

ANOTO

QUARTERLY REPORT

Q1/ 2015

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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 May. 8, 2015 at 08.30 CET

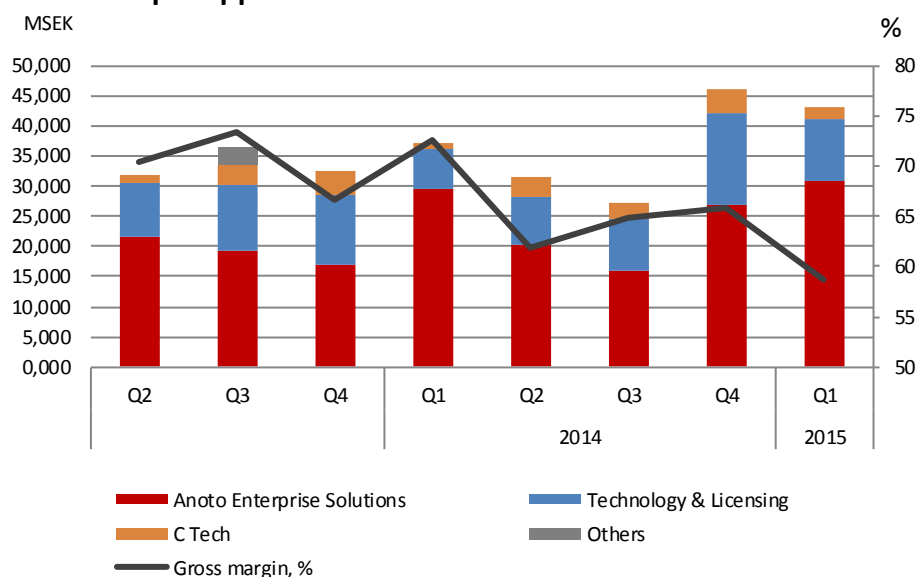
For more information: www.anoto.com

REPORT JANUARY – MARCH 2015

- Net sales in the period amounted to MSEK 43 (37).
- The Gross margin for the period was 59% (73). Gross profit for the period was MSEK 25 (27).
- Earnings before depreciations and amortizations (EBITDA) for the period was MSEK -12 (-8).
- The Result after tax for the period was MSEK -6 (-13).
- Earnings per share before and after dilution for the period was SEK -0.01 (-0.03).
- Cash flow during the period was MSEK 29 (0). Cash flow from operating activities before changes in working capital in the period was MSEK -4 (-10). Cash flow from financing activities during the period was MSEK 33 (14).

Key ratios	2015	2014	2014
	Jan-Mar	Jan-Mar	Jan-Dec
Net sales, MSEK	43	37	141
Gross profit/loss	25	27	93
Gross margin, %	59	73	66
Operating profit/loss, MSEK	-13	-12	-69
Profit/loss after tax, MSEK	-6	-13	-63
Earnings per share			
before and after dilution, SEK	-0,01	-0,03	-0,13
Cash flow, MSEK	29	0	-3
Cash at end of period, MSEK	33	7	4

Net sales per application area



Comments from the CEO

STAY TUNED

Revenues in the first quarter was MSEK 43 compared to MSEK 46 for the fourth quarter 2014. Gross margin was 59% compared to 66% in the fourth quarter. Operating expenses were MSEK 37 in the first quarter compared to MSEK 34 in the fourth quarter 2014. EBITDA was MSEK -12 compared to MSEK -8 in the fourth quarter 2014. Cash flow for the quarter was MSEK 29, including net proceeds of MSEK 33 from the private placement in March.

Operating expenses were higher in Q1 compared to the previous quarter due to the extra resources, consultants, materials and testing related to the large OEM project that has been needed to meet tight deadlines and the increasing scope of the project. Gross margin was lower due to the decision to offset 100% of the NRE revenue with the associated development costs.

70% of revenues in the quarter came from Anoto Enterprise Solutions, including the largest digital pen contract in the UK within healthcare to date. The deal that was led by Vodafone UK is for 1700 pens and software to ambulance crews across Wales.

We-Inspire Inc. sold its first 5 systems in the US and strengthened its sales resources by the signing of two new resellers and the hiring of a sales manager at the LA office. In Europe we are also implementing a reseller program for We-Inspire, GmbH.

Sales to customers within Technology Licensing were lower than expected when a delivery to TStudy slipped into Q2.

