



QUARTERLY REPORT

Q2 / 2013

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 110 employees and is headquartered in Lund (Sweden). The company also has offices in Guildford and Wetherby (UK), Amsterdam (NL), Boston (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 Aug 16, 2013 at 08.30 CET

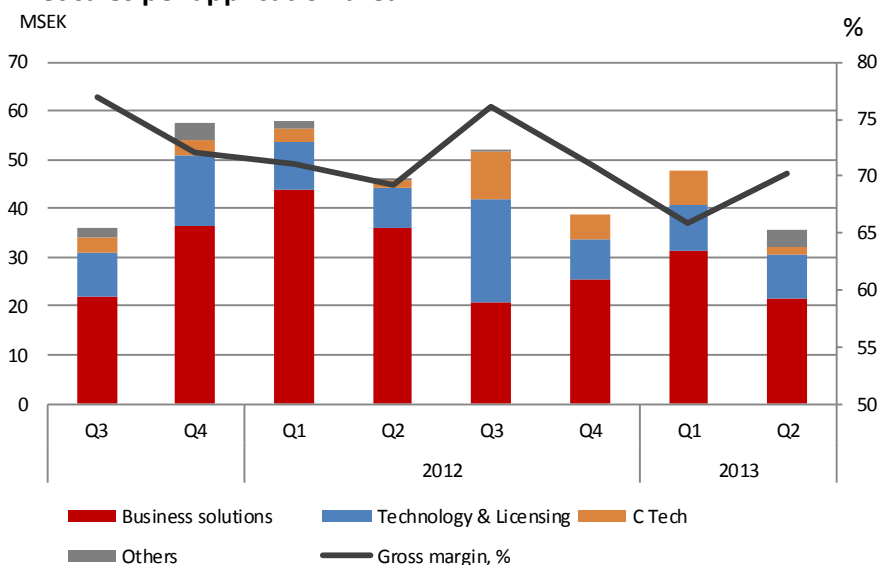
For more information: www.anoto.com

2013 Q2 REPORT

- Net sales in the period amounted to MSEK 78 (111) and Net sales for the second quarter were MSEK 35 (54).
- The Gross margin for the period was 68% (71) and Gross margin for the second quarter was 70% (69). Gross profit for the period was MSEK 53 (79) and Gross profit for the second quarter was MSEK 25 (37).
- Earnings before depreciations and amortizations (EBITDA) for the period was MSEK -43 (-1) and EBITDA for the second quarter was MSEK -26 (-3).
- The Result after tax for the period was MSEK -52 (-11) and Result after tax for the second quarter was MSEK -31 (-8).
- Earnings per share before and after dilution for the period was SEK -0,34 (-0,08) and for the second quarter SEK -0,19 (-0,06).
- Cash flow during the period was MSEK -3 (-11) and Cash flow for the second quarter was MSEK -11 (-9). Cash flow from operating activities before changes in working capital in the period was MSEK -44 (-3) and Cash from operating activities before changes in working capital for the second quarter was MSEK -27 (-4).

Key ratios	2013	2012	2013	2012	2012
	Apr - Jun	Apr - Jun	Jan-June	Jan-June	Jan-Dec
Net sales, MSEK	35	54	78	111	199
Gross profit/loss	25	37	53	79	144
Gross margin, %	70	69	68	71	72
Operating profit/loss, MSEK	-30	-7	-51	-9	-42
Profit/loss after tax, MSEK	-31	-8	-52	-11	-45
Earnings per share					
before and after dilution, SEK	-0,19	-0,06	-0,34	-0,08	-0,33
Cash flow, MSEK	-11	-9	-3	-11	-18
Cash at end of period, MSEK	3	13	3	13	5

Net sales per application area



COMMENTS FROM THE CEO

Re-sizing the Swedish organization

In the second quarter we took action to re-size the Swedish operations into a research and design engineering business unit for hardware products and to consolidate other responsibilities with our international subsidiaries. The plan was executed during June and July with the reduction of 27 full-time employees and consultants in Lund. The net effect of the reorganization will be a total annual cost saving of approximately 30 MSEK.

