

Anoto Group

Interim Report January-September 2009



Anoto Group AB is the company behind and world leading in the unique technology for digital pen and paper, which enables fast and reliable transmission of handwritten text into a digital format. Anoto operates through a global partner network that focuses on user-friendly forms solutions for efficient capture, transmission and storage of data within different business segments, e.g. healthcare, bank and finance, transport and logistics and education. The Anoto Group has around 110 employees, offices in Lund (head office), Boston and Tokyo. The Anoto share is traded on the Small Cap list of the OMX Nordic Exchange in Stockholm under the ticker ANOT. For more information: www.anoto.com

The Anoto logo, featuring the word 'Anoto' in a stylized, red, cursive font.

Anoto Group

January – September 2009 Interim report

- In the first nine months of 2009 net sales amounted to MSEK 142 (100*). Third quarter net sales were MSEK 35 (40*).
- The gross margin for January – September was 69% (68*) and the gross profit was MSEK 98 (68*). Third quarter gross margin was 71% (64*) and the gross profit was MSEK 25 (26*).
- Earnings before Interests and Tax (EBIT), in the first nine months in 2009 was MSEK -23 (-41*). For the third quarter it was MSEK -19 (-8*).
- The loss after tax for the first nine months was MSEK -23 (-41*). The third quarter result was MSEK -20 (-7*).
- Earnings per share for the first nine months of 2009 were SEK -0.18 (-0.32*). The third quarter earnings were SEK -0.15 (-0.05*).
- The cash flow during the period January-September amounted to MSEK -4 (-95*). The third quarter cash flow amounted to MSEK -13 (-37*).

*) Comparable numbers for 2008 are reported in accordance with the new format for presenting the profit and loss statement. The numbers exclude the impact of those operations in 2008 that have been divested.

Summary of activities during the third quarter 2009

- Anoto Products sales grow with 59 % compared to the same period last year.
- The Groups total sales decreased by 13 % compared to the same period last year mainly due to no deliveries within Imaging Technology. Net sales amounted to MSEK 35.
- Gross margin improved in the third quarter to 71 %.

Comments by CEO Anders Norling

Continued sales growth

Sales during the first nine months of 2009 amounted to MSEK 142, corresponding to a growth of 42 % compared to the same period last year. Digital pens now represent 45 % of our total sales and amounted to MSEK 63 during the period January – September 2009 compared to MSEK 33 a year ago.

The underlying trend for sales into enterprises is still positive and none of our partners have lost any major opportunities. Our Core business sale increased during the nine months period, compared to the same period last year, with 61 %.

Our cash has during the quarter decreased by 13 MSEK which relates to the negative result for the period. During the first nine months of 2009 the cash flow was MSEK -4 and the closing balance at September 30, 2009 was MSEK 95.

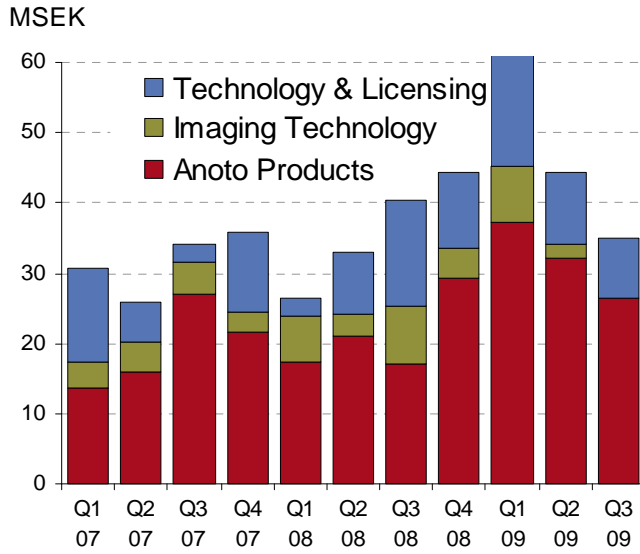
Polyvision continues to place orders for additional pens to be used with their interactive whiteboard based on Anoto technology.

The Japanese company PLUS Vision Corporation www.plus-vision.com/en, launched this June the world's first portable sheet-type interactive display with a digital pen, 'PLUS Wireless Interactive Panel UPIC, which is based on technology provided by Anoto. We are very optimistic about the development regarding the offered solution, and have during the quarter delivered further digital pens.