Anoto introduced its first large format interactive display prototype, a 65" UHD 4K display with touch and precision pen input at the ISE tradeshow in February. We are now working with partners to do a commercial launch of a similar product at InfoComm Expo in June. We expect the market for large displays to grow fast when businesses are starting to convert from projectors to interactive displays in meeting rooms and board rooms.

OUTLOOK

Anoto Enterprise Solutions had a good start to the year and the Welsh Ambulance contract generated significant press coverage and new leads in the UK for similar solutions. There are in total 13 ambulance trusts in the UK so this market vertical alone represents a large opportunity. In the UK we also hired a new sales manager starting May 4th. In addition we announced a large contract in India. As previously mentioned in the Q4 2014 report there is a large opportunity in Japan. Overall, the growth prospect for 2015 within Enterprise Solutions looks very promising.

Contract negotiations with the large OEM customer is going in parallel with product development and we expect to make an announcement later in Q2.

Panasonic sales has so far been a disappointment but we expect sales to pick up with the release of the upgraded versions Toughpad 4K Standard at a 50% price reduction and the more powerful Toughpad 4K Performance.

Within education the order back log from China and Korea has strengthened significantly over the last few months and we expect larger volumes in the coming quarters.



Stein Revelsby
CEO, Anoto Group

A partner driven business model

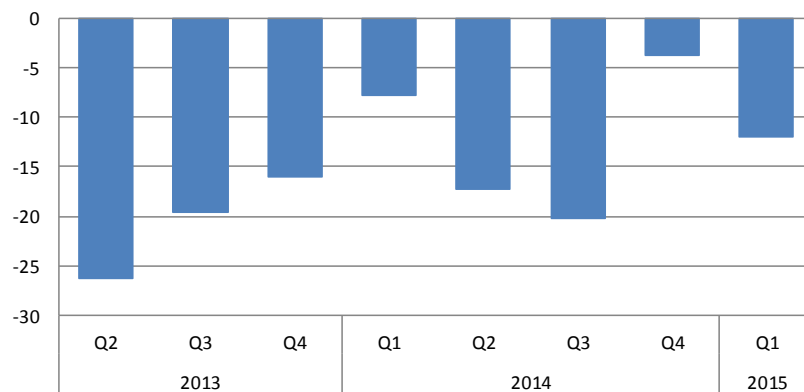
Anoto's business is organized in three business areas: Anoto Enterprise Solutions, Technology Licensing (education, note taking, voting, interactive touch displays) and C Technologies. These three areas generate income in five different categories - licensing, royalty, digital pens, components, NRE (Non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

Net sales per product group

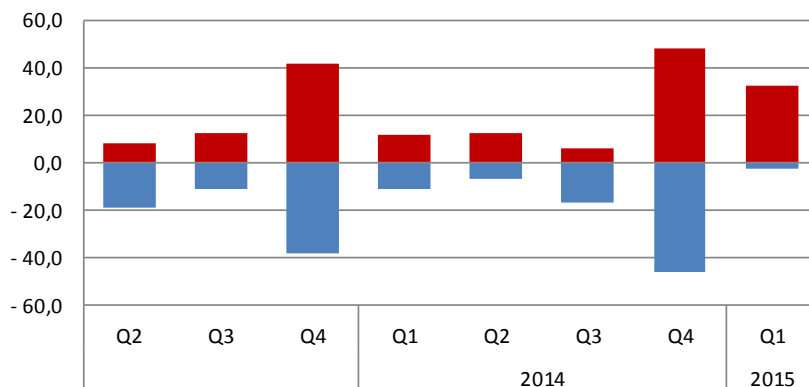
MSEK	2015	2014	2014
	Jan-Mar	Jan-Mar	Jan-Dec
Licenses	13	12	29
Royalty	2	4	15
Digital pens*	20	16	82
NRE	6	2	5
Other	2	3	10
Total	43	37	141

* Digital pens include the C-Pen

EBITDA 2013-2015 (MSEK)



Cash flow 2012-2014 (MSEK)



■ Cash flow from operating activities ■ Cash flow from other activities

ANOTO ENTERPRISE SOLUTIONS

Anoto Enterprise Solutions focuses on systems, products and services that target businesses, primarily in the field of forms processing, document management and signature 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 quarter were MSEK 31, which is MSEK 2 above net sales during the same period last year. We shipped approximately 5,400 pens to partners and customers within Enterprise solutions in this quarter.