Revenues in Q2 were disappointing 35 MSEK compared to 43 MSEK in Q1. Cash flow for the second quarter was MSEK -11 including 11 MSEK in partial proceeds from the rights offering in March. Our working capital was high at the end of the quarter whilst liquidity was tight partly due to a large number of pens in stock. Sales in the beginning of the quarter were weak and no larger deals were closed in the quarter. Anoto is suffering from having been too dependent on a small number of partners with limited sales resources. Our strategy has therefore been to strengthen our presence in key markets through acquisitions and to strengthen sales. Develop IQ Ltd was acquired with effect from May 1st. The acquisition further expands our business in the healthcare sector and allows for synergies and optimization between our subsidiaries in the UK. The company has been renamed Anoto Ltd.

Within business solutions we made progress in Germany within banking, insurance and pharmaceuticals, in the US we got the first healthcare customer for Anoto Live Forms™, and in Holland we ran a successful pilot with a large global company for a "proof of delivery" application combining digital pens and GPS systems.

It has been a challenge to build market momentum and awareness with limited resources in competition with the IT industry's focus on tablet devices during the past 12 months. Our strategy is therefore to increase focus on markets where digital pen technology has a clear advantage. This is in areas where tablet technology is not an option because of legal-, security-, mandatory- or customer requirements for paper trail, in emerging markets with limited infrastructure and in applications where digital pen technology offers ease of use and superior return on investment.

In addition we are aligning our positioning with the rapid deployment of tablets in different markets. As a result of the acquisitions we are able to deliver mobile data capture and digital signature solutions that supports both digital pens, tablets and smartphones. Customers are looking to reduce costs related to paper handling and document workflow and improve returns and operational efficiency by combining multiple device input for data capture. The preferred solution should minimize disruption in work practice, maintain a high level of service and customer satisfaction and meet strict compliance and security requirements at the lowest cost. Anoto's competitive edge is the advantage to combine analog information capture and digital signatures on paper with digital devices like tablets and smartphones in one system.

Within the OEM segments education, voting and screens we shipped 9,000 pens of the 20,000 pen order to TStudy China in June. Product development with Panasonic to finalize the first digital pen application for their new 20" tablet is on schedule for mass production in October and the development of voting applications for a global partner progressed according to plan.

OUTLOOK

Following several quarters of weak sales we have, after the end of the quarter, started looking into strategic options for the C Technologies business, including a spin-off. The net effect on the operating expenses from a spin-off would be approximately MSEK 10 per year.

Following the acquisitions of Develop IQ, Ubisys and 51% of the shares in Destiny Wireless we will consolidate the operations in the UK and realize synergies in sales, marketing, software development and support.



Stein Revelsby
CEO
Anoto Group

A PARTNER DRIVEN BUSINESS MODEL

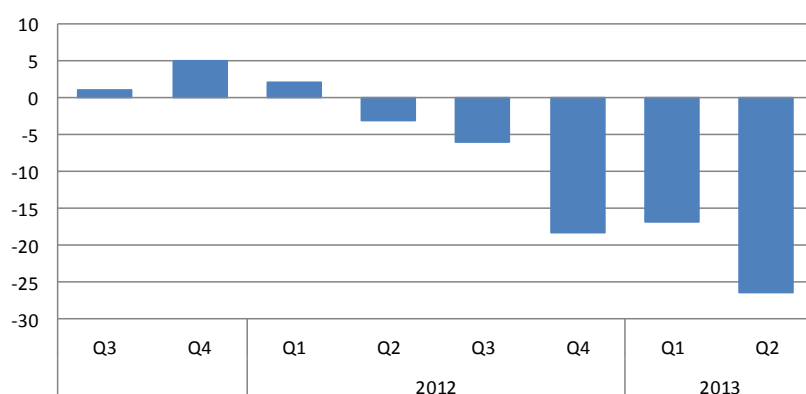
Anoto's business is organized in three business areas: Business Solutions, Technology Licensing (education, note taking, voting, screens) and C Technologies. These three areas generate income in five different categories - licensing, royalty, digital pens, components, NRE (Non Refundable Engineering)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

