



Anoto Group, January – September 2007 Interim Report

- Third quarter sales rose by 52% to SEK 38 million (25). January-September sales totalled SEK 124 million (79).
- The group's gross margin for the third quarter was 83% (70), while the gross profit was up by 81% to SEK 31 million (17). The gross margin for January-September was 76% (76), while the gross profit was SEK 94 million (60).
- Earnings before depreciation and amortisation for the third quarter were SEK 1 million (–28) and SEK 6 million (–75) for January-September.
- Earnings after taxes were SEK –1 million (–33) for the third quarter and SEK –5 million (–93) for January-September.
- Earnings per share totalled SEK –0.01 (–0.26) for the third quarter and SEK –0.04 (–0.73) for January-September.
- Cash flow amounted to SEK –8 million (–42) for the third quarter and SEK –20 million (–7) for January-September.

Operations

- Active forms users numbered approximately 92,000, up 38% from the previous quarter and 119% from a year ago.
- The large increase in forms users stemmed primarily from two orders by Order-Made Souyaku in Japan totalling 20,000 user licences. New orders were also announced in both the United States and Europe during the quarter.
- LeapFrog, one of Anoto's partners, launched its Fly Fusion Pentop Computer during the quarter.



A word from CEO Anders Norling

Sales and earnings continue to improve

We experienced a substantial improvement again in the third quarter. Sales increased by 52% and gross profit by 81% from the third quarter of 2006.

The combination of sharply higher sales and successful cost control efforts boosted earnings from SEK –33 million in the third quarter of 2006 to SEK –1 million in the third quarter of 2007. While we still reported a loss of SEK –5 million for January-September, earnings before depreciation and amortisation were SEK 6 million. I am pleased to note that Anoto is approaching a time when our finances will be in balance and we can focus on more rapid growth.

Record quarter for Forms Solutions

The number of new Forms Solutions users rose by 25,000, or 38%, in the third quarter. A large percentage of the quarter's growth was attributable to two orders totalling 20,000 user licences by Order-Made Souyaku, a Japanese partner. Most of our other sales came from Europe and the United States. We also announced new orders during the quarter that will contribute to sales going forward. For instance, the City of Stockholm decided to use our digital pens to simplify the collection of elderly care data, while Adapx – a U.S. partner – launched a solution for the collection of field data.

During the first nine months this year, we have put our new strategy for Forms Solutions in place. Anoto will take greater responsibility for packaging our products. As a result, we established a new organisation in September 2007 to focus on Forms Solutions. Our effort to develop a supplementary, more flexible technology platform, as well as new products, in cooperation with new and existing partners is proceeding according to plan. The emphasis on Forms Solutions in a limited number of application areas (verticals) is starting to bear fruit. We expect that sales will begin increasing in 2008 as a result and that we will attract new partners in verticals for which Anoto technology offers clear advantages.

Interactive Media launches

Our cooperation with LeapFrog (www.leapfrog.com) is proceeding well. LeapFrog has begun marketing its new Fly Fusion Pentop Computer, and sales went according to plan in the third quarter. Given that a major advertising campaign started after the end of the quarter to boost Christmas sales, we are hoping for continued good progress in the fourth quarter.

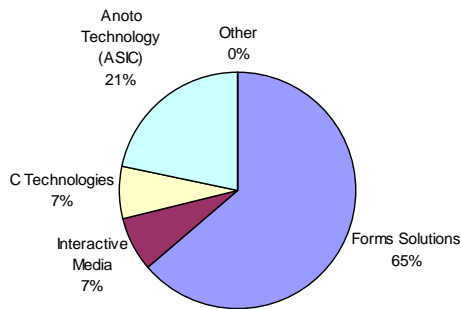


Organisation

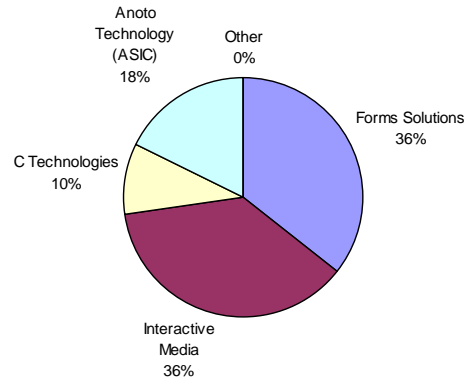
The Content and Applications business unit has been phased out, leaving Anoto's traditional organisation. The organisation is broken down into five application areas.

