

Interim Report

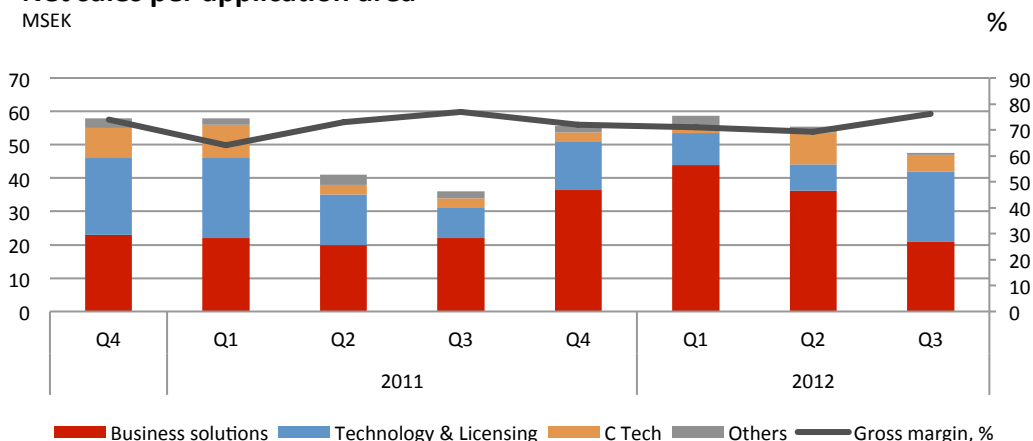
JANUARY – SEPTEMBER 2012

Interim Report January – September 2012

- Net sales in the period amounted to MSEK 158 (135) and net sales in the third quarter amounted to MSEK 47 (36).
- The gross margin for the period was 73% (71) and gross margin for the third quarter was 76% (77). The gross profit for the period was MSEK 115 (95) and gross profit in the third quarter was MSEK 36 (28).
- Earnings before depreciations and amortizations (EBITDA) in the first nine months was MSEK -7 (-1) and EBITDA for the third quarter was MSEK -6 (-1).
- The result after tax for the period was MSEK -21 (-243) and the result after tax for the third quarter was MSEK -11 (-234).
- Earnings per share before and after dilution for the first nine months was SEK -0,16 (-1,89) and for the third quarter SEK -0,08 (-1,79).
- The cash flow during the first nine months was MSEK -13 (-50) and the cash flow for the third quarter was MSEK -3 (-21).

Key ratios	2012	2011	2012	2011	2011
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Net sales, MSEK	47	36	158	135	192
Gross profit/loss	36	28	115	95	137
Gross margin, %	76	77	73	71	71
Operating profit/loss, MSEK	-10	-234	-19	-243	-243
Profit/loss after tax, MSEK	-11	-234	-21	-243	-244
Earnings per share					
before and after dilution, SEK	-0,08	-1,79	-0,16	-1,89	-1,89
Cash flow, MSEK	-3	-21	-13	-50	-57
Cash at end of period, MSEK	11	31	11	31	24

Net sales per application area



This report was published November 2, 2012

Comments from the CEO

FROM HARDWARE TO SOLUTIONS

The weak sales within business areas Business Solutions and Education continued from Q2 into Q3. Total revenues for the group were MSEK 47 compared to MSEK 54 in Q2. The sales include MSEK 12,7 (MEUR 1,5) in revenue recognition from the signing of an exclusive agreement with a worldwide partner within a new business area for government applications. The agreement had a positive impact on gross margin at 76% compared with 69% in the second quarter. The net loss was MSEK 11 and the cash flow was MSEK -3.

We continue discussions with our partners to remove friction in the value chain and to improve the packaging of data capture solutions by combining our partners' software with Anoto's hardware and core technology. LIVE PDF is the first step to improve delivery including basic functionality. The next step is to integrate with our leading partners software platforms. In some cases we think this is better achieved through acquisitions (like we have done with Ubisys and Destiny Wireless in the UK). We are therefore actively pursuing merger discussions with several other partners. We have gradually reduced the price of hardware to meet expectations from our partners whilst working to integrate software and comply with the most common interfaces within the different business verticals. This is hurting revenues in the short term until we can compensate with more software and service revenues.