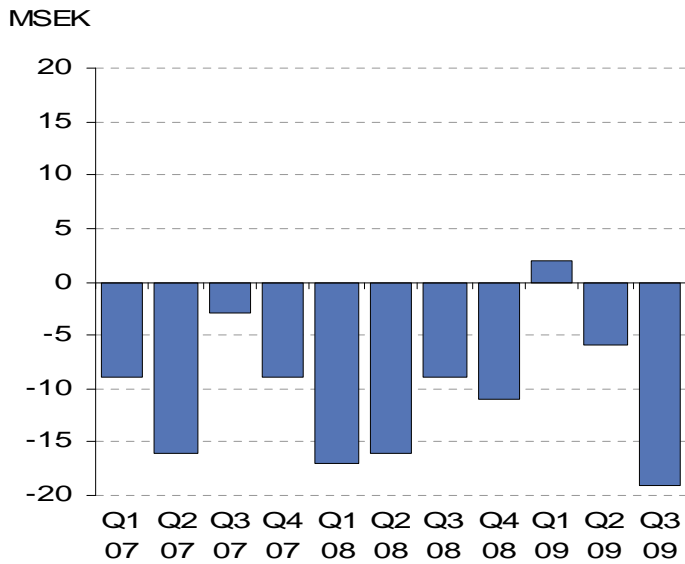
Anoto has received the '2009 European Care Management Systems Industry Innovation and Advancement Award' by the industry analyst firm Frost & Sullivan. The price is awarded for the use of digital pen and paper technology within the European healthcare sector and is based on the recently published Frost & Sullivan report, Strategic Analysis of Care Management Systems in Europe. The report points out that Anoto has already begun carving a niche for itself in the field of healthcare electronic data capture workflow by being more user friendly, thus taking up less time to learn and to implement compared to devices such as laptops and PDAs.

Furthermore, Anoto was selected to participate in the EU Gateway Programme, Health and Medical related technologies Business Mission to Japan as the only Swedish company. The one week mission took place in September and aimed to open up the healthcare markets in Japan and to find new business partners, thus broadening our distribution channels.

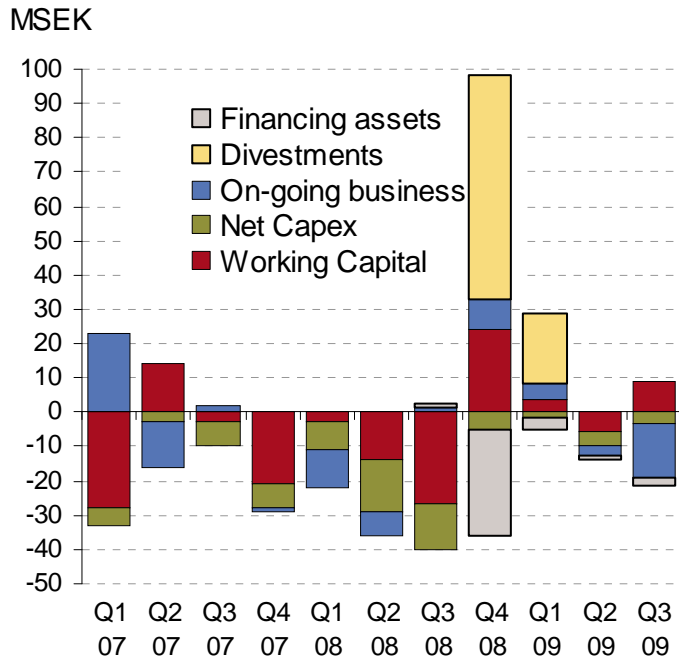
Net Sales 2007 - 2009



EBIT 2007-2009



Cash flow 2007 - 2009



Organization

The Anoto organization is divided into three areas:

- Anoto Products
- Technology and Licensing
- Imaging Technology

These three application areas generate income in five different categories - licensing, royalty, digital pens, components and NRE (Non-recurring engineering).

Net sales per income category

Amounts MSEK	July-September 2009	July-September 2008	January-September 2009	January-September 2008
Licensing fees	9	8	34	21
Royalty fees	5	4	14	14
Digital pens *	17	16	63	33
Components	0	9	16	21
NRE and others	4	3	15	11
Total	35	40	142	100

* Digital pens include C-Pen

Anoto Products

Amounts MSEK	July-September 2009	July-September 2008	January-September 2009	January-September 2008
Net sales	27	17	96	56
Gross profit	18	12	68	38

Anoto Products focuses on systems, products and services that target businesses, primarily in the field of forms processing. 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 corporate customers. Turnkey products, such as existing scanning and translation pens, as well as newly developed products including Anoto penPresenter, may also be marketed through other sales and distribution channels.

