

## Interim Report January – September 2010

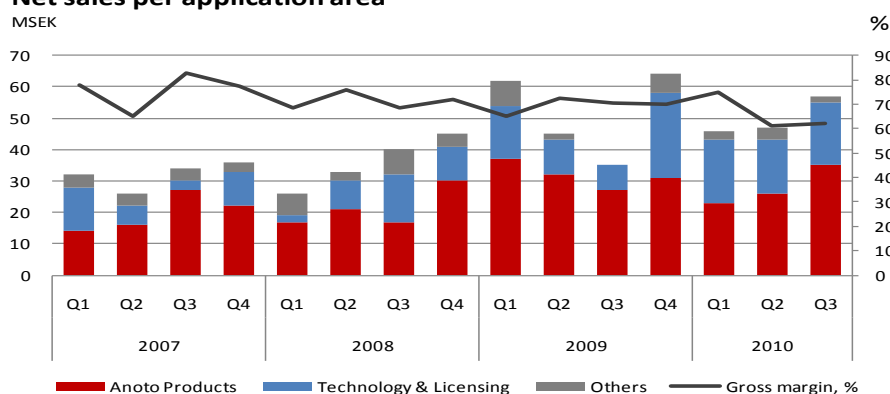
- Net sales in the first nine months amounted to MSEK 152 (142). Third quarter net sales were MSEK 57 (35).
- The gross margin for January-September was 66% (69) and the gross profit was MSEK 100 (98). The third quarter gross margin was 62% (71) and the gross profit was MSEK 35 (25).
- Earnings before depreciations and amortizations (EBITDA) in the first nine months 2010 were MSEK -22 (-12). In the third quarter it was MSEK 3 (-15).
- The result after tax for the nine month period was MSEK -63 (-23) and for the third quarter MSEK -28 (-20).
- Earnings per share for the first nine months 2010 were SEK -0.49 (-0.18). Third quarter earnings per share amounted to SEK -0.22 (-0.15).
- The cash flow during the nine months period was MSEK -17 (-4). Third quarter cash flow was MSEK -15 (-13).

### Third Quarter Summary 2010

- Net sales increased by 63%, to MSEK 57.
- Restructuring program aiming to reduce costs by 25% announced in October.
- Capitalized development costs written down by MSEK 23.

Key ratios	2010	2009	2010	2009	2009
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Net sales, MSEK	57	35	152	142	206
Gross profit/loss	35	25	100	98	143
Gross margin, %	62	71	66	69	69
Operating profit/loss, MSEK	-25	-19	-62	-22	-21
Profit/loss after tax, MSEK	-28	-20	-63	-23	-21
Earnings per share					
before and after dilution, SEK	-0,22	-0,15	-0,49	-0,18	-0,16
Cash flow, MSEK	-15	-13	-17	-4	-18
Cash at end of period, MSEK	64	95	64	95	81

### Net sales per application area



This report was published November 1, 2010

## Comments by Torgny Hellström, CEO

Third quarter net sales 2010 amounted to MSEK 57 (35), corresponding to a 63% growth compared to the same quarter last year. This is the third best quarterly sales ever, primarily due to good sales in Technology & Licensing and recovered sales by C Technologies. In spite of the improvement we still generate loss before write down of certain Capitalized Development costs and a negative cash flow. Consequently, aiming at a positive result and a positive cash flow by mid next year, we are working to reduce Anoto's operational costs by approx. MSEK 40 (25%).

We will increase our efficiency by concentrating all development resources into one organization in Lund, and by streamlining Anoto's product portfolio. Anoto will focus on growing its business through existing and new partners developing their own platforms and products based on Anoto technology. The development of Anoto's platform AFS has been halted, since the sales have not met our expectations. However, Anoto will continue to fully support customers that have invested in the AFS platform.