Within business area Education we had a disappointing quarter due to very little business from our OEM partners within interactive whiteboards. TStudy continues to expand its interactive classroom business into public schools in Korea and in order to expand its business into China TStudy has now opened up two offices in the country.

A very exciting partnership was entered into in Q3 with a global company for government applications. Due to product planning and confidentiality we are not yet in a position to disclose any information until next year. The agreement includes a 3 MEUR (MSEK 25,5) payment this year of which MEUR 1.5 (MSEK 12,7) is recognized as revenue in Q3 and MEUR 1,5 (MSEK 12,7) will be recognized as revenue for engineering services and products most likely during 2013.

After the close of Q3 we delivered the earlier communicated order of 3.200 pens to a global insurance company. This is the second large order within insurance this year. Further within insurance, one of the world's leading service providers Mphasis, an HP company, announced to integrate Anoto digital pen technology. They use Anoto digital pen technology to enable insurance agents to capture front-end data such as new applications electronically.

Outlook

In the UK Prime Minister and Health Secretary announced plans to invest £140 million into the NHS, so that nurses and midwives can spend more time with patients. In the proposal, it was announced that £100 million will be offered to spend on new technology. "Digital pens" was explicitly mentioned as an example of the new technology in question. So despite a weak quarter we continue to be optimistic for the future and expect higher growth in the coming quarters both in respect of new customers and as a consequence of higher revenues per customer coming from a consolidation and solutions offering.

Stein Revelsby, CEO Anoto Group

A partner driven business model

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

Net sales per product group

MSEK	2012 Jul-Sep	2011 Jul-Sep	2012 Jan-Sep	2011 Jan-Sep	2011 Jan-Dec
Licenses	7	8	30	25	34
Royalty	5	7	15	23	32
Digital pens*	22	14	93	68	97
Components	1	2	3	7	10
NRE and other	13	5	18	12	20
Total	47	36	158	135	192

* Digital pens include the C-Pen

EBITDA 2010-2012

MSEK



Cash flow 2010-2012

MSEK



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

Business Solutions

Business Solutions focuses on systems, products and services that target businesses, primarily in the field of forms processing 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.

The net sales during the first nine months was MSEK 37 higher than in the same period last year. Excluding entities acquired during 2011/2012 Net sales was MSEK 1 lower than in the first nine months last year. The net sales in the third quarter was MSEK 1 lower than during the same period last year. Excluding entities acquired during the 2011/2012 Net sales was MSEK 5 lower than the same period last year.

The overall performance within Business Solutions during the quarter was below our expectations, especially in the UK where business activity also was affected by the Olympics.

The total volumes during the quarter were in line with previous year but price reductions on hardware undertaken in order to meet expectations from our partners has resulted in lower Net sales.

We are pleased to report though that customer deployments with digital pen are now seen as mission critical with many clients continuing to renew their service contracts for digital pen solutions. Destiny's largest client, who provide a service to the UK Government and process over 25,000 forms a week using digital pens, have renewed their contract for a second time, they have been a Destiny client for six years. In addition Elmfield Training signed up for a new three year deal for over 400 users within work based learning. One of their clients, Morisson Supermarkets put 20,000 workers through training in a four-week period using digital pen and paper solution to shorten processing time.

On the European continent there is an increased interest for DPP solutions within both clinical trials and insurance and after the end of the quarter we announced the delivery of 3200 pens to a large insurance company.

In North America, our partner NextGen Healthcare sees an increased adoption of their "NextPen" solution used with their Electronic Medical Record (EMR) system serving Ambulatory Physician Specialists.

Our Canadian partner Objectif Lune, who operates worldwide through a large reseller network, has integrated the digital pen solution with their software PlanetPress Capture.

We are convinced that we from a long-term strategic point of view are on the right track. Through consolidation of resources and operational efficiency we will secure a higher share of the value chain. We see opportunities to expand into several market verticals with a growing need for workflow improvements and intuitive and effective data capture solutions.

MSEK	2012	2011	2012	2011	2011
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Net sales	21	22	101	64	100
Gross profit	15	17	71	49	75

Technology Licensing

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

The Net sales during the first nine months was MSEK 19 below the same period last year and the Net sales in the third quarter was MSEK12 higher than the same period last year.

