

ANOTO

QUARTERLY REPORT

Q4/ 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 Feb. 6, 2015 at 08.30 CET

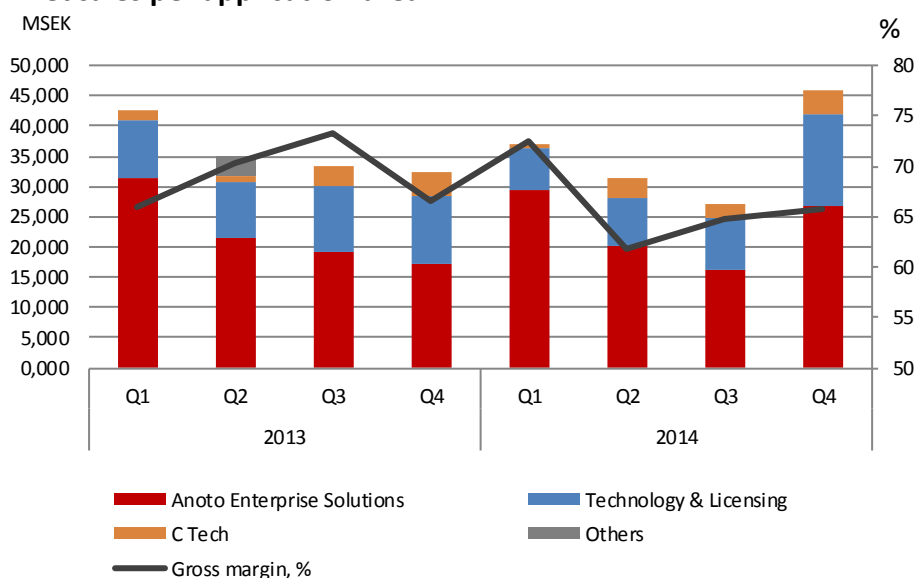
For more information: www.anoto.com

REPORT JANUARY – DECEMBER 2014

- Net sales in the period amounted to MSEK 141 (144) and Net sales for the quarter amounted to MSEK 46 (33).
- The Gross margin for the period was 67% (68) and Gross margin for the quarter was 66% (61). Gross profit for the period was MSEK 94 (97) and Gross profit for the quarter amounted to MSEK 30 (20).
- Earnings before depreciations and amortizations (EBITDA) for the period was MSEK -49 (-79) and EBITDA for the quarter was MSEK -4 (-16).
- The Result after tax for the period was MSEK -63 (-168) and Result after tax for the quarter was MSEK -6 (-93).
- Earnings per share before and after dilution for the period was SEK -0.13 (-1.03) and for the quarter SEK -0.01 (-0.42).
- Cash flow during the period was MSEK -3 (2) and Cash flow for the quarter was MSEK 2 (3). Cash flow from operating activities before changes in working capital in the period was MSEK -56 (-83) and for the quarter MSEK -6 (-19). Cash flow from financing activities during the period was MSEK 114 (95) and for the quarter MSEK 55 (44).

Key ratios	2014		2013	
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales, MSEK	46	33	141	144
Gross profit/loss	30	20	94	97
Gross margin, %	66	61	67	68
Operating profit/loss, MSEK	-4	-90	-56	-163
Profit/loss after tax, MSEK	-6	-93	-63	-168
Earnings per share				
before and after dilution, SEK	-0,01	-0,42	-0,13	-1,03
Cash flow, MSEK	2	3	-3	2
Cash at end of period, MSEK	4	7	4	7

Net sales per application area



Comments from the CEO

GAINING MOMENTUM

Revenues in the fourth quarter was MSEK 46.0 compared to MSEK 27.1 for the third quarter. Gross margin was 66% compared to 65% in the third quarter. Operating expenses were MSEK 34.0 in the fourth quarter compared to MSEK 34.7 in the third quarter. EBITDA was MSEK –3.7 compared to MSEK -20.2 in the third quarter. Cash flow for the quarter was MSEK 2.0, including net proceeds of MSEK 52 from the rights issue in November. Included in cash flow was also the repayment of debt to previous contract manufacturing partner Zastron of MSEK 11.2, repayment of the bridge loan of 7.4 and an increase in working capital of MSEK 39.9.

Revenues increased 70% from Q3 to Q4 due to a larger sale to T Systems in Germany and more revenues from business areas within education, voting and interactive displays.