After the end of the third quarter in early October we announced a restructuring program aiming to get Anoto into profitability and positive cash flow next year. The restructuring will reduce our staff by 30-35 full time employees in Sweden, Japan and USA, and our operational costs by MSEK 40 to an annual level of about MSEK 125. Negotiations with the Swedish Labor Unions are expected to be finalized by mid November and the total restructuring cost is estimated at approx. MSEK 15. The final cost will be determined and reserved for in the Q4 accounts.

As a consequence of stopping further development of the AFS platform and due to considerably smaller revenue than expected, we have written off capitalized development costs related to AFS by MSEK 9 in the third quarter.

In 2007 and 2008, investments were made in a new generation of pens that has not yet materialized in a new commercially available pen. In total, we invested MSEK 15 in capitalized development. Since this new pen is not expected to be commercialized in the next few years we have written down the book value of this development.

Overall third quarter sales developed well. Both application areas increased their sales strongly compared to the same period last year. Sales of digital pens represent more than half of our total revenue in the last quarter as well as in the whole of 2010 so far.

Lack of components caused C Technologies falling behind its sales plan earlier this year. These delays are now recovered and C Technologies deliveries are in line with our plans.

As digital pens, including C Pens, now represent considerably more than 50% of our total net sales, the average gross margin is 62 % (71). License revenue and royalty gross margins are still 100%.

Our cash decreased by MSEK 15 (-13) during the third quarter, and our closing balance was MSEK 64 (95). The increased sales have tied up MSEK 12 in working capital and capital expenditure amounts to MSEK 3.

### Outlook

Through our recently announced restructuring program we are determined to make Anoto profitable and to have a positive cash flow from 2011.

## A partner driven business model

Anoto's business is organized in two applications areas: Anoto Products and Technology and Licensing. These two application areas generate income in five different categories - licensing, royalty, digital pens, components and NRE (Non Refundable Engineering).

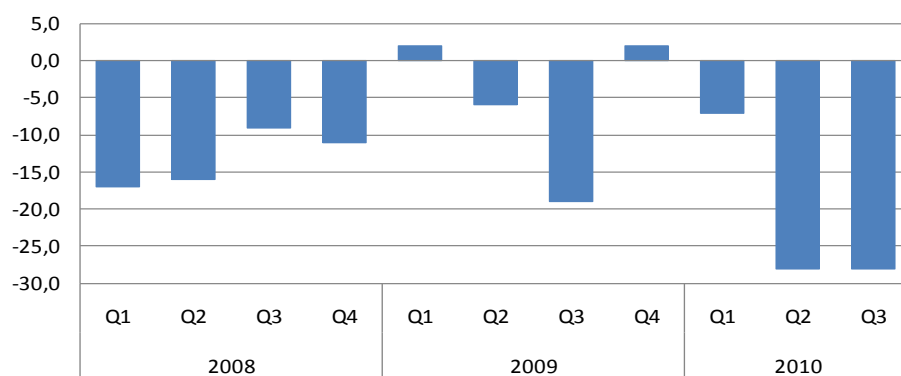
### Net sales per product group

MSEK	2010 Jul-Sep	2009 Jul-Sep	2010 Jan-Sep	2009 Jan-Sep	2009 Jan-Dec
Licenses	6	9	26	34	49
Royalty	6	5	22	14	19
Digital pens*	39	17	85	63	89
Components	3	0	10	16	22
NRE and other	3	4	9	15	27
<b>Total</b>	<b>57</b>	<b>35</b>	<b>152</b>	<b>142</b>	<b>206</b>