A very exciting partnership was entered into in Q3 with a global company for government applications. Due to product planning and confidentiality we are not yet in a position to disclose any information until next year. The agreement includes a MEUR 3 (25,5 MSEK) payment this year of which MEUR 1,5 (MSEK 12,7) is recognized as revenue in Q3 and MEUR 1,5 (MSEK 12,7) will be recognized as revenue for engineering services and products in going forward.

Our partners within Interactive Whiteboards had another disappointing quarter. TStudy continues to expand its interactive classroom business into public schools in Korea and has now opened up two offices in China.

MSEK	2012	2011	2012	2011	2011
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Net sales	21	9	39	58	63
Gross profit	18	8	35	41	48

C Technologies

C Technologies develops, manufactures and sells C-Pen®, a handheld scanner solution with character recognition software. The C-Pen captures printed information such as text, numbers and codes, decodes the information and transfers it to computers and smartphones. The products are made available through the C-Pen brand and as OEM-branded versions.

Net sales for the first nine months was in line with the same period last year and Net sales for the quarter was MSEK 3 higher than in the third quarter last year.

The work to strengthen the product offer and the sales channels is continuously ongoing. Within both product development and marketing and sales, resources are focused towards dyslectics, students in general and schools, where the products are used to simplify reading and enhance understanding and learning.

Within the OEM business, efforts are primarily focused at developing business further with existing partners and to gradually grow into new markets through new partners. The products are continuously developed to increase usability and customer value.

MSEK	2012	2011	2012	2011	2011
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Net sales	5	2	16	16	19
Gross profit	2	1	8	8	9

Anoto Group AB

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

Accounting policies

This interim report was prepared in accordance with IAS 34, Interim Financial Reporting and applicable parts of the Swedish Annual Accounts Act chapter 9. For information about the accounting policies applied, refer to the 2011 annual report. The accounting policies are unchanged from those applied in 2011.

Risk factors and uncertainties

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

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

The cash balance is sufficient to support the business during the rest of the year. There are challenges regarding long-term financing but no material uncertainty regarding the going concern exists.

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

Related party transactions

The largest shareholder of Anoto, Aurora Investment Ltd (owned by TStone), has been represented in the board of directors since the Annual Meeting in May 2010. Transactions with companies within the TStone group amounts to MSEK 6,8 during 2012. 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.

Transactions and activities after September 30, 2012

The most important events after the end of the quarter has been:

- Announcement by the UK Prime Minister of plans to invest 140 MGBP into NHS where "Digital pens" was explicitly mentioned.
- Delivery of 3200 pens to a customer in the insurance sector

Share data

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

Option program

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

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 November 2, 2012.

A webcast of the Q3 report will be available from 09.00 on November 2 and a Q&A session via audiocast will be held at 11.00 the same day. For more information, see www.anoto.com/investors.

Calendar 2012/2013

Q4 report	February 8, 2013
Annual report 2012	April 8, 2013
AGM 2013	May 15, 2013

For more information

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Report on review of interim financial statements

To the Board of Directors of Anoto Group AB (publ.)

AUDITORS' REVIEW REPORT

Introduction

We have conducted a review of the financial information for Anoto Group AB for the period 1 January to 30 September 2012. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of this financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this financial information based on our review.

Focus and scope of the review

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by FAR SRS. 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 significantly less scope than an audit in accordance with Auditing Standards in Sweden, RS, 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 would have been identified if an audit had been conducted. Accordingly, 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 financial information has not, in all material respects, been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act.

Without qualifying our opinion, we draw attention to the interim reports description of the company's concerns regarding long-term financing under the heading of Risk factors and uncertainties.