- Forms Solutions
- Interactive Media
- Personal Productivity
- Anoto Technology (ASIC)
- C Technologies

Net sales per application area July-Sept 2007

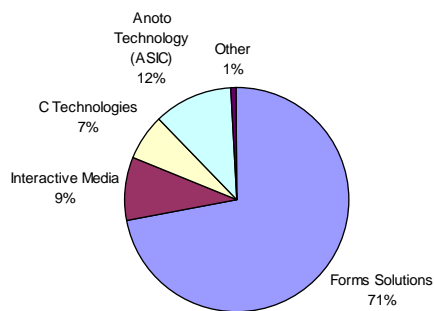


Net sales per application area Jan-Sept 2007

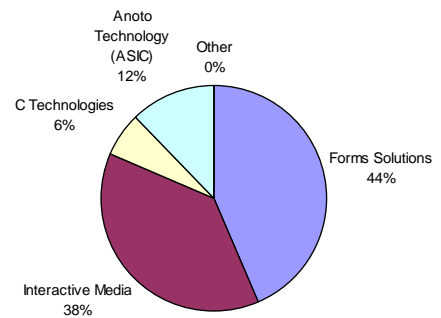


Forms Solutions accounted for 65% of third quarter sales, which is the highest share that so far has been achieved.

Gross profit per application area July-Sept 2007



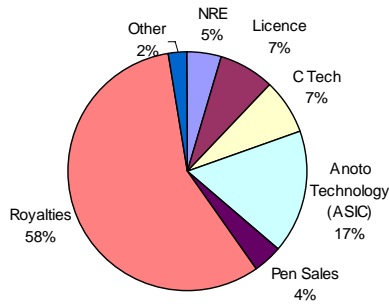
Gross profit per application area Jan-Sept 2007



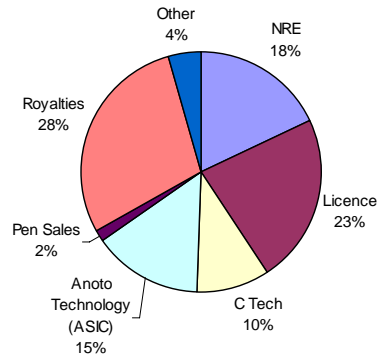


Due to its high gross margin, Forms Solutions contributed 71% of Anoto's gross profit for the third quarter.