UK

Anoto was awarded a contract with Welsh Ambulance Service Trust (WAST) to roll-out 1,700 digital pens to ambulance crews across Wales. The deal was led by Vodafone UK, and follows a highly successful pilot of Anoto's digital writing technology with paramedics at the Swansea Ambulance station in 2013. The total contractual value for Anoto was MSEK 10. Each year in Wales, around 500,000 patient clinical records are completed by WAST's ambulance crews. As well as leaving a copy of the form with the patient at home or hospital a duplicate paper copy of the form is filed by the ambulance clinician at the end of their shift. These forms are transported to the WAST clinical audit department for scanning and data verification. This current process can take a considerable time and the management team at WAST need more timely clinical data on their interaction with patients in order to share information across the NHS, as well as drive and measure improvements in patient care.

Our market presence were also expanded in England and Scotland, especially in the healthcare sector where we launched a new initiative "Decision Support Tool" for Community Care Groups. Also Croydon Health Services NHS Trust successfully applied for funding from the Nursing Technology Fund to acquire 400 Anoto DP201 digital pens for use in the Community. Anoto Partner, Magicomm Limited has been selected and awarded a three year agreement to integrate their OpenForms platform with the ePEX community health system from Ascribe that recently joined forces with EMIS. In parallel we experienced a growing demand from the commercial sector where our technology is applied for inspection forms and education purposes.

Starting May 4th we hired a new Sales Manager for Anoto UK.

India

Anoto announced that it has received an order from Trata Solutions (P) Ltd for a minimum of 12,000 Digital pens and Anoto Live™ forms licenses. Total order value is approximately SEK 14 million and the order will be delivered in full by December 31st, 2017. The first shipment has already been made. Based in Mumbai (India), Trata Solutions is launching a revolutionary new service under the My Aarogya label. This service will enable the rapid and automated transmission of accurate information from a physician to a pharmacist or a lab or various such service providers. Similarly, it will enable "anytime-anywhere" access for a consumer to his or her medical information.

Japan

In Japan we are working with partners Dai Nippon Printing (DNP) and Hitachi with a special focus on a large opportunity within insurance following the successful installation at Taiyo Insurance in 2012. DNP also successfully launched the LaboNote project for personal note taking resulting in initial orders.

	2015	2014	2014
MSEK	Jan-Mar	Jan-Mar	Jan-Dec
Net sales	31	29	93
Gross profit	21	21	64

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 10, which is MSEK 4 above the same period last year.

OEM Displays

A major project with one of the world's largest IT companies is progressing well and product development went in parallel with contract negotiations throughout the first quarter. Operating expenses were higher and gross margin was lower in Q1 compared to the previous quarter due to the extra resources, consultants, materials and testing related to the project that has been needed to meet tight deadlines and the increasing scope of the project. We expect to make the first public announcement about this project later in Q2.

Large Format Displays

Anoto introduced its first large format interactive display prototype, a 65" UHD 4K display with touch and precision pen input at the ISE tradeshow in Amsterdam in February. We are now working with partners to do a commercial launch of a similar product at InfoComm Expo in Orlando FL in June. We expect the market for large displays to grow fast when businesses are starting to convert from projectors to interactive displays in meeting rooms and board rooms. Anoto's solution will primarily be sold via OEM customers and will be combined with We-Inspire software and features like palettes and digital paper.

Panasonic

Panasonic sales has so far been a disappointment but we expect sales to pick up with the release of the upgraded versions Toughpad 4K Standard at a 50% price reduction (2,999 USD) and the more powerful Toughpad 4K Performance in July. Panasonic announced the updates on April 13th. Now featuring a 5th Generation Intel® Core™ i5 vPro™ processor, as well as HDMI 2.0 input to enhance efficiencies in professional video applications— and priced within reach of a greater range of businesses – it is targeting productivity in fields such as video editing, architecture, design, photography and healthcare.

Education

As announced, SOLiDEdu, inc. in Korea, a subsidiary of SOLiD to providing value added dot-pattern based products and services, has entered into a contract with one of the largest publishing houses in Korea to convert its learning material into digital workbooks using Anoto's digital writing technology. The initial order is for 50,000 digital pens and is via partner Pen Generations, Inc. (www.pengenerations.com) who has specialized in developing products together with leading solution providers to the education industry. The application is an interactive multimedia education solution, connecting digital pen, paper workbooks and tablets, which allows for more efficient learning and better individual progress.

Expected deliveries to TStudy China slipped from Q1 into Q2 but the company has an increasing order back log and we are currently in discussions with partner Pen Generations about production planning and delivery schedule for the rest of 2015.

Smartmatic

Smartmatic purchased 5,000 licenses in Q1.