Net sales per product group

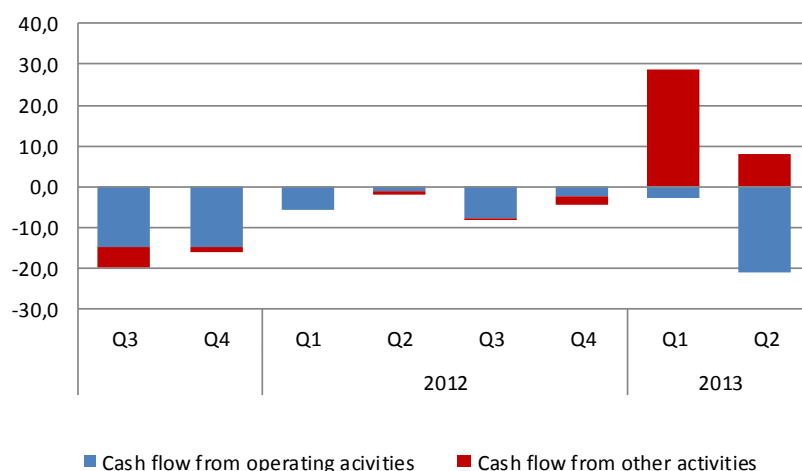
MSEK	2013 Apr - Jun	2012 Apr - Jun	2013 Jan-June	2012 Jan-June	2012 Jan-Dec
Licenses	6	11	15	16	46
Royalty	4	5	9	16	21
Digital pens*	17	37	42	49	108
NRE	0	1	1	5	5
Other	7	1	11	13	19
Total	35	55	78	99	199

* Digital pens include the C-Pen

EBITDA 2011-2013 (MSEK)



Cash flow 2011-2013 (MSEK)



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

BUSINESS SOLUTIONS

Business Solutions focuses on systems, products and services that target businesses, primarily in the field of forms processing and data capture. The offering is Pen Solutions which includes solutions for creating a form in digital format, digital processing of handwritten forms and automatic generation of a digital version of a document with handwritten signatures and notes. Anoto has an indirect business model and markets its products through partners, such as system integrators, software developers and IT consulting firms, all of which offer customized solutions with Anoto technology to their customers.

Net sales during the quarter amounted to MSEK 21 which was MSEK 15 below the second quarter previous year.

We shipped 9,100 pens to partners and customers within business solutions in the second quarter. We signed the first healthcare customer for Anoto Live Forms™ in the US. We made progress in Germany within banking, insurance and pharmaceuticals, and in Holland we ran a successful pilot with a large global company for a proof of delivery application combining digital pens and GPS systems. Although no larger orders were shipped in Q2 we delivered another 1,500 pens to Swedish home care customers through partner Phoniro, 2,500 pens to partner Xcallibre in South-Africa for customers within field service and government inspection and 500 pens to a German pharmaceuticals company for clinical trials.

It has been a challenge to build market momentum and awareness with limited resources in competition with the IT industry's focus on tablet devices during the past 12 months. Our strategy is therefore to increase focus on markets where digital pen technology has a clear advantage. This is in areas where tablet technology is not an option because of legal-, security-, mandatory- or customer requirements for paper trail, in emerging markets with limited infrastructure and in applications where digital pen technology offers ease of use and superior return on investment. In addition we are aligning our positioning with the rapid deployment of tablets in different markets. As a result of the acquisitions we are able to deliver mobile data capture and digital signature solutions that supports both digital pens, tablets and smartphones. Customers are looking to reduce costs related to paper handling and document workflow and improve returns and operational efficiency by combining multiple device input for data capture. The preferred solution should minimize disruption in work practice, maintain a high level of service and customer satisfaction and meet strict compliance and security requirements at the lowest cost.

The Department of Health in the UK released further information on the £260 million NHS Technology fund. Our subsidiaries in the UK were busy working with Trusts to meet the 31 July deadline for submitting bids for the first £90 million tranche. After a period of due diligence the first funds will be awarded from October. The initial £90 million is for expenditure up to March 2014. The second tranche of £170 million will be available for the 2014/15 fiscal year. We await the announcement of the detail around the separate £100 million Nurse Tech Fund. Whereas the £260 million NHS Technology Fund facilitates the investment in software and systems, the £100 million Nurse Tech Fund can be used to purchase digital pen hardware, tablets and smartphones for use with the software and systems.