Net sales per revenue category July-Sept 2007



Net sales per revenue category Jan-Sept 2007

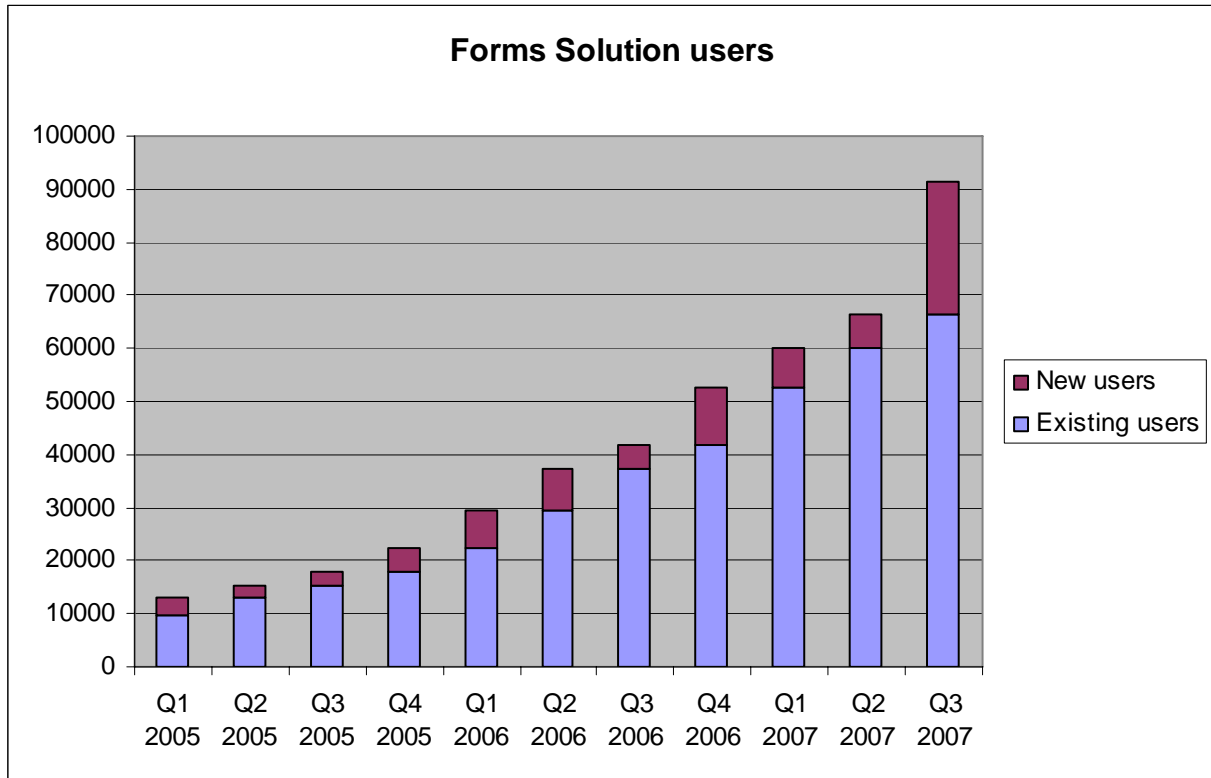


Income from ongoing royalties and product sales (Royalties, C Tech, ASIC, Pen Sales and Other) accounted for 84% of net sales in the third quarter. Sales of the proprietary Anoto forms pen began during the previous quarter and are reported under Pen Sales.

Forms Solutions

The Forms Solutions application area focuses on systems, products and services that target businesses, primarily in the field of forms processing. Among Anoto's partners are system integrators, software developers and IT consulting firms, all of which offer customised solutions with Anoto functionality to their corporate customers. Anoto's strategy is to market and supply its products and services through these partners. Anoto's income is based on the use of digital pens per unit of time.

Active forms users numbered approximately 25,000, up by 119% from the third quarter of 2006 and 38% from the second quarter of 2007. The large increase in forms users stemmed primarily from two orders by Order-Made Souyaku in Japan totalling 20,000 user licences. New orders were also announced in both the United States and Europe during the quarter.



Interactive Media

The Interactive Media application area uses Anoto technology for products based on a combination of digital material (books, cards and the like) and a digital pen that enables immediate feedback by means of voice, audio, etc. The concept supports learning and teaching products that are simple, intuitive and entertaining for the user.

Activity at Interactive Media was very brisk, including LeapFrog's launch of the FLY Fusion Pentop Computer and closer cooperation with both Dai Nippon Printing in Japan and LiveScribe, our new U.S. partner.

LeapFrog launched its FLY Fusion Pentop Computer this autumn as a successor to the FLY Pentop Computer. FLY Fusion, which targets students age 10 and up, contains an entire set of applications for homework assistance, note taking, etc. FLY Fusion sells for \$79.99, while applications may be purchased for anywhere from \$1.99 to \$29.99 each. Sales went according to plan in the third quarter and are expected to improve in the fourth quarter now that major advertising campaigns have begun.