\* Digital pens include the C-Pen

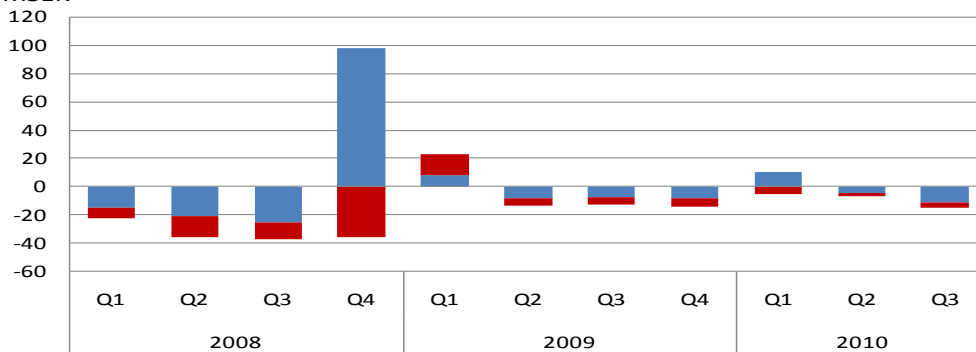
### EBIT 2008-2010

MSEK



### Cash flow 2008-2010

MSEK



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

## Anoto Products

*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 may also be marketed through other sales and distribution channels.*

The AFS platform development was halted due to poor sales and a restructuring program was started. The AFS platforms that are already delivered will be supported and maintained, but future sales will be directed via the existing partner network. Lately most revenues have come from existing qualified partners with a long relationship to Anoto.

MSEK	2010	2009	2010	2009
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep
Net sales	35	27	84	96
Gross profit	22	18	57	68

## Technology & Licensing

*Customers within Technology & Licensing develop and sell products based on technology and digital pens provided by Anoto. These 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. End product customers are individual consumers as well as enterprises.*

The sales during the third quarter were well in line with our expectations and plans. Additional orders were received at a value of MUS\$ 1.5 from a customer in the USA within interactive whiteboards. We expect to deliver a major part of the order in Q4, 2010.

We also continued to deliver digital pens to TStudy. Since entering our co-operation at the end of 2009, we have delivered a total of 16,500 pens for use within education in South Korea.

Continued increased sales of products based on Anoto technology developed by our partners have resulted in increasing royalty revenues.

MSEK	2010	2009	2010	2009
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep
Net sales	20	8	58	36
Gross profit	13	7	41	24

## Financing and liquidity

At the close of the quarter, the group's total cash amounted to MSEK 64 (95).

## Anoto Group AB

As a pure holding company, Anoto Group AB has a limited number of corporate functions. Sales for the third quarter were MSEK 1 (1), while the pre-tax profit was MSEK 0 (0). At the close of the quarter liquid assets, including current investments amounted to MSEK 0 (0). Investments came to MSEK 0 (0).

## 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 2009 annual report. The accounting policies are unchanged from those applied in 2009.

## Risk factors and uncertainties

No significant additional risks are deemed to have arisen beyond those described in the 2009 annual report for the Anoto Group. (Please see Note 2 in the Annual report 2009 for a detailed presentation of the company's risk exposure and management.)

## Related party transactions

Since the Annual Meeting in May 2010, when Joonhee Won (TStone) and Paddy Padmanabhan (DoubleDay) joined as members of the Anoto Board sales have been made to TStudy, South Korea (a subsidiary of TStone) of MSEK 7 and to Expedata Inc (a subsidiary of DoubleDay) of MSEK 1. All transactions have been made on normal commercial conditions.

## Transactions and activities after September 30

On October 11 the Board of Anoto announced a restructuring program aiming to get Anoto into profitability and positive cash flow next year. The restructuring will reduce staff by 30-35 full time employees in Sweden, Japan and USA, and operational costs annually by MSEK 40 to a level of about MSEK 125. Total restructuring cost is estimated at approx. MSEK 15. The final cost will be determined and reserved for in the Q4 accounts.

## Share data

The company 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. No warrants were issued.

## Option program

For the moment Anoto has no outstanding warrants or other incentive program.

## Calendar 2010

Year-end report 2010	February 4, 2011
Annual Report 2010	April 2010
Annual General Meeting	May 2011

This report has been reviewed by the company auditors.

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 16.00 on November 1, 2010.