Anoto Products shows growth in all markets in comparison to the same period last year, but with less increase than in the first half of 2009, primarily due to delays in larger installations and to the fact that some customers are facing financing difficulties. Most transactions are within applications for the healthcare and clinical trial sectors, but there is also an increased interest within facility management. The inflow of new partners continues to be good.

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The Anoto Forms Solution (AFS) platform is an important enabler and improves Anoto's position in the value chain considerably. The new generation, AFS 2.0 with extended functionality and features, including encryption, will be ready for enterprise use. The launch is planned during Q4 and the Platform will be available in the market from early 2010.

Sales of the Anoto penPresenter and penDocuments continue to be a disappointment and new product features as well as new distribution channels are being evaluated.

Sales of C Technologies' C-Pen products, under our own brand and as OEM, continue to be stable and contribute to Anoto's overall result in a positive way. Third quarter sales for C Technologies were not as strong as in the first six months of 2009, but still well above the same period in 2008.

Technology and Licensing

Amounts MSEK	July-September 2009	July-September 2008	January-September 2009	January-September 2008
Net sales	8	15	36	26
Gross profit	7	9	24	19

Customers within Technology Licensing develop and sell products based on technology and digital pens provided by Anoto. The customers of the end products are both individual consumers and enterprises.

Such products are learning toys, educational tools, visual communication equipment and personal productivity solutions. Several of these products are interactive, enabling real-time audio or visual feedback while writing or when touching interactive areas in books, on paper, whiteboards and flipcharts.

Technology & Licensing has developed well with several interesting discussions on-going. Sales within Technology & Licensing in Q3 were lower than earlier quarters in 2009, especially in the office and consumer markets. The sales cycle within this application area may differ a lot due to the business model.

The educational market is developing well and Anoto delivered additional pens to PolyVision and PLUS during the third quarter to be used with interactive whiteboard products.

The PLUS UPIC is an interactive panel, allowing the user to operate a computer directly from a projected image by using a digital pen. The back of the panel is magnetic, making it easily attachable to different surfaces. During the third quarter further deliveries of pens to PLUS were shipped.

LiveScribe (www.livescribe.com) royalty fees from the second quarter 2009 are included in this period.

The LeapFrog Tag and Tag Junior Reading Systems (www.leapfrog.com/tag/) are selling according to expectation, but has no impact on our cash flow, since LeapFrog paid the royalty in advance. The prepaid amount is reduced by an equal monthly amount as income over the term of the royalty agreement.

Imaging Technology

Amounts MSEK	July-September 2009	July-September 2008	January-September 2009	January-September 2008
Net sales	0	8	10	18
Gross profit	0	5	5	11

Imaging Technology develops and markets basic Anoto technology, such as ASICs and IP blocks. The application area supplies and licenses imaging technology modules, components and function blocks for integration with customer products or components, accessories and their components.

Anoto has a handful of customers within the application area Imaging Technology. All production is order based, and Anoto keeps no components in stock for future sales. Orders are placed at minimum order quantities, due to production requirements, which results in great variations (over time) in orders received. No orders have been received for deliveries in the third quarter. However, a positive order stock will result in good sales volumes during the fourth quarter.

The third quarter 2009 in figures

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

Third quarter revenues were MSEK 35 (40*).

The gross profit was MSEK 25 (26*), and the gross margin was 71 % (64*).

Sales and administration expenses, together with research costs, amounted to MSEK -41 (-37*), of which depreciation, amortization and write-downs accounted for MSEK -4 (-4*).

The third quarter Earnings Before Interests and Taxes (EBIT) was MSEK -19 (-8*).

Cash flow for the third quarter (July - September)

Cash flow from operating activities totaled MSEK -16 (1) for the third quarter.

Net cash flow amounted to MSEK -13 (-37*), of which net investment affected the quarter's cash flow by MSEK -3 (-13).

Financing and liquidity

At the close of the quarter the group's total cash amounted to MSEK 95 (37).