Personal Productivity

The Personal Productivity application area focuses on developing and marketing products that make it easier for people to communicate and be efficient in their daily activities. Offering such products through its partners, Anoto targets the end-customer. Digital pens, as well as PC and mobile phone applications, are all included.

Sales of notebook solutions to end-customers are proceeding modestly.



Anoto Technology

The Anoto Technology application area develops and markets basic Anoto technology as ASICs and IP blocks. The area supplies or licenses Anoto modules, components and function blocks for integration with the customer's products or components, such as other pen-like units, mobile phones and mobile phone accessories or components.

Mobile phones containing Anoto's IP block for video technology were sold to end-customers during the quarter. Anoto obtains royalties based on the number of phones sold. The resulting impact on sales and earnings will be considerable.

Having identified ongoing business opportunities at Anoto Technology, we are actively targeting both new and existing customers.

C Technologies

The products of the C Technologies application area, of which the C-Pen scanning pen is the best known, are based on the integration of digital camera technology with leading-edge image processing in products characterised by energy efficiency and high performance.

C-Pen 20 sales are proceeding as planned. The rollout of the previously announced order from China has begun but is behind the original schedule. That contributed to low sales during the quarter. Development of additional new C-Pen 20 applications has begun.



Anoto Group AB – the third quarter of 2007 in figures

Sales and earnings for the third quarter (July-September)

Third quarter sales rose by 52% to SEK 38 million (25). Substantially higher sales at Forms Solutions accounted for the increase.

The gross profit was up by 81% to SEK 31 million (17), while the gross margin was 83% (70). The higher gross margin was due to the large percentage of licence revenue for Forms Solutions, which has a 90-100% gross margin.

Earnings before depreciation and amortisation were SEK 1 million (–28).

Sales, administrative and research costs, amounted to SEK –33 million (–52), of which amortisation accounted for SEK –3 million (–7). The decrease from the third quarter of 2006 was primarily due to the phase-out of the Content and Applications business unit in Oakland, California with expenses of SEK 0 million (–10).

The third quarter operating loss was SEK –2 million (–35).

Cash flow for the third quarter (July-September)

Cash flow from operating activities totalled SEK –3 million (–39) for the third quarter. Cash flow was detrimentally affected by stockpiling of pens for sale in the amount of approximately SEK –2 million (0).

SEK –7 million (–2) in net investments affected the quarter's cash flow of SEK –8 million (–42). A total of SEK 4 million (0) was invested during the quarter for Anoto AB's 20% interest in Anoto Taiwan.

Financing and liquidity

At the close of the third quarter, the group's liquid assets, including current investments, amounted to SEK 160 million (204).

Anoto Group AB

As a pure holding company, Anoto Group AB has a limited number of corporate functions and employees. Third quarter sales were SEK 5 million (9), while the pre-tax profit was SEK 0 million (2). At the close of the quarter, liquid assets, including current investments, amounted to SEK 90 million (172). Investments came to SEK 0 million (0).

Accounting policies

This interim report was prepared in accordance with IAS 34, Interim Financial Reporting. For information about the accounting policies applied, refer to the 2006 annual report. The accounting policies are unchanged from those applied in 2006.

Risk factors and uncertainties

No significant additional risks are deemed to have arisen beyond those described in the 2006 annual report for the Anoto Group (refer to Note 5 for a detailed presentation of the company's risk exposure and management).

Share data

The Anoto Group share is quoted on the Mid Cap list of the OMX Nordic Exchange in Stockholm. Shares numbered 128,538,867 at the end of the third quarter, in addition to which 4,289,760 warrants were outstanding, of which 0 were deemed to have a value as of 30 September 2007.



Shareholders

Anoto Group shareholders totalled 8,246 at the end of the third quarter. Foreign investors held 57%, and institutional and industrial investors 88%, of the shares. Norden Technology AS, Swedbank Robur Fonder, SEB Enskilda ASA, Barclays Bank, DNB and First Securities ASA were the largest shareholders as of 30 September, controlling 49% of Anoto Group shares.