**For more information**

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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 2010 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, November 1, 2010

Eva Melzig Henriksson  
Authorized Public Accountant

# Financial report

## Condensed statement of comprehensive income

	Note	July-Sep 2010	July-Sep 2009	Jan-Sep 2010	Jan-Sep 2009	Jan-Dec 2009
<b>TSEK</b>						
Net sales		57 113	35 045	151 659	141 633	205 862
Cost of goods and services sold		-21 771	-10 294	-52 059	-44 117	-63 390
<b>Gross profit</b>		<b>35 342</b>	<b>24 751</b>	<b>99 600</b>	<b>97 516</b>	<b>142 472</b>
Sales, administrative and R&D costs		-36 701	-40 752	-136 900	-123 128	-167 908
Other operating income/cost	1	-23 883	-2 641	-25 082	3 152	4 588
<b>Operating profit/loss</b>		<b>-25 242</b>	<b>-18 642</b>	<b>-62 382</b>	<b>-22 460</b>	<b>-20 848</b>
Writedown of shares		-147	0	-2 878	-1 003	-1 100
Other financial items		-2 746	-1 013	1 931	722	1 015
<b>Profit before taxes</b>		<b>-28 135</b>	<b>-19 655</b>	<b>-63 329</b>	<b>-22 741</b>	<b>-20 933</b>
Taxes		-14	1	-29	15	257
<b>Profit/loss for the period</b>		<b>-28 149</b>	<b>-19 654</b>	<b>-63 358</b>	<b>-22 726</b>	<b>-20 676</b>
<b>Other comprehensive income</b>						
Translation differences for the period		223	-379	92	469	92
<b>Other comprehensive income for the period</b>		<b>223</b>	<b>-379</b>	<b>92</b>	<b>469</b>	<b>92</b>
<b>Total comprehensive income for the period</b>		<b>-27 926</b>	<b>-20 033</b>	<b>-63 266</b>	<b>-22 257</b>	<b>-20 584</b>
<b>Total comprehensive income for the period attributable to:</b>						
Shareholders of Anoto Group AB		-27 377	-19 695	-61 724	-21 095	-19 519
Non controlling interest		-549	-338	-1 542	-1 162	-1 065
<b>Total comprehensive income for the period</b>		<b>-27 926</b>	<b>-20 033</b>	<b>-63 266</b>	<b>-22 257</b>	<b>-20 584</b>
<b>Key ratios:</b>						
Gross margin		61,9%	70,6%	65,7%	68,9%	69,2%
Operating margin		Neg	Neg	Neg	Neg	Neg
Earnings per share before and after dilution		-0,22	-0,15	-0,49	-0,18	-0,16
Average number of shares before and after dilution		128 583 867	128 583 867	128 583 867	128 583 867	128 583 867

### Note 1

Capitalized development costs related to investments in new digital pen and AFS platform, totally amounting to TSEK 23 710 has been written down completely in Q3 2010.

## Condensed consolidated balance sheet in summary

TSEK	2010-09-30	2009-09-30	2009-12-31
Intangible fixed assets	336 567	360 875	360 059
Tangible assets	9 820	7 375	9 184
Financial fixed assets	1 656	10 206	2 835
<b>Total fixed assets</b>	<b>348 043</b>	<b>378 456</b>	<b>372 078</b>
Inventories	18 598	32 453	29 356
Accounts receivable	31 741	17 474	45 013
Other current assets	22 461	28 309	27 686
<b>Total short-term receivables</b>	<b>54 202</b>	<b>45 783</b>	<b>72 699</b>
Liquid assets, including current investments	63 936	94 876	80 770
<b>Total current assets</b>	<b>136 736</b>	<b>173 112</b>	<b>182 825</b>
<b>Total assets</b>	<b>484 779</b>	<b>551 568</b>	<b>554 903</b>
Equity attributable to shareholders of Anoto Group AB	407 381	467 527	469 105
Non controlling interest	-2 767	-1 322	-1 225
Long term liabilities	22 282	33 646	31 007
Provisions	699	823	782
Other current liabilities	57 184	50 894	55 234
<b>Total current liabilities</b>	<b>57 883</b>	<b>51 717</b>	<b>56 016</b>
<b>Total liabilities and shareholders equity</b>	<b>484 779</b>	<b>551 568</b>	<b>554 903</b>

