next year. Should full conversion take place there is a possible cash flow upside of up to 16.3 MSEK.

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

One of the largest shareholders of Anoto, Aurora Investment Ltd (owned by TStone), has been represented on the board of directors since the Annual Meeting in May 2010. Transactions with companies within the TStone group amounts to MSEK 6.8 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 the second largest shareholder (Goldeigen Kapital), is also the CEO of Anotos partner Smartmatic, has been a member of the Board since the AGM 2014. There have been no business transactions with Smartmatic during the period.

TRANSACTIONS AND ACTIVITIES AFTER SEPTEMBER 30, 2014

On October 6 an extraordinary shareholders meeting approved the Rights issue proposed by the Board on August 30. The Rights issue, guaranteed by a consortium of investors at 90%, will if fully subscribed lead to a capital injection of MSEK 68.

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.

The private placement of 19,291,639 shares in March took place at a price of 0.85 SEK, based on the average share price during the preceding 20 trading days. The total capital injection amounted to 16.4 MSEK before expenses.

The recently approved rights issue will if fully subscribed increase the number of shares by 272,012,120 to 725,365,654 shares and give the company a capital injection of MSEK 68 before expenses. For every share held on the record day, the shareholder will receive one (1) subscription right. Five (5) subscription rights entitle to subscription for three (3) new shares. The subscription price has been fixed at SEK 0.25 per share.

OPTION PROGRAM

4.6 million share-options has recently been granted to CEO Stein Revelsby and 2.3 million share-options has been granted to EVP Products & Technology Dennis Ladd under the Anoto Incentive Scheme 2014/17 at a subscription price of 0.61 SEK. The share-options will mature during 2017.

CONVERTIBLE BONDS

The Convertible Bonds can be converted into shares in the Company during the period February 2, 2015 to February 6, 2015 & entitle the holder to a fixed interest rate of 8.0%. The conversion will take place into shares at a conversion price equivalent to a discount of 15% of the volume weighted average price of the stock during the 10 days prior to conversion.

Stein Revelsby, CEO

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 October 20, 2014.

A webcast of the Q3 report will be available from 09.00 on October 21 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

Q4 report

February 2015

FOR MORE INFORMATION

Please contact:

Stein Revelsby, CEO
Phone: +46 (0)733 45 12 05

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

Report on review of interim financial statements

To the Board of Directors of Anoto Group AB (publ) org. nr 556532-3929

Introduction

We have reviewed the summary interim financial information (interim report) of Anoto Group AB (publ) as of September 30, 2014 and the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Disclosure of particular importance

Without affecting our opinions, we want to draw attention to the wording of the interim report under the heading of risk factors and uncertainties, indicating that the Board of Directors and the Managing Director do not believe that the liquidity is sufficient for the operation the next 12 months unless the Group's earning power is improved. These circumstances suggest, along with the other factors mentioned under the heading of risk factors and uncertainties, that there is a significant uncertainty that may lead to significant doubt about the Group's ability to continue as going concern.

Malmö, October 20, 2014

Deloitte AB

Per-Arne Pettersson

Authorized Public Accountant

FINANCIAL REPORTS

Condensed statement of comprehensive income

TSEK	Note	2014 Jul-Sept	2013 Jul-Sept	2014 Jan-Sept	2013 Jan-Sept	2013 Jan-Dec
Net sales		27 090	33 410	95 461	110 992	144 306
Cost of goods and services sold		-9 605	-8 916	-31 466	-33 837	-46 832
Gross profit		17 485	24 494	63 995	77 155	97 474
Sales, administrative and R&D costs		-40 213	-47 247	-121 473	-151 565	-185 417
Other operating income/cost		-507	-83	5 584	804	-75 508
Operating profit/loss		-23 235	-22 836	-51 894	-73 606	-163 451
Other financial items		-2 619	-723	-4 444	-1 878	-4 839
Profit before taxes		-25 854	-23 559	-56 338	-75 484	-168 290
Taxes		-1		-27		-12
Profit/loss for the period		-25 855	-23 559	-56 365	-75 484	-168 302
Other comprehensive income						
Translation differences for the period		-4 371	1 314	-5 919	2 570	5 194
Other comprehensive income for the period		-4 371	1 314	-5 919	2 570	5 194
Total comprehensive income for the period		-30 226	-22 245	-62 284	-72 914	-163 108
Total Profit/loss for the period attributable to:						
Shareholders of Anoto Group AB		-26 116	-23 227	-56 073	-75 119	-166 231
Non controlling interest		261	-332	-292	-365	-2 071
Total Profit/loss for the period		-25 855	-23 559	-56 365	-75 484	-168 302
Total comprehensive income for the period attributable to:						
Shareholders of Anoto Group AB		-29 651	-22 178	-60 678	-73 435	-161 226
Non controlling interest		-575	-67	-1 606	521	-1 882
Total comprehensive income for the period		-30 226	-22 245	-62 284	-72 914	-163 108
Key ratios:						
Gross margin		64,5%	73,3%	67,0%	69,5%	67,5%
Operating margin		Neg	Neg	Neg	Neg	Neg
Earnings per share before and after dilution		-0,06	-0,14	-0,13	-0,47	-1,03
Average number of shares before and after dilution*		453 353 534	173 624 758	444 918 014	159 134 359	162 858 591