	2013	2012	2013	2012	2011
MSEK	Apr - Jun	Apr - Jun	Jan-June	Jan-June	Jan-Dec
Net sales	21	36	53	80	126
Gross profit	14	25	33	56	89

TECHNOLOGY LICENSING (OEM SALES)

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. Since 2012 Anoto has established two new application areas together with partners; voting solutions and digital writing solutions for screens.

Net sales during the period were MSEK 9, which is 1 MSEK higher than the same period last year.

The development of pens for the 4K-tablet together with Panasonic progressed in Q2 according to plan. The revenue stream from this development work is reported as Non Refundable Engineering. Panasonic has started testing and pre-marketing of the product with customers in select industries. First batch of commercial production is expected to be delivered in early October.

The development of products and solutions for use within voting, census and people registration proceeds according to plan and our partner aim to launch the first product for this market towards the end of this year.

TStudy continues to make significant progress in China. Out of the first 20,000 pen order, 9000 pens were delivered in Q2. In addition to education TStudy is also generating interest for business solutions. Anoto expects further orders in Q3.

	2013	2012	2013	2012	2011
MSEK	Apr - Jun	Apr - Jun	Jan-June	Jan-June	Jan-Dec
Net sales	9	8	19	18	47
Gross profit	7	7	15	16	42

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 1.

Within the OEM business efforts has been to further develop business with existing partners and to gradually grow into new markets through new partners.

Following several quarters of weak sales we have, after the end of the quarter, started looking into strategic options for the C Technologies business, including a spin-off.

C Technologies has 8 employees and annual operating expenses of MSEK 10.

	2013	2012	2013	2012	2011
MSEK	Apr - Jun	Apr - Jun	Jan-June	Jan-June	Jan-Dec
Net sales	1	10	3	11	23
Gross profit	1	5	2	6	11

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 2012 annual report. The accounting policies are unchanged from those applied in 2012.

RISK FACTORS AND UNCERTAINTIES

At the close of the quarter, the group's total cash amounted to MSEK 3, which is a decrease by MSEK 10 compared to year-end of 2012.

The rights issue resulted in 25,7 mln new shares being issued and the net proceeds amounts to MSEK 39 after transaction expenses. The last MSEK 11 was received in the beginning of the second quarter.

In the beginning of July Anoto initiated activities in order to re-size the Swedish organization to focus on hardware product development and engineering and transfer most other responsibilities to other companies within the group. As per August 16 negotiations with labor unions has been finalized and the headcount reduced with 27 people. Total cost savings will be approximately MSEK 30 with effect from the coming two quarters.

In order to strengthen our short term liquidity we have made an agreement in principle with an international investment company about a MUSD 2 loan to finance the large product inventory. The agreement is now being finalized and is expected to be signed within the next two weeks.

We are also considering alternatives in order to secure long-term financing for the Group.

With the ST loan, cost reducing activities and reduction of inventory we will be in a position where liquidity is sufficient to support the business during the rest of the year. Hence no material uncertainty regarding going concern exists.

No significant additional risks are deemed to have arisen beyond those described in the 2012 annual report for the Anoto Group. (Please see Note 4 in the Annual report 2012 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 2.9 during 2013. 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 JUNE 30, 2013

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

- EGM on July 5th authorizing the Board to issue shares, convertibles and warrants with a maximum dilution of 10%
- Re-sizing of the Swedish organization
- An in-principle agreement for a MUSD 2 loan

SHARE DATA

The Anoto share is listed on the NASDAQ OMX Nordic Small Cap List in Stockholm. The total number of shares at the end of the period, including 10,847,740 shares issued in relation to the acquisition of Shanwell Holding Ltd, is 173,624,758.

OPTION PROGRAM

On July 5, 2013, the EGM decided to authorize the Board the possibility to issue, shares, convertibles and warrants with a maximum dilution of 10%. There are currently no outstanding warrants.

Stein Revelsby
CEO

This report has not been reviewed by the company auditors.

Stein Revelsby
CEO

Jörgen Durban
Chairman

Gunnel Duveblad
Board member

Kjell Bråthen
Board member

Andrew Hur
Board member

Erik Tronbøl
Board member

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 August 16, 2013.