T-Systems signed a contract to migrate the Group's 800 Telekom Shops to Anoto's recently released Live™ Pen 2 and Anoto Live™ software solutions as part of a program to move to a Virtual Desktop environment and 5,000 pens was delivered.

Smartmatic purchased 10,000 licenses as part of their exclusivity commitment within voting and is currently bidding for several projects in Africa, Middle-East and Latin America. Sales to Smartmatic is booked against the prepayment from 2012 and did not have any cash flow effect in the quarter.

TStudy purchased 15,000 pens and 40,000 licenses for business in China and Steelcase purchased 5,000 pens for their interactive whiteboard business in the 4th quarter.

We-inspire is signing up resellers in the US and is looking to expand the reseller network in Europe. Bene is currently the largest We-inspire partner in Europe and is increasing their sales efforts. Among customers who installed We-inspire systems in Q4 was BMW and energy company OMV Group.

A major project with one of the world's largest IT companies is progressing well. The objective is to launch a range of interactive displays with embedded digital writing functionality from the second half of this year. Initial target customers are designers within automotive, entertainment and creative industries. The activity level related to this customer increased significantly during Q4 and we had to add more resources to the project. A significant part of the development cost is covered by Non Refundable Engineering revenues.

We also initiated contact with a select number of manufacturers of large touch displays. Based on the same concept as for smaller displays we intend to combine the Anoto Live Surface™ dot film with touch technologies to address a fast growing market for large wall mounted interactive displays for corporate meeting rooms. As soon as more 4K and 5K large (42"-85") size displays become available in the market Anoto's technology can be combined with the most common touch technologies, P-Cap or I/R-optical frames, to enhance pen performance. Display manufacturers can achieve better price performance if they combine a "good enough" touch (for the size of a finger) with the ultra-high precision Anoto Live Surface™ from Anoto. These large displays can also be used as touch tables and one can foresee several people sitting around the table making sketches, annotations and mark-up of content. The displays can also be pen only input at a significantly lower cost than touch and pen combined similar to the We-inspire interactive wall solution. We foresee a rapidly increasing market for pen centric applications with the availability of Microsoft Windows 10 later this year.

The ongoing development of a back-end infra-structure, Anoto Live Services™, is high priority. The objective is to support partners and users with system management, configuration of pens, download of software components and open up for 3rd party application developers. Anoto is the only company today that can deliver a digital writing platform to partners who want to combine smaller displays and devices with ultra-large interactive walls or large interactive displays and at the same time include real-time capture of writing or sketching on paper as well as have their custom made pallets or touch pads for pen control and short cuts. Together with partners our goal is to take collaboration solutions to the next level.

Anoto Sweden signed a new lease and will move to the new office at Mobile Heights Center in Lund from September 1st. The change in office will, besides from bringing Anoto closer to the Lund University and other expansive IT- and consulting companies, also lead to annual savings of more than MSEK 4.

90 per cent of the rights issue was subscribed for, resulting in net proceeds of MSEK 52 in the quarter.

OUTLOOK

The activity level is high and the business momentum is increasing in all areas. Anoto Enterprise Solutions is preparing for two large tenders within healthcare and insurance. We-inspire is setting up distributors and re-sellers in the US and Europe. Final contract negotiations with the large OEM partner for interactive displays has started and Anoto is also pursuing additional opportunities for large interactive displays. Operating expenses will increase somewhat in Q1 due to the tight deadlines and plans for product release with the new OEM partner later this year including costs related to materials, testing and a few additional external consultants. We expect that the outstanding convertible loan will be fully converted without any negative cash flow effect other than interest rates paid in January.



Stein Revelsby
CEO, Anoto Group

A PARTNER DRIVEN BUSINESS MODEL

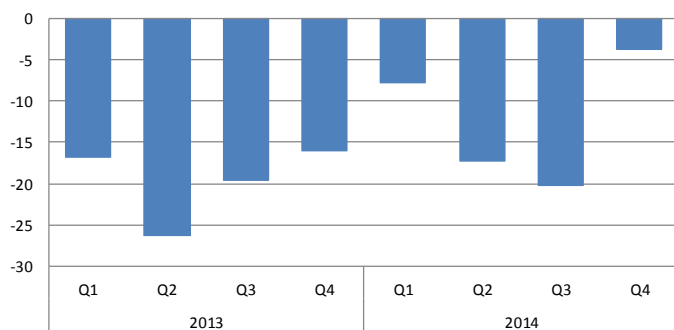
Anoto's business is organized in three business areas: Anoto Enterprise Solutions, Technology Licensing (education, note taking, voting, interactive touch displays) and C Technologies. These three areas generate income in five different categories - licensing, royalty, digital pens, components, NRE (Non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