Anoto Group AB

As a pure holding company, Anoto Group AB has a limited number of corporate functions. Sales for the second quarter were MSEK 1 (7), while the pre-tax profit was MSEK 0 (1). At the close of the quarter liquid assets, including current investments amounted to MSEK 0 (1). Investments came to MSEK 0 (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 2008 annual report. The accounting policies are unchanged from those applied in 2008.

Risk factors and uncertainties

No significant additional risks are deemed to have arisen beyond those described in the 2008 annual report for the Anoto Group. (Please see Note 2 for a detailed presentation of the company's risk exposure and management.)

Share data

The company's share is listed on the NASDAQ OMX Nordic Small Cap List in Stockholm.

Shares numbered 128,583,867 at the end of the third quarter, in addition to which 585,000 warrants were outstanding, of which none were deemed to have a value as of September 30, 2009.

Option programs

The parent company has issued options as part of various incentive programs. Full exercise of all remaining programs would result in a dilution of about 0.5 %.

Outlook

Anders Norling, CEO

We have during the last quarter had a continued increase in sales in our core business, but the total sales have decreased mainly due to lost business within Imaging Technology. I expect short term challenges due to the global economical downturn. Long term, I see a major growth potential for the Anoto Digital Pen and Paper technology.

Reporting schedule

Year-end report 2009	February 4, 2010
Annual General Meeting	May 13, 2010

Proposals for the Annual General Meeting 2010 shall be made to the Anoto Board, preferably by email to AGM.2010@anoto.com by 16 March in order to be part of the notice of the meeting.

The Anoto Group AB 2008 annual report is available at www.anoto.com. A printout of the digital version may be ordered from the company

Lund, November 3, 2009

Anders Norling
CEO

This report has been reviewed by the company auditors; see audit report below

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 3, 2009.

For more information

You are welcome to participate in Anoto's teleconference for financial analysts and the media at 10.00 CET on November 3, 2009.

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Report on review of interim financial statements

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

Corporate ID no 556532-3929

Introduction

We have conducted a limited review of the interim financial statements for Anoto Group AB (publ) as of 30 September 2009 and the nine-month period that concluded on this date. The preparation and presentation of these interim financial statements pursuant to IAS 34 and the Swedish Annual Accounts Act are the responsibility of the Board of Directors and Chief Executive Officer. Our responsibility is to report our conclusions concerning these interim financial statements on the basis of our limited review.

Scope of review

We have conducted our limited review pursuant to the Standard for Limited Review (SÖG) 2410 "Limited review of interim financial information conducted by the company's appointed auditor". A limited review consists of making inquiries, primarily to individuals responsible for financial and accounting matters, as well as performing analytical procedures and taking other limited review measures. A limited review has a different focus and significantly less scope than an audit according to RS Auditing Standards in Sweden and generally accepted auditing practice. The review procedures undertaken in a limited review do not enable us to obtain a level of assurance where we would be aware of all important circumstances that would have been identified had an audit been conducted. Therefore, a conclusion reported on the basis of a limited review does not have the level of certainty of a conclusion reported on the basis of an audit.

Conclusion

Based on our limited review, no circumstances have come to our attention that would give us reason to believe that the attached interim financial statements have not, in all material respects, been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act for the group, and in accordance with the Swedish Annual Accounts Act for the parent company.

Malmö 3 September 2009

Eva Melzig Henriksson
Authorised Public Accountant

Consolidated income statement in summary

(SEK thousand)	Note	Q3	Year to date		Full year	
		July - Sept 2009	July - Sept 2008	Jan - Sept 2009	Jan - Sept 2008	Jan - Dec 2008
Ongoing operations						
Net sales		35 045	40 305	141 633	99 572	143 975
Cost of goods and services sold		-10 294	-14 671	-44 117	-31 946	-46 313
Gross profit		24 751	25 634	97 516	67 626	97 662
Sales, administrative and R&D costs		-40 752	-37 215	-123 128	-110 033	-152 003
Other operating income/cost		-2 641	3 757	3 152	3 087	2 961
Operating profit/loss		-18 642	-7 823	-22 459	-39 319	-51 379
Writedown of shares in associated companies		0	0	-1 003	-1 686	-2 431
Other financial items		-1 014	1 204	721	243	-6 239
Profit/loss before taxes		-19 656	-6 619	-22 741	-40 762	-60 049
Taxes		1	3	15	-856	-853
Profit/loss for the period		-19 654	-6 616	-22 726	-41 618	-60 902
Closed operations						
Profit from closed operations	1	0	5 281	0	11 730	91 352
Profit/loss for the period (including Closed operations)		-19 654	-1 335	-22 726	-29 888	30 450