A webcast of the Q2 report will be available from 09.00 on August 16 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 2013/2014

Q3 report Nov 5, 2013

Q4 report Feb, 2014

FOR MORE INFORMATION

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FINANCIAL REPORT

Condensed statement of comprehensive income

	Note	2013	2012	2013	2012	2012
TSEK		Apr - Jun	Apr - Jun	Jan-June	Jan-June	Jan-Dec
Net sales		34 954	54 034	77 582	111 013	198 646
Cost of goods and services sold		-10 395	-16 563	-24 921	-32 117	-55 083
Gross profit		24 559	37 471	52 661	78 896	143 563
Sales, administrative and R&D costs		-55 926	-45 030	-104 318	-89 158	-188 050
Other operating income/cost		1 025	476	887	1 049	2 335
Operating profit/loss		-30 342	-7 083	-50 770	-9 213	-42 152
Writedown of shares		0	0	0	0	-211
Other financial items		-542	-629	-1 155	-1 416	-2 451
Profit before taxes		-30 884	-7 712	-51 925	-10 629	-44 814
Taxes		-	-	-	-	-15
Profit/loss for the period		-30 884	-7 712	-51 925	-10 629	-44 829
Other comprehensive income						
Translation differences for the period		-1 970	-1 355	1 256	449	2 811
Other comprehensive income for the period		-1 970	-1 355	1 256	449	2 811
Total comprehensive income for the period		-32 854	-9 067	-50 669	-10 180	-42 018
Total Profit/loss for the period attributable to:						
Shareholders of Anoto Group AB		-30 672	-7 631	-51 892	-11 172	-42 235
Non controlling interest		-212	-81	-33	543	-2 594
Total Profit/loss for the period		-30 884	-7 712	-51 925	-10 629	-44 829
Total comprehensive income for the period attributable to:						
Shareholders of Anoto Group AB		-32 316	-8 485	-51 257	-10 997	-40 204
Non controlling interest		-538	-582	588	817	-1 814
Total comprehensive income for the period		-32 854	-9 067	-50 669	-10 180	-42 018
Key ratios:						
Gross margin		70,3%	69,3%	67,9%	71,1%	72,3%
Operating margin		Neg	Neg	Neg	Neg	Neg
Earnings per share before and after dilution		-0,19	-0,06	-0,34	-0,08	-0,33
Average number of shares before and after dilution		166 741 238	137 037 081	151 889 159	136 476 996	137 037 081

Consolidated balance sheet in summary

TSEK	2013-06-30	2012-06-30	2012-12-31
Intangible fixed assets	143 359	134 517	128 389
Tangible assets	3 627	5 513	4 493
Financial fixed assets	3 661	3 968	3 782
Total fixed assets	150 647	143 998	136 664
Inventories	32 819	21 528	30 916
Accounts receivable	31 328	39 005	24 037
Other current assets	19 358	18 110	19 631
Total short-term receivables	50 686	57 115	43 668
Liquid assets, including current investments	2 715	13 285	5 459
Total current assets	86 220	91 928	80 043
Total assets	236 867	235 926	216 707
Equity attributable to shareholders of Anoto Group AB	137 075	159 898	130 686
Non controlling interest	-14 333	-12 257	-14 883
Total equity	122 742	147 641	115 803
Loans	17 131	19 426	18 235
Other long term liabilities*	0	4 952	0
Total long-term liabilities	17 131	24 378	18 235
Provisions	411	87	152
Other current liabilities*	96 583	63 820	82 517
Total current liabilities	96 994	63 907	82 669
Total liabilities and shareholders equity	236 867	235 926	216 707

* Including non refundable prepayment from Leapfrog of 5,0 M sek

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 January 2012	2 606	453 648	433	-303 699	152 988	-13 074	139 914
Profit/loss for the year				-42 235	-42 235	-2 594	-44 829
Other comprehensive income			2 031		2 031	780	2 811
Total comprehensive income			2 031	-42 235	-40 204	-1 814	-42 018
New share issue	135	17 772			17 907		17 907
Closing balance 31 December 2012	2 741	471 420	2 464	-345 934	130 691	-14 888	115 803
Profit/loss for the year				-51 892	-51 892	-33	-51 925
Other comprehensive income			668		668	588	1 256
Total comprehensive income			668	-51 892	-51 224	555	-50 669
Acquisitions*	216	18 225			18 441		18 441
New share issue	515	38 652			39 167		39 167
Closing balance 30 June 2013	3 472	528 297	3 132	-397 826	137 075	-14 333	122 742