Net sales per product group

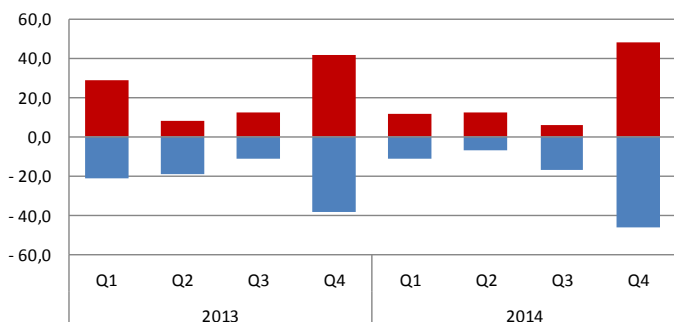
MSEK	2014	2013	2014	2013
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Licenses	5	6	29	30
Royalty	7	5	15	19
Digital pens*	28	16	82	76
NRE	3	2	5	10
Other	2	5	10	10
Total	46	33	141	144

*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

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 27, which is MSEK 10 above net sales during the same period last year. We shipped approximately 10,000 pens to partners and customers within business solutions in this quarter.

Germany

T-Systems/T-Mobile shops

T-Systems signed a contract to migrate the Group's 800 Telekom Shops to Anoto's recently released Live™ Pen 2 and Anoto Live™ software solutions as part of a program to move to a Virtual Desktop environment and 5,000 pens was delivered.

Anoto Live™ digital writing solutions are at the core of the mobile plan contract signing and archiving solution at all Telekom Shops in Germany. Paper processes are streamlined and critical data is securely managed, improving efficiency across the enterprise whilst enhancing the customer experience. Customers signing up for service are required to sign contracts that must be securely captured and archived, in addition to supplying the customer with a copy of the agreement. Millions of forms are processed each year.

UK

The market presence has been expanded in England and Scotland, especially within the healthcare sector. During November NHS England launched the 2nd Nurse Tech Fund for NHS trusts which most likely will have a positive impact on investments in 2015.

Sweden

Our partner Phoniro expanded their market presence with approximately 750 pens within home care and has made a commitment to further expansion in 2015.

Turkey

The new Encryption module for Live™ Pen 2 has been well received by the financial market and was purchased for two strategic pilots with large financial institutions.

India

Our business development efforts in India continue to pay off and have resulted in expansion of the services delivered by partner Geeks to rural development.

Japan

Our strategic partner DNP has launched solutions within personal note taking based on our new pen, LivePen-2 and together with partner Hitachi is pursuing larger opportunities within insurance.

	2014	2013	2014	2013
MSEK	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	27	17	93	89
Gross profit	19	11	64	61

TECHNOLOGY LICENSING (OEM SALES)

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

Net sales during the quarter were MSEK 15, which is MSEK 3 above the same period last year.

Smartmatic purchased 10,000 licenses as part of their exclusivity commitment within voting and is currently bidding for several projects in Africa, Middle-East and Latin America. The company estimates its market share of the global election technology market to be around 50%. The company recently announced that Lord Mark Malloch-Brown, former deputy secretary-general of the UN, vice-president of the World Bank, and UK Foreign Office minister has accepted the role as chairman of the board. Sales to Smartmatic is booked against the prepayment from 2012 and did not have any cash flow effect in the quarter.

TStudy China purchased 15,000 pens and 40,000 licenses in the quarter. Total number of pens and licenses purchased in 2014 was 60,000 units. TStudy is Anoto's preferred partner in China and strengthened by the USD 6.5m fund raise in the second half of 2014 is planning for further strong growth in 2015.

We-inspire focused on signing up resellers in the US and is working closely with leading software companies and high profile end users especially within entertainment and creative industries to increase our sales and marketing leverage. Anoto is taking a more active role also in Europe and supported by the software development team in Austria we are in discussions with large resellers within the AV industry. Bene is currently the largest We-inspire partner in Europe and is increasing their sales efforts. Among customers who installed We-inspire systems in Q4 was BMW and energy company OMV Group.