Option programmes

The parent company has issued options as part of various incentive programmes. In connection with the initiative for the Content and Applications business unit in Oakland, California, 2.9 million employee share options were issued during 2005 and 2006 in that area. Now that the business unit has been phased out and all employees have been transferred, the options will not be exercised and their costs will no longer affect group earnings. The 2007 annual general meeting approved two new programmes totalling 1,150,000 employee share options, of which 440,000 have been issued. Full exercise of all remaining programmes would result in dilution of about 4%.

Outlook for 2007

Group

The licence agreement with LiveScribe Inc. in the Content and applications area, as well as the reorganisation of the Anoto Technology (ASIC) application area, has enabled a greater focus and effort when it comes to the Forms Solutions application area. Thus, Anoto anticipates continued substantial growth in the number of active Forms Solutions users during 2007.

Upcoming interim reports

Press release of unaudited 2007 earnings	7 February 2008
Annual general meeting	15 May 2008

The company's auditors have not reviewed this report.

Lund, 7 November 2007

Anders Norling
CEO

Profit & Loss Statement
The Group

(SEK thousand)	Note	Q3		Q1 - Q3		Year	
		July - Sept 2007	July - Sept 2006	Jan - Sept 2007	Jan - Sept 2006	Jan - Dec 2006	Jan - Dec 2005
Net sales		37 551	24 639	123 748	79 402	108 725	113 230
Costs of goods and services sold		(6 426)	(7 453)	(29 461)	(19 084)	(30 321)	(33 835)
Gross profit/loss		31 125	17 186	94 287	60 318	78 404	79 395
Sales, administrative and research costs		(32 647)	(51 883)	(101 116)	(154 209)	(210 223)	(159 162)
Share of earnings in associated companies		-	-	-	-	-	(8)
Other operating income		-	-	-	-	-	-
Operating profit/loss		(1 522)	(34 697)	(6 829)	(93 891)	(131 819)	(79 775)
Share of earnings in group companies		-	-	(123)	(769)	(769)	70 457
Other financial items		1 260	1 599	2 649	1 737	794	(4 446)
Profit/loss after financial items		(262)	(33 098)	(4 303)	(92 923)	(131 794)	(13 764)
Minority share		(212)	-	(289)	-	41	-
Profit/loss before taxes		(474)	(33 098)	(4 592)	(92 923)	(131 753)	(13 764)
Taxes		(344)	8	(708)	(367)	(1 208)	(120)
Profit/loss for the period		(818)	(33 090)	(5 300)	(93 290)	(132 961)	(13 884)
<i>Profit/loss from ongoing operations</i>		<i>(818)</i>	<i>(21 708)</i>	<i>(5 300)</i>	<i>(57 971)</i>	<i>(80 602)</i>	<i>(7 831)</i>
<i>Profit/loss for the period from closed operations</i>	1	<i>-</i>	<i>(11 382)</i>	<i>-</i>	<i>(35 319)</i>	<i>(52 359)</i>	<i>(6 053)</i>
Key ratios							
Gross profit		82,9%	69,8%	76,2%	76,0%	72,1%	70,1%
Operating margin		Neg	Neg	Neg	Neg	Neg	Neg
Earnings per share (SEK) ¹		(0,01)	(0,26)	(0,04)	(0,73)	(1,03)	(0,11)
Earnings per share after dilution (SEK) ¹		(0,01)	(0,26)	(0,04)	(0,73)	(1,03)	(0,11)

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.