* See Note 1

Consolidated Cash flow statement in summary

TSEK	2013 Apr - Jun	2012 Apr - Jun	2013 Jan-June	2012 Jan-June	2012 Jan-Dec
Profit/loss after financial items	-30 884	-7 712	-51 925	-10 629	-44 814
Depreciation, amortisation and write-downs	4 004	3 847	7 592	7 845	16 463
Other items not included in cash flow	-399	18	-152	-153	-88
Total items not included in cash flow	3 605	3 865	7 440	7 692	16 375
Cash flow from operating activities					
before change in working capital	-27 279	-3 847	-44 485	-2 937	-28 439
Change in working capital	8 581	-4 125	2 444	-154	17 996
Cash flow from operating activities	-18 698	-7 972	-42 041	-3 091	-10 443
Cash flow from investments activities	-3 153	-5 301	-3 357	-11 296	-10 579
Total cash flow before financing activities	-21 851	-13 273	-45 398	-14 387	-21 022
Cash flow from financing activities	11 220	3 841	42 654	3 731	2 540
Cash flow for the period	-10 631	-9 432	-2 744	-10 656	-18 482
Liquid assets at the beginning of the period	13 346	22 717	5 459	23 941	23 941
Liquid assets at the end of the period	2 715	13 285	2 715	13 285	5 459

Key ratios

TSEK	2013 Apr - Jun	2012 Apr - Jun	2012 Jan-June	2011 Jan-June	2012 Jan-Dec
Cash flow for the period	-10 631	-9 432	-2 744	-10 656	-18 482
Cashflow / share before and after dilution (SEK) ¹	-0,06	-0,07	-0,02	-0,08	-0,13

	2013-06-30	2012-06-30	2012-12-31
Equity/assets ratio	57,9%	67,8%	60,3%
Number of shares	173 624 758	137 037 081	137 037 081
Shareholders equity per share (kr)	0,79	1,17	0,95

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	2013 Apr - Jun	2012 Apr - Jun	2013 Jan-June	2012 Jan-June	2012 Jan-Dec
Net sales	2 696	1 757	3 393	2 985	6 561
Gross profit	2 696	1 757	3 393	2 985	6 561
Administrative costs	-2 452	-1 668	-3 035	-2 783	-6 223
Operating profit	244	89	358	202	338
Profit/loss from shares in Group companies	-	-	-	-	-29 500
Financial items	2	-1	-49	-1	-
Profit for the period	246	88	309	201	-29 162

Parent company, balance sheet in summary

TSEK	2013-06-30	2012-06-30	2012-12-31
Intangible fixed assets	261	321	258
Tangible assets	0	16	5
Financial fixed assets	201 430	182 989	153 489
Total fixed assets	201 691	183 326	153 752
Other short-term receivables	25 994	11 877	13 973
Liquid assets, including current investments	1	91	56
Total current assets	25 995	11 968	14 029
Total assets	227 686	195 294	167 781
Equity	218 882	190 840	161 476
Other current liabilities	8 804	4 454	6 305
Total liabilities and shareholders equity	227 686	195 294	167 781

Note 1 - Acquisitions 2013

Shanwell Holdings Ltd

On May 1, 2013 the Group acquired all shares in the UK based unlisted company Shanwell Holdings Ltd with its operating unit Develop IQ Ltd for MSEK 18.4. Develop IQ which is active within Business Solutions has been a long standing Anoto partner. Anoto has consolidated the acquired entity as from May 1, 2013.

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

During the period May 1 through June 30 Develop IQ contribution to Net sales was MSEK 1,7.

Effects from acquisitions

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

(KSEK)

Intangible assets	0
Tangible assets	334
Inventory	41
Current assets	4 853
Liquid assets	780
Interest bearing liabilities	0
Current liabilities	-6 032
Net identifiable assets and liabilities	-24
Group goodwill	18 465
Consideration	18 441

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.

Acquisition related expenses

Expenses related to the acquisition amounts to 1.2 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)

Issued shares	18 441
Total consideration	18 441

Fair value of the 10,847,740 shares issued as part of the total consideration paid for the shares in Shanwell Holding Ltd is based on the price for the Anoto share on the day of the transaction.