Malmö, November 1, 2012

Deloitte AB

Per-Arne Pettersson
Authorized Public Accountant

Financial report

Condensed statement of comprehensive income

TSEK	Note	2012 Jul-Sep	2011 Jul-Sep	2012 Jan-Sep	2011 Jan-Sep	2011 Jan-Dec
Net sales		47 040	35 912	158 053	135 186	192 286
Cost of goods and services sold		-11 220	-8 248	-43 337	-39 839	-55 719
Gross profit		35 820	27 664	114 716	95 347	136 567
Sales, administrative and R&D costs		-44 026	-38 524	-131 206	-111 762	-159 266
Other operating income/cost		-1 831	-222 699	-2 760	-226 852	-220 281
Operating profit/loss		-10 037	-233 559	-19 250	-243 267	-242 980
Writedown of shares		-56	-	-211	-	-173
Other financial items		-511	-252	-1 772	-200	-696
Profit before taxes		-10 604	-233 811	-21 233	-243 467	-243 849
Taxes		-	-	-	-6	-30
Profit/loss for the period		-10 604	-233 811	-21 233	-243 473	-243 879
Other comprehensive income						
Translation differences for the period		569	-3 052	1 018	-1 169	-1 253
Other comprehensive income for the period		569	-3 052	1 018	-1 169	-1 253
Total comprehensive income for the period		-10 035	-236 863	-20 215	-244 642	-245 132
Total Profit/loss for the period attributable to:						
Shareholders of Anoto Group AB		-9 475	-236 011	-20 647	-245 913	-246 274
Non controlling interest		-1 129	2 200	-586	2 440	2 395
Total Profit/loss for the period		-10 604	-233 811	-21 233	-243 473	-243 879
Total comprehensive income for the period attributable to:						
Shareholders of Anoto Group AB		-8 908	-238 350	-19 905	-246 504	-246 949
Non controlling interest		-1 127	1 487	-310	1 862	1 817
Total comprehensive income for the period		-10 035	-236 863	-20 215	-244 642	-245 132
Key ratios:						
Gross margin		76,1%	77,0%	72,6%	70,5%	71,0%
Operating margin		Neg	Neg	Neg	Neg	Neg
Earnings per share before and after dilution		-0,08	-1,79	-0,16	-1,89	-1,89
Average number of shares before and after dilution		137 037 081	130 316 055	136 663 691	128 776 332	129 161 263

Consolidated balance sheet in summary*

TSEK	2012-09-30	2011-09-30	2011-12-31
Intangible fixed assets	131 339	120 367	118 739
Tangible assets	4 699	7 900	6 910
Financial fixed assets	3 884	1 506	1 486
Total fixed assets	139 922	129 773	127 135
Inventories	29 335	34 779	27 236
Accounts receivable	43 313	27 261	39 138
Other current assets	19 497	20 814	18 649
Total short-term receivables	62 810	48 075	57 787
Liquid assets, including current investments	10 582	30 679	23 941
Total current assets	102 727	113 533	108 964
Total assets	242 649	243 306	236 099
Equity attributable to shareholders of Anoto Group AB	150 990	153 433	152 988
Non controlling interest	-13 384	-12 445	-13 074
Total equity	137 606	140 988	139 914
Loans	18 687	8 003	15 695
Long-term liabilities**	2 476	12 379	9 903
Total long-term liabilities	21 163	20 382	25 598
Provisions	189	656	240
Other current liabilities***	83 691	81 280	70 347
Total current liabilities	83 880	81 936	70 587
Total liabilities and shareholders equity	242 649	243 306	236 099

* Effect on balance sheet from acquisitions, see Note 1

** Non refundable prepayment from Leapfrog

*** Including non refundable prepayment from Leapfrog of 9,9 Msek

Changes in shareholders equity

TSEK	Share capital	Other capital contributed	Reserves	Profit/loss for the year	Shareholders equity	Non-controlling interest	Total equity
Opening balance 1 januari 2011	2 572	448 508	1 108	-57 425	394 763	-3 160	391 603
Profit/loss for the year				-246 274	-246 274	2 395	-243 879
Other comprehensive income			-675		-675	-578	-1 253
Total comprehensive income			-675	-246 274	-246 949	1 817	-245 132
Acquisitions					0	-11 731	-11 731
New share issue	34	5 140			5 174		5 174
Closing balance 31 december 2011	2 606	453 648	433	-303 699	152 988	-13 074	139 914
Profit/loss for the year				-20 647	-20 647	-586	-21 233
Other comprehensive income			742		742	276	1 018
Total comprehensive income			742	-20 647	-19 905	-310	-20 215
New share issue*	135	17 772			17 907		17 907
Closing balance 30 sept 2012	2 741	471 420	1 175	-324 346	150 990	-13 384	137 606