Summary of Balance Sheet

(SEK thousand)	The Group			
	2007-09-30	2006-09-30	2006-12-31	2005-12-31
Intangible fixed assets	336 414	348 654	343 324	357 536
Tangible assets	3 614	5 343	3 512	3 568
Financial fixed assets	8 999	5 190	5 080	5 346
Other current assets	60 847	48 214	45 220	128 200
Liquid assets, including current investments	159 854	204 219	179 841	211 490
Total assets	569 728	611 620	576 977	706 140
Equity attributable to shareholders of Anoto Group AB	454 280	494 810	458 237	555 690
Equity attributable to minority interests	2 289	4 231	1 959	-
Long-term provisions	-	#REF!	4 150	4 231
Interest-bearing liabilities	-	-	578	-
Current provisions	3 154	3 437	1 529	28 021
Other current liabilities	110 005	109 142	110 524	118 198
Total liabilities and shareholders' equity	569 728	#REF!	576 977	706 140

Change in shareholders' equity

	The Group			
	Jan - Sept 2007	Jan - Sept 2006	Jan - Dec 2006	Jan - Dec 2005
Opening balance	460 196	555 690	555 690	385 629
Issue of new shares	-	27 261	28 596	365
Changes in minority interest	330	-	1 959	181 859
Recovered VAT for underwriting expenses	-	-	-	175
Costs of granting options	3 398	5 406	7 896	1 190
Translation differences	(2 055)	(257)	(980)	356
Profit/loss for the period	(5 300)	(93 290)	(132 965)	(13 884)
Closing balance	456 569	494 810	460 196	555 690

Cash Flow Statement

(SEK thousand)	The Group					
	July - Sept 2007	July - Sept 2006	Jan - Sept 2007	Jan - Sept 2006	Jan - Dec 2006	Jan - Dec 2005
Profit/loss after financial items	(262)	(33 099)	(4 303)	(92 924)	(131 798)	(13 764)
Adjustment for items not included in cash flow	-	-	-	-	-	-
Change in provisions	(1 175)	(5 915)	(2 883)	(24 584)	(26 215)	(931)
Depreciation, amortisation and write-downs	2 724	6 663	12 631	19 312	28 317	26 299
Profit on shares in Group and associated companies	-	-	-	-	4	(70 449)
Costs of granting options	634	1 385	3 398	5 406	7 896	1 190
Other financial items	(1 260)	(1 599)	(2 649)	(1 737)	(794)	4 446
Taxes paid	(344)	8	(708)	(367)	(295)	(114)
Cash flow from operating activities	-	-	-	-	-	-
before change in working capital	317	(32 557)	5 486	(94 894) #	(122 885)	(53 323)
Change in working capital	(2 857)	(9 330)	(16 352)	70 931	73 642	60 251
Cash flow from operating activities	(2 540)	(41 887)	(10 866)	(23 963)	(49 243)	6 928
Net investments	(6 631)	(2 154)	(9 760)	(12 169)	(14 190)	(14 933)
Total cash flow before financing activities	(9 171)	(44 041)	(20 626)	(36 132)	(63 433)	(8 005)
Financing activities	-	-	-	-	-	-
Issues of new shares	-	-	-	27 261	28 596	187 635
Cost of issues of new shares	-	-	-	-	-	(5 776)
Change in long-term liabilities	7	-	(14)	-	578	-
Capital from minority interests	-	-	-	-	2 000	-
Other financial items	1 260	1 599	2 649	1 737	794	(4 446)
Recovered VAT for underwriting expenses	-	-	-	-	-	175
Other items	(99)	3	(1 996)	(137)	(184)	81
Cash flow for the period	(8 003)	(42 439)	(19 987)	(7 271)	(31 649)	169 664
Liquid assets at the beginning of the period*	167 857	-	179 841	211 490	211 490	41 826
Liquid assets at the end of the period*	159 854	(42 439)	159 854	204 219	179 841	211 490
<i>Cash flow from ongoing operations</i>	-	-31986	(19 987)	26 870	17 686	175 717
<i>Cash flow from closed operations</i>	2	(10 453)	-	(34 141)	(49 335)	(6 053)

*Cash, bank balances and current investments with a duration of less than 6 months