Group - Statement of comprehensive income for the period

(SEK thousand)	July - Sept 2009	July - Sept 2008	Jan - Sept 2009	Jan - Sept 2008	Jan - Dec 2008
Translation differences for the year	-379	-1 315	469	-1 380	2 932
Other comprehensive income/cost for the period	-379	-1 315	469	-1 380	2 932
Total comprehensive income for the period	-20 033	-2 650	-22 257	-31 268	33 382
Total comprehensive income for the period attributable to:					
Shareholders of Anoto Group AB	-19 695	-1 684	-21 095	-29 756	35 611
Minority shareholders	-338	-966	-1 162	-1 512	-2 229
Total comprehensive income for the period	-20 033	-2 650	-22 257	-31 268	33 382
Key ratios:					
Gross margin	70,6%	63,6%	68,9%	67,9%	67,8%
Operating margin	Neg	Neg	Neg	Neg	Neg
Earnings per share					
Earnings per sharee (kr) ²	-0,15	-0,01	-0,18	-0,23	0,24
Earnings per share after dilution (kr) ²	-0,15	-0,01	-0,18	-0,23	0,24
Earnings per share from ongoing operations					
Earnings per sharee (kr) ²	-0,15	-0,05	-0,18	-0,32	-0,47
Earnings per share after dilution (kr) ²	-0,15	-0,05	-0,18	-0,32	-0,47
Earnings per share on total comprehensive income for the period					
Earnings per sharee (kr) ²	-0,16	-0,02	-0,17	-0,24	0,26
Earnings per share after dilution (kr) ²	-0,16	-0,02	-0,17	-0,24	0,26
Average number of shares					
Before dilution	128 583 867	128 583 867	128 583 867	128 583 867	128 583 867
After dilution	128 583 867	128 583 867	128 583 867	128 583 867	128 583 867

¹ Disposal of business

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.

Consolidated balance sheet in summary

(SEK thousand)	2009-09-30	2008-09-30	2008-12-31
Intangible fixed assets	360 875	363 706	364 025
Tangible assets	7 375	6 704	5 279
Financial fixed assets	10 206	5 347	30 599
Total fixed assets	378 456	375 757	399 903
Inventories	32 453	36 952	37 329
Accounts receivable	17 474	39 456	32 564
Other current assets	26 714	47 941	32 304
Total short-term receivables	44 188	87 397	64 868
Current investments	1 595	377	320
Liquid assets, including current investments	94 876	36 717	99 024
Total current assets	173 112	161 443	201 541
Total assets	551 568	537 200	601 444
	0	0	0
Equity attributable to shareholders of Anoto Group AB	467 527	425 489	488 474
Equity attributable to minority interests	-1 322	502	-160
Long term liabilities	33 646	46 636	41 891
Current provisions	823	686	800
Other current liabilities	50 894	63 887	70 439
Total current liabilities	51 717	64 573	71 239
Total liabilities and shareholders' equity	551 568	537 200	601 444

Change in shareholders' equity

	Share capital	Other capital contributed	Reserves	Profit for the year	Shareholders equity	Minority shareholders	Total shareholders equity
Opening balance 1st of Januari 2008	2 572	448 508	-3 063	4 791	452 808	2 069	454 877
Total comprehensive income for the period			2 911	32 699	35 610	-2 229	33 381
Adjustment costs for share options				56	56	0	56
Shareholders equity 31st of December 2008	2 572	448 508	-152	37 546	488 474	-160	488 314
Total comprehensive income for the period				-21 564	-21 095	-1 162	-22 257
Adjustment costs for share options				148	148	0	148
Shareholders equity 31st of March 2009	2 572	448 508	317	16 130	467 527	-1 322	466 205