A major project with one of the world's largest IT companies was escalated during the quarter and is progressing well. The objective is to launch a range of interactive displays with embedded digital writing functionality from the second half of this year. Final contract negotiations has just started and we are currently bound by confidentiality agreements. We expect however to be able to disclose more details during Q2 of this year.

We also initiated contact with a select number of manufacturers of large touch displays. Based on the same concept as for smaller displays we intend to combine the Anoto Live Surface™ dot film with touch technologies to address a fast growing market for large wall mounted interactive displays for corporate meeting rooms. There are approximately 4 million corporate meeting rooms just in the US and we expect there will be a fast growing business opportunity when companies want to change from projector-based interactive whiteboards to large high resolution interactive displays. We also foresee a rapidly increasing market for pen centric applications with the availability of Microsoft Windows 10 later this year.

Livescribe sold approximately 40,000 units in the 4th quarter and announced the release of Echo Desktop, an update to their Livescribe Desktop software for managing notes and pen-casts created with the award-winning Echo Smartpen. In addition, through a new partnership with Anoto and our Live PDF service (www.livepdf.net), Echo and Sky WiFi Smartpen customers can now print any paper or document and capture handwriting and sketches with their Smartpen.

	2014	2013	2014	2013
MSEK	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	15	12	39	42
Gross profit	9	8	26	29

C TECHNOLOGIES

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

Net sales during the period were MSEK 4 which is in line with 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.

	2014	2013	2014	2013
MSEK	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	4	4	10	10
Gross profit	2	2	4	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 3.9 which is a decrease by MSEK 3.1 compared to year-end of 2013.

Anoto's current working capital may not be sufficient for the Company's needs for the next twelve months. The Company believes that if the Company's earnings capacity is not improved, it may be necessary to utilize the Board's authorization to issue new shares or convertible bonds with or without deviation from the shareholders preferential rights. Based upon this the Board believes that the financial statements shall be prepared applying the going concern principle.

The Convertible loan issued in June 2014 will mature at the end of February. Should no conversion not take place there will be a negative cash flow need of MSEK 17.7.

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 13.8 during 2014. 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 3.7 during 2014. All transactions have been made on normal commercial conditions.

TRANSACTIONS AND ACTIVITIES AFTER DECEMBER 31, 2014

There has been no significant transactions or activities after the end of the year.

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 698,353,534.

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 rights issue completed during the fourth quarter, at a subscription price of SEK 0.25, increased the number of shares by 245,000,000 and provided the company a capital injection of MSEK 61.2 before issue expenses.

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. 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 February 6, 2015.

A webcast of the Q4 report will be available from 09.00 on February 6, 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

Annual report	14 th April
Q1 report	8 th May
AGM	13 th May

FOR MORE INFORMATION

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FINANCIAL REPORTS

Condensed statement of comprehensive income

TSEK	Note	2014 Oct-Dec	2013 Oct-Dec	2014 Jan-Dec	2013 Jan-Dec
Net sales		46 004	33 314	141 465	144 306
Cost of goods and services sold		-15 730	-12 995	-47 196	-46 832
Gross profit		30 274	20 319	94 269	97 474
Sales, administrative and R&D costs		-39 372	-39 026	-160 845	-185 417
Other operating income/cost		4 743	-71 138	10 327	-75 508
Operating profit/loss		-4 355	-89 845	-56 249	-163 451
Other financial items		-2 797	-2 961	-7 241	-4 839
Profit before taxes		-7 152	-92 806	-63 490	-168 290
Taxes		666	-12	639	-12
Profit/loss for the period		-6 486	-92 818	-62 851	-168 302
Other comprehensive income					
Translation differences for the period		-3 322	2 624	-8 841	5 194
Other comprehensive income for the period		-3 322	2 624	-8 841	5 194
Total comprehensive income for the period		-9 808	-90 194	-71 692	-163 108
Total Profit/loss for the period attributable to:					
Shareholders of Anoto Group AB		-5 965	-91 112	-62 038	-166 231
Non controlling interest		-521	-1 706	-813	-2 071
Total Profit/loss for the period		-6 486	-92 818	-62 851	-168 302
Total comprehensive income for the period attributable to:					
Shareholders of Anoto Group AB		-8 767	-87 791	-69 337	-161 226
Non controlling interest		-1 041	-2 403	-2 355	-1 882
Total comprehensive income for the period		-9 808	-90 194	-71 692	-163 108
Key ratios:					
Gross margin		65,8%	61,0%	66,6%	67,5%
Operating margin		Neg	Neg	Neg	Neg
Earnings per share before and after dilution		-0,01	-0,42	-0,13	-1,03
Average number of shares before and after dilution*		559 293 002	221682 065	473 688 069	162 858 591