MSEK	2015	2014	2014
	Jan-Mar	Jan-Mar	Jan-Dec
Net sales	10	7	39
Gross profit	4	6	26

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 2 which is MSEK 1 above 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.

	2015	2014	2014
MSEK	Jan-Mar	Jan-Mar	Jan-Dec
Net sales	2	1	10
Gross profit	1	0	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 2014 annual report. The accounting policies are unchanged from those applied in 2014.

RISK FACTORS AND UNCERTAINTIES

At the close of the quarter, the group's total cash amounted to MSEK 33 which is an increase by MSEK 29 compared to year-end of 2014.

The management believes that the working capital per April 1st, including the conversion of the convertible loan in February and the private placement of shares in March is sufficient for the Company's needs for the next twelve months. Based upon this the management and the Board believes that the financial statements shall be prepared applying the going concern principle. However if projects and larger deals get delayed and the Company's earnings capacity is not improved it may be necessary to ask shareholders for the approval to secure more financing with or without deviation from the shareholders preferential rights. The Company may also ask shareholders for the approval to secure more financing to be able to capitalize on larger opportunities and secure higher growth in revenues.

No significant additional risks are deemed to have arisen beyond those described in the 2014 annual report for the Anoto Group. (Please see Note 4 in the Annual report 2014 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 0.3 during 2015. All transactions have been made on normal commercial conditions.

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. Transactions with companies Smartmatic amounts to MSEK 1.2 during 2015. All transactions have been made on normal commercial conditions.

TRANSACTIONS AND ACTIVITIES AFTER MARCH 31, 2015

As previously announced, Pen Generation and TStudy China have placed orders for a total of 110,000 pens following the end of the quarter.

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 amounts to 827,145,485.

The conversion of convertible bonds in February increased the number of shares by 49,166,659. The bonds were converted at SEK 0.36, equivalent to a discount of 15% of the volume weighted average price of the stock during the 10 days prior to conversion.

The private placement of 79,625,292 shares on March 23, place through a book building process, was completed at a price of 0.427 SEK, equal to eight (8) percent discount to the closing price on March 20, 2015. The total capital injection amounted to 34 MSEK before expenses.

OPTION PROGRAM

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

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 May 8, 2015.

A webcast of the Q1 report will be available from 09.00 on May 8, 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 2015

AGM	21 st of May
Q2 report	14 th of August
Q3 report	6 th of November
Q4 report	February 2016

FOR MORE INFORMATION

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FINANCIAL REPORTS

Condensed statement of comprehensive income

TSEK	2015	2014	2014
	Jan-Mar	Jan-Mar	Jan-Dec
Net sales	43,128	37,074	141,465
Cost of goods and services sold	-17,796	-10,138	-48,626
Gross profit	25,332	26,936	92,839
Sales, administrative and R&D costs	-38,826	-38,622	-157,318
Other operating income/cost*	110	-790	-4,188
Operating profit/loss	-13,384	-12,476	-68,667
Other financial items*	7,752	-422	5,177
Profit before taxes	-5,632	-12,898	-63,490
Taxes	-8	-6	639
Profit/loss for the period	-5,640	-12,904	-62,851
Other comprehensive income			
Translation differences for the period	-11,015	-302	-8,841
Other comprehensive income for the period	-11,015	-302	-8,841
Total comprehensive income for the period	-16,655	-13,206	-71,692
Total Profit/loss for the period attributable to:			
Shareholders of Anoto Group AB	-5,127	-13,639	-62,038
Non controlling interest	-513	735	-813
Total Profit/loss for the period	-5,640	-12,904	-62,851
Total comprehensive income for the period attributable to:			
Shareholders of Anoto Group AB	-15,330	-13,027	-69,337
Non controlling interest	-1,325	-179	-2,355
Total comprehensive income for the period	-16,655	-13,206	-71,692
Key ratios:			
Gross margin	58.7%	72.7%	65.6%
Operating margin	Neg	Neg	Neg
Earnings per share before and after dilution	-0.01	-0.03	-0.13
Average number of shares before and after dilution**	730,299,839	428,752,205	473,688,069

* Including FX gains/losses on internal balances, earlier reported as "Other operating income/cost". Comparison numbers has been restated.