Consolidated Cash flow statement in summary

(SEK thousand)	Note	Q3		Year to date		Full year
		July - Sept 2009	July - Sept 2008	Jan - Sept 2009	Jan - Sept 2008	Jan - Dec 2008
Profit/loss after financial items		-19 656	-1 338	-22 741	-29 032	31 303
Depreciation, amortisation and write-downs		3 856	3 716	10 278	13 817	21 483
Other items not included in cash flow		-115	-1 057	-627	-2 402	6 854
Total items not included in cash flow		3 741	2 659	9 651	11 415	28 337
Cash flow from operating activities before change in working capital		-15 915	1 321	-13 090	-17 617	59 640
Change in working capital		8 804	-26 563	26 535	-42 811	-9 317
Cash flow from operating activities		-7 111	-25 242	13 445	-60 428	50 323
Cash flow from investment activities		-3 144	-13 229	-9 817	-36 011	-40 257
Total cash flow before financing activities		-10 255	-38 471	3 628	-96 439	10 066
Cash flow from financing activities		-2 378	1 113	-7 776	1 856	-42 342
		0	0	0	0	0
Cash flow for the period		-12 633	-37 358	-4 148	-94 583	-32 276
Liquid assets at the beginning of the period*		107 509	74 076	99 025	131 301	131 301
Liquid assets at the end of the period*		94 876	36 718	94 876	36 718	99 025
<i>Cash flow from ongoing operations</i>		-12 633	-42 193	-4 148	-101 111	-116 518
<i>Cash flow from closed operations</i>	2	-	4 835	-	6 528	84 242

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

** Includes non-repayable advances from customer

Key ratios

	July - Sept 2009	July - Sept 2008	Jan - Sept 2009	Jan - Sept 2008	Jan - Dec 2008
Cash flow for the year (KSEK)	-12 633	-37 358	-4 148	-94 583	-32 276
Cash flow per share (SEK) ²	-0,10	-0,29	-0,03	-0,74	-0,25
Cash flow per share after dilution (SEK) ²	-0,10	-0,29	-0,03	-0,74	-0,25
			2009-09-30	2008-09-30	2008-12-31
Equity/assets ratio			84,8%	79,2%	81,2%
Number of shares ³			128 583 867	128 583 867	128 583 867
Shareholders' equity per share (SEK) ³			3,64	3,31	3,80

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 (09-03-31; 0, 08-12-31)

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

(SEK thousand)	Q3		Year to date		Full year
	July - Sept	July - Sept	Jan - Sept	Jan - Sept	Jan - Dec
	2009	2008	2009	2008	2008
Net sales	971	6 911	8 418	21 768	30 044
Gross profit	971	6 911	8 418	21 768	30 044
Administrative costs	-885	-6 252	-7 645	-19 805	-28 226
Operating profit	86	659	773	1 963	1 818
Financial items	1	-26	-9	28	-873
Resultat efter finansiella poster	87	633	764	1 991	945

Parent company, balance sheet in summary

(SEK thousand)	2009-09-30	2008-09-30	2008-12-31
Intangible fixed assets	652	716	711
Tangible assets	264	404	356
Financial fixed assets	344 700	344 700	344 700
Total fixed assets	345 616	345 820	345 767
Other short-term receivables	108 887	112 977	119 312
Liquid assets, including current investments	244	617	897
Total current assets	109 131	113 594	120 209
Total assets	454 747	459 414	465 976
Equity	452 447	452 728	451 682
Other current liabilities	2 300	6 686	14 294
Total liabilities and shareholders' equity	454 747	459 414	465 976

Note 1 Closed operations - Profit & Loss

	July - Sept	July - Sept	Jan - Sept	Jan - Sept	Jan - Dec
	2009	2008	2009	2008	2008
Net sales	0	10 045	0	26 378	38 229
Cost of goods & services	0	-1 198	0	-4 736	-5 949
Gross profit	0	8 847	0	21 642	32 280
Sales, administrative & R&D costs	0	-3 693	0	-10 249	-12 580
Other income	0	0	0	0	71 387
Operating profit	0	5 154	0	11 393	91 087
Financial items	0	127	0	337	265
Profit from closed operations	0	5 281	0	11 730	91 352

Note 2 Closed operations - Cash flow

	July - Sept	July - Sept	Jan - Sept	Jan - Sept	Jan - Dec
	2009	2008	2009	2008	2008
Profit/loss after financial items	0	5 281	0	11 730	91 352
Depreciation	0	191	0	555	148
Taxes paid	0	-587	0	-4 917	-6 004
Investments	0	-50	0	-840	-1 254
Cash flow for the period from closed operations	0	4 835	0	6 528	84 242