Key ratios

The Group

	July - Sept 2007	July - Sept 2006	Jan - Sept 2007	Jan - Sept 2006	Jan - Dec 2006	Jan - Dec 2005
Cash flow for the year (KSEK)	(8 003)	(42 439)	(19 987)	(7 271)	(31 649)	169 664
Cash flow per share (SEK) ²	(0,06)	(0,33)	(0,16)	(0,06)	(0,25)	1,42
Cash flow per share after dilution (SEK) ²	(0,06)	(0,33)	(0,16)	(0,06)	(0,25)	1,40

	2007-09-30	2006-09-30	2006-12-31	2005-12-31
Equity/assets ratio	79,7%	80,9%	79,4%	78,7%
Number of shares ³	128 583 867	128 583 867	128 583 867	128 744 414
Shareholders' equity per share (SEK) ³	3,53	3,85	3,56	4,32

2 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.

3 Including outstanding warrants (07-09-30: 0, 06-09-30: 0; 05-12-31: 2 209 213)
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
Profit & Loss Statement**

(SEK thousand)	July - Sept 2007	July - Sept 2006	Jan - Sept 2007	Jan - Sept 2006	Jan - Dec 2006	Jan - Dec 2005
Net sales	5 006	8 796	19 977	33 648	41 513	34 591
Gross profit	5 006	8 796	19 977	33 648	41 513	34 591
Administrative costs	(5 428)	(4 958)	(20 276)	(26 869)	(32 743)	(33 773)
Operating profit	(422)	3 838	(299)	6 779	8 770	818
Financial items	858	(1 993)	2 786	(3 720)	(120 906)	(421 383)
Profit for the period	436	1 845	2 487	3 059	(112 136)	(420 565)
Earnings per share before dilution (SEK)	0,00	0,01	0,02	0,02	(0,87)	(3,27)
Earnings per share after dilution (SEK)	0,00	0,01	0,02	0,02	(0,87)	(3,27)

**Parent Company
Summary of Balance Sheet**

(SEK thousand)	2007-09-30	2006-09-30	2006-12-31	2005-12-31
Intangible fixed assets	800	744	792	752
Tangible assets	136	172	190	89
Financial fixed assets	344 700	344 700	344 700	344 700
Other current assets	24 534	55 591	3 615	3 057
Liquid assets, including current investments	90 026	172 453	143 570	259 880
Total assets	460 196	573 660	492 867	608 478
Equity	453 567	564 966	451 080	534 631
Provisions	-	-	-	1 790
Other current liabilities	6 629	8 694	41 787	72 057
Total liabilities and shareholders' equity	460 196	573 660	492 867	608 478



Note 1 Closed operations - Profit & Loss

	July - Sept 2007	July - Sept 2006	Jan - Sept 2007	Jan - Sept 2006	Jan - Dec 2006	Jan - Dec 2005
Net sales	-	752	-	752	752	-
Costs from operations	-	(12 134)	-	(35 695)	(52 150)	(6 053)
Loss from disposal of assets	-	-	-	-	-	-
Loss before taxes	-	(11 382)	-	(34 943)	(51 398)	(6 053)
Income tax	-	-	-	(376)	(480)	-
Loss for the year from closed operations	-	(11 382)	-	(35 319)	(51 878)	(6 053)

Note 2 Closed operations - Cash flow

	July - Sept 2007	July - Sept 2006	Jan - Sept 2007	Jan - Sept 2006	Jan - Dec 2006	Jan - Dec 2005
Profit/loss after financial items	-	(11 382)	-	(34 943)	(51 399)	(6 053)
Depreciation	-	357	-	890	1 107	-
Costs of granting options	-	1 385	-	3 550	4 937	-
Taxes paid	-	-	-	(376)	(480)	-
Investments	-	(813)	-	(3 262)	(3 500)	-
Cash flow for the period	-	(10 453)	-	(34 141)	(49 335)	(6 053)

For more information

You are welcome to take part in Anoto's upcoming teleconference for media and financial analysts at 10.00 CET on Wednesday, 7 November.

Date: Wednesday, 7 November 2007
 Time: 10.00 CET
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The 2006 annual report is available at www.anoto.com. Although the report will not be printed, a printout of the digital version may be ordered from the company.

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