* See Note 1

Consolidated Cash flow statement in summary

TSEK	2012 Jul-Sep	2011 Jul-Sep	2012 Jan-Sep	2011 Jan-Sep	2011 Jan-Dec
Profit/loss after financial items	-10 604	-233 811	-21 233	-243 467	-243 849
Depreciation, amortisation and write-downs	3 971	235 142	11 971	240 090	246 929
Other items not included in cash flow	46	-195	-51	-173	-11
Total items not included in cash flow	4 017	234 947	11 920	239 917	246 918
Cash flow from operating activities before change in working capital	-6 587	1 136	-9 313	-3 550	3 069
Change in working capital	4 265	-15 868	-3 166	-38 147	-53 046
Cash flow from operating activities	-2 322	-14 732	-12 479	-41 697	-49 977
Cash flow from investments activities	-381	-6 057	-3 872	-8 668	-7 126
Total cash flow before financing activities	-2 703	-20 789	-16 351	-50 365	-57 103
Cash flow from financing activities	0	0	2 992	0	0
Cash flow for the period	-2 703	-20 789	-13 359	-50 365	-57 103
Liquid assets at the beginning of the period	13 285	51 468	23 941	81 044	81 044
Liquid assets at the end of the period	10 582	30 679	10 582	30 679	23 941

Key ratios

TSEK	2012 Jul-Sep	2011 Jul-Sep	2012 Jan-Sep	2011 Jan-Sep	2011 Jan-Dec
Cash flow for the period	-2 703	-20 789	-13 359	-50 365	-57 103
Cashflow / share before and after dilution (SEK) ¹	-0,02	-0,16	-0,10	-0,39	-0,44
			2012-09-30	2011-09-30	2011-12-31
Equity/assets ratio			62,2%	63,1%	64,8%
Number of shares			137 037 081	130 316 055	130 316 055
Shareholders equity per share (kr)			1,10	1,18	1,17

¹ Based on the weighted average number of shares and outstanding warrants for each period. Only warrants for which the present value of the issue price is lower than the fair value of the ordinary share are included in the calculation.

Parent company, summary of income statement

TSEK	2012 Jul-Sep	2011 Jul-Sep	2012 Jan-Sep	2011 Jan-Sep	2011 Jan-Dec
Net sales	1 789	1 686	4 774	5 705	9 128
Gross profit	1 789	1 686	4 774	5 705	9 128
Administrative costs	-1 816	-1 531	-4 599	-5 186	-8 264
Operating profit	-27	155	175	519	864
Profit/loss from shares in Group companies	-	-230 070	-	-230 070	-240 570
Financial items	-	1	-1	2	4
Profit for the period	-27	-229 914	174	-229 549	-239 702

Parent company, balance sheet in summary

TSEK	2012-09-30	2011-09-30	2011-12-31
Intangible fixed assets	289	411	381
Tangible assets	11	32	27
Financial fixed assets	182 989	180 136	180 135
Total fixed assets	183 289	180 579	180 543
Other short-term receivables	13 331	5 109	233
Liquid assets, including current investments	52	132	325
Total current assets	13 383	5 241	558
Total assets	196 672	185 820	181 101
Equity	190 813	182 886	172 733
Other current liabilities	5 859	2 934	8 368
Total liabilities and shareholders equity	196 672	185 820	181 101

Note 1 - Acquisitions 2012

Ubiquitous Systems Ltd

On January 11, 2012 the Group acquired all shares in the UK based unlisted company Ubiquitous Systems Ltd (Ubisys) for MSEK 12.8. Ubisys which is active within Business Solutions has been a long standing Anoto partner. Anoto have consolidated Ubisys as from January 1, 2012.

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

During the period up until September 30 Ubisys contribution to Net sales was MSEK 9,0.

Effects from acquisitions

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

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

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

Goodwill

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

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

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

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

Consideration

(KSEK)	
Credit note	12 829
Total consideration	12 829

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

Den 16 januari förvärvade koncernen Xpaper från Talario LLC för 5,1 MSEK. Xpaper gör det enkelt att använda

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

Effects from acquisitions

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

The acquisition cost for Xpaper is 5.1 MSEK.

Acquisition related expenses

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

Consideration

(KSEK)	
Shares issued	5 077
Total consideration	5 077

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