*excluding share-options granted

Consolidated balance sheet in summary

TSEK	2014-12-31	2013-12-31
Intangible fixed assets	78 972	71 318
Tangible assets	2 046	3 084
Financial fixed assets	4 482	3 605
Total fixed assets	85 500	78 007
Inventories	20 553	27 985
Accounts receivable	36 979	27 502
Other current assets	19 916	31 347
Total short-term receivables	56 895	58 849
Liquid assets, including current investments	3 909	7 008
Total current assets	81 357	93 842
Total assets	166 857	171 849
Equity attributable to shareholders of Anoto Group AB	78 242	82 657
Non controlling interest	-16 198	-16 770
Total equity	62 044	65 887
Loans	0	1 011
Total long-term liabilities	0	1 011
Provisions	498	493
Loans*	36 779	16 313
Other current liabilities	67 536	88 145
Total current liabilities	104 813	104 951
Total liabilities and shareholders equity	166 857	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					-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
Share issues	6 170	-884	62 021	0	0	67 307	0	67 307
Closing balance 31 Dec 2014	13 967	0	640 693	-2 757	-573 661	78 242	-16 198	62 044

Consolidated Cash flow statement in summary

TSEK	2014	2013	2014	2013
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Profit/loss after financial items	-7 152	-92 806	-63 490	-168 290
Depreciation, amortisation	589	73 837	7 283	84 711
Other items not included in cash flow	186	46	5	341
Items not included in cash flow	775	73 883	7 288	85 052
Cash flow from operating activities before changes in working capital	-6 377	-18 923	-56 202	-83 238
Change in operating receivables	-23 825	-17 183	-9 091	-15 192
Change in inventory	1 896	3 880	7 432	2 931
Change in operating liabilities	-17 994	-7 925	-44 960	6 097
Cash flow from operating activities	-46 300	-40 151	-102 821	-89 402
Cash flow from net capital expenditures	-6 324	-780	-13 899	-3 946
Total cash flow before financing activities	-52 624	-40 931	-116 720	-93 348
New share issue	51 909	56 085	94 753	94 800
Change in financial liabilities	2 741	-11 792	18 868	97
Cash flow from financing activities	54 650	44 293	113 621	94 897
Cash flow for the period	2 026	3 362	-3 099	1 549
Liquid assets at the beginning of the period	1 883	3 646	7 008	5 459
Liquid assets at the end of the period	3 909	7 008	3 909	7 008

Key ratios

TSEK	2014	2013	2014	2013
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Cash flow for the period	2 026	3 362	-3 099	1 549
Cashflow / share before and after dilution (SEK) ¹	0,00	-0,06	-0,01	0,01
			2014-12-31	2013-12-31
Equity/assets ratio			46,9%	48,1%
Number of shares			698 353 534	389 882 641
Shareholders equity per share (kr)			0,11	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
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	3 681	2 696	9 556	6 804
Gross profit	3 681	2 696	9 556	6 804
Administrative costs	-2 281	-1 564	-6 843	-5 565
Operating profit	1 400	1 132	2 713	1 239
Profit/loss from shares in Group companies	-37 000	-	-37 000	-143 604
Financial items	-1 065	-962	-2 034	-583
Profit for the period	-36 665	170	-36 321	-142 948

Parent company, balance sheet in summary

TSEK	2014-12-31	2013-12-31
Intangible fixed assets	149	221
Financial fixed assets	114 385	114 385
Total fixed assets	114 534	114 606
Other short-term receivables	108 996	103 862
Liquid assets, including current investments	120	3 933
Total current assets	109 116	107 795
Total assets	223 650	222 401
Equity	162 829	131 711
Loans	18 486	0
Other current liabilities	5 335	90 690
Total liabilities and shareholders equity	186 650	222 401