** excluding share-options granted

Consolidated balance sheet in summary

TSEK	2015-03-31	2014-12-31
Intangible fixed assets	82 097	78 972
Tangible assets	2 021	2 046
Financial fixed assets	4 495	4 482
Total fixed assets	88 613	85 500
Inventories	10 742	20 553
Accounts receivable	28 912	36 979
Other current assets	24 022	19 916
Total short-term receivables	52 934	56 895
Liquid assets, including current investments	33 353	3 909
Total current assets	97 029	81 357
Total assets	185 642	166 857
Equity attributable to shareholders of Anoto Group AB	113 867	78 242
Non controlling interest	-17 523	-16 198
Total equity	96 344	62 044
Loans	0	0
Other long term liabilities	0	2 124
Total long-term liabilities	0	2 124
Provisions	304	497
Loans*	18 810	35 875
Other current liabilities	70 184	66 317
Total current liabilities	89 298	102 689
Total liabilities and shareholders equity	185 642	166 857

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 2014	7,797	884	578,661	7,480	-512,165	82,657	-16,770	65,887
Profit/loss for the year					-62,038	-62,038	-813	-62,851
Other comprehensive income				-7,299		-7,299	-1,542	-8,841
Total comprehensive income	0	0	0	-7,299	-62,038	-69,337	-2,355	-71,692
Convertible bonds					542	542		542
Acquisition				-2,927		-2,927	2,927	0
New share issue	6,170	-884	62,021	0	0	67,307	0	67,307
Ongoing new share issue						0		0
Closing balance 31 December 2014	13,967	0	640,682	-2,746	-573,661	78,242	-16,198	62,044
Profit/loss for the year					-5,127	-5,127	-513	-5,640
Other comprehensive income				-10,203		-10,203	-812	-11,015
Total comprehensive income	0	0	0	-10,203	-5,127	-15,330	-1,325	-16,655
Convertible bonds - conversion	983		16,627			17,610		17,610
Share issues	1,593	0	31,752	0	0	33,345	0	33,345
Closing balance 31 Mar 2015	16,543	0	689,061	-12,949	-578,788	113,867	-17,523	96,344

Consolidated Cash flow statement in summary

TSEK	2015	2014	2014
	Jan-Mar	Jan-Mar	Jan-Dec
Profit/loss after financial items	-5 632	-12 898	-63 490
Depreciation, amortisation	1 416	4 414	7 283
Other items not included in cash flow	-202	-1 268	961
Items not included in cash flow	1 214	3 146	8 244
Cash flow from operating activities before changes in working capital	-4 418	-9 752	-55 246
Change in operating receivables	-5 167	10 063	-9 086
Change in inventory	9 811	5 818	7 432
Change in operating liabilities	1 755	-18 819	-35 242
Cash flow from operating activities	1 981	-12 690	-92 142
Cash flow from net capital expenditures	-4 466	-2 016	-5 958
Total cash flow before financing activities	-2 485	-14 706	-98 100
New share issue	33 345	15 162	76 515
Convertible loan	-1 416	0	18 486
Cash flow from financing activities	31 929	15 162	95 001
Cash flow for the period	29 444	456	-3 099
Liquid assets at the beginning of the period	3 909	7 008	7 008
Liquid assets at the end of the period	33 353	7 464	3 909

Key ratios

TSEK	2015	2014	2014
	Jan-Mar	Jan-Mar	Jan-Dec
Cash flow for the period	29,444	456	-3,099
Cashflow / share before and after dilution (SEK) ¹	0.04	0.00	-0.01
		3/31/2015	12/31/2014
Equity/assets ratio		61.3%	46.9%
Number of shares		827,145,485	698,353,534
Shareholders equity per share (kr)		0.14	0.11

¹ Based on the weighted average number of shares and outstanding warrants for each period. Only warrants for which 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	2015	2014	2014
	Jan-Mar	Jan-Mar	Jan-Dec
Net sales	2 867	1 326	9 556
Gross profit	2 867	1 326	9 556
Administrative costs	-1 972	-1 201	-6 728
Operating profit	895	125	2 828
Profit/loss from shares in Group companies	0	0	-37 000
Financial items	-634	-5	-2 576
Profit for the period	261	120	-36 748

Parent company, balance sheet in summary

TSEK	2015-03-31	2014-12-31
Intangible fixed assets	131	149
Financial fixed assets	114 385	114 385
Total fixed assets	114 516	114 534
Other short-term receivables	93 183	71 996
Liquid assets, including current investments	13 308	120
Total current assets	106 491	72 116
Total assets	221 007	186 650
Equity	214 266	162 828
Loans	0	17 700
Other current liabilities	6 741	6 122
Total liabilities and shareholders equity	221 007	186 650