*excluding share-options granted

Consolidated balance sheet in summary

TSEK	2014-09-30	2013-09-30	2013-12-31
Intangible fixed assets	73 114	142 247	71 318
Tangible assets	2 169	3 199	3 084
Financial fixed assets	3 719	3 636	3 605
Total fixed assets	79 002	149 082	78 007
Inventories	22 449	31 865	27 985
Accounts receivable	14 328	24 209	27 502
Other current assets	18 741	17 457	31 347
Total short-term receivables	33 069	41 666	58 849
Liquid assets, including current investments	1 883	3 646	7 008
Total current assets	57 401	77 177	93 842
Total assets	136 403	226 259	171 849
Equity attributable to shareholders of Anoto Group AB	38 036	116 217	82 657
Non controlling interest	-18 376	-14 732	-16 770
Total equity	19 660	101 485	65 887
Loans	0	16 574	1 011
Total long-term liabilities	0	16 574	1 011
Provisions	312	447	493
Loans*	37 887	13 550	16 313
Other current liabilities	78 544	94 203	88 145
Total current liabilities	116 743	108 200	104 951
Total liabilities and shareholders equity	136 403	226 259	171 849

*Including convertible loan of 18 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	884	578 672	7 469	-512 165	82 657	-16 770	65 887
Profit/loss for the year					-56 073	-56 073	-292	-56 365
Other comprehensive income				-4 605		-4 605	-1 314	-5 919
Total comprehensive income				-4 605	-56 073	-60 678	-1 606	-62 284
Convertible bonds					708	708		708
Share issue	1 270	-884	14 963			15 349		15 349
Closing balance 30 Sept 2014	9 067	0	593 635	2 864	-567 530	38 036	-18 376	19 660

Consolidated Cash flow statement in summary

TSEK	2014	2013	2014	2013	2013
	Jul-Sept	Jul-Sept	Jan-Sept	Jan-Sept	Jan-Dec
Profit/loss after financial items	-25 854	-23 559	-56 338	-75 484	-168 290
Depreciation, amortisation	2 992	3 282	6 694	10 874	84 711
Other items not included in cash flow	-52	791	-181	179	341
Items not included in cash flow	2 940	4 073	6 513	11 053	85 052
Cash flow from operating activities before changes in working capital	-22 914	-19 486	-49 825	-64 431	-83 238
Change in operating receivables	10 224	21 144	14 734	2 002	-15 192
Change in inventory	-2 651	-2 530	5 536	-949	2 931
Change in operating liabilities	-1 987	-10 203	-19 397	10 981	6 097
Cash flow from operating activities	-17 328	-11 075	-48 952	-52 397	-89 402
Cash flow from net capital expenditures	-1 063	-987	-1 681	-5 090	-3 946
Total cash flow before financing activities	-18 391	-12 062	-50 633	-57 487	-93 348
New share issue	0	0	25 145	43 758	94 800
Change in financial liabilities	7 036	12 993	20 363	11 916	97
Cash flow from financing activities	7 036	12 993	45 508	55 674	94 897
Cash flow for the period	-11 355	931	-5 125	-1 813	1 549
Liquid assets at the beginning of the period	13 238	2 715	7 008	5 459	5 459
Liquid assets at the end of the period	1 883	3 646	1 883	3 646	7 008

Key ratios

TSEK	2014	2013	2014	2013	2013
	Jul-Sept	Jul-Sept	Jan-Sept	Jan-Sept	Jan-Dec
Cash flow for the period	-11 355	931	-5 125	-1 813	1 549
Cashflow / share before and after dilution (SEK) ¹	-0,03	-0,06	-0,01	-0,02	0,01
			2014-09-30	2013-09-30	2013-12-31
Equity/assets ratio			27,6%	51,4%	48,1%
Number of shares			453 353 534	173 624 758	389 882 641
Shareholders equity per share (kr)			0,08	0,67	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	2013	2014	2013	2013
	Jul-Sept	Jul-Sept	Jan-Sept	Jan-Sept	Jan-Dec
Net sales	2 696	1 282	5 875	4 675	6 804
Gross profit	2 696	1 282	5 875	4 675	6 804
Administrative costs	-1 564	-1 017	-4 447	-4 052	-5 565
Operating profit	1 132	265	1 428	623	1 239
Profit/loss from shares in Group companies	-	-	-	-	-143 604
Financial items	-962	-114	-969	-163	-583
Profit for the period	170	151	459	460	-142 948

Parent company, balance sheet in summary

TSEK	2014-09-30	2013-09-30	2013-12-31
Intangible fixed assets	166	249	221
Financial fixed assets	114 385	201 430	114 385
Total fixed assets	114 551	201 679	114 606
Other short-term receivables	56 123	39 935	103 862
Liquid assets, including current investments	0	0	3 933
Total current assets	56 123	39 935	107 795
Total assets	170 674	241 614	222 401
Equity	147 520	219 035	131 711
Loans	17 700	13 156	0
Other current liabilities	5 454	9 423	90 690
Total liabilities and shareholders equity	170 674	241 614	222 401