## Change in shareholders equity

TSEK	Share capital	Other capital contributed	Reserves	Profit for Shareholders the year	equity	Non controlling interest	Total shareholders equity
<b>Opening balance January 1, 2009</b>	<b>2 572</b>	<b>448 508</b>	<b>-152</b>	<b>37 546</b>	<b>488 474</b>	<b>-160</b>	<b>488 314</b>
Total comprehensive income for the period			34	-19 553	-19 519	-1 065	-20 584
Adjustment costs for the share options				150	150		150
<b>Shareholders equity December 31, 2009</b>	<b>2 572</b>	<b>448 508</b>	<b>-118</b>	<b>18 143</b>	<b>469 105</b>	<b>-1 225</b>	<b>467 880</b>
Total comprehensive income for the period			10	-61 734	-61 724	-1 542	-63 266
<b>Shareholders equity September 30, 2010</b>	<b>2 572</b>	<b>448 508</b>	<b>-108</b>	<b>-43 591</b>	<b>407 381</b>	<b>-2 767</b>	<b>404 614</b>

## Consolidated Cash flow statement in summary

TSEK	July-Sep 2010	July-Sep 2009	Jan-Sep 2010	Jan-Sep 2009	Jan-Dec 2009
<b>Profit/loss after financial items</b>	<b>-28 135</b>	<b>-19 655</b>	<b>-63 329</b>	<b>-22 741</b>	<b>-20 933</b>
Depreciation, amortisation and write-downs	28 245	3 856	40 189	10 278	14 454
Other items not included in cash flow	74	-115	-112	-627	1 098
<b>Total items not included in cash flow</b>	<b>28 319</b>	<b>3 741</b>	<b>40 077</b>	<b>9 651</b>	<b>15 552</b>
<b>Cash flow from operating activities</b>					
<b>before change in working capital</b>	<b>184</b>	<b>-15 914</b>	<b>-23 252</b>	<b>-13 090</b>	<b>-5 381</b>
Change in working capital	-11 667	8 803	22 748	26 534	-17 641
<b>Cash flow from operating activities</b>	<b>-11 483</b>	<b>-7 111</b>	<b>-504</b>	<b>13 444</b>	<b>-23 022</b>
Cash flow from investments activities	-3 369	-3 144	-16 330	-9 817	-14 933
<b>Total cash flow before financing activities</b>	<b>-14 852</b>	<b>-10 255</b>	<b>-16 834</b>	<b>3 627</b>	<b>-37 955</b>
Cash flow from financing activities		-2 378		-7 776	19 381
<b>Cash flow for the period</b>	<b>-14 852</b>	<b>-12 633</b>	<b>-16 834</b>	<b>-4 149</b>	<b>-18 574</b>
Liquid assets at the beginning of the period	78 788	107 509	80 770	99 025	99 344
<b>Liquid assets at the end of the period</b>	<b>63 936</b>	<b>94 876</b>	<b>63 936</b>	<b>94 876</b>	<b>80 770</b>

## Key ratios

TSEK	Apr-Jun 2010	Apr-Jun 2009	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
<b>Cash flow for the period</b>	<b>-14 852</b>	<b>-12 633</b>	<b>-16 834</b>	<b>-4 149</b>	<b>-18 574</b>
Cashflow / share before and after dilution (SEK) <sup>1</sup>	-0,12	-0,10	-0,13	-0,03	-0,14
			<b>2010-09-30</b>	<b>2009-09-30</b>	<b>2009-12-31</b>
Equity/assets ratio			84,0%	84,8%	84,5%
Number of shares <sup>2</sup>			128 583 867	128 583 867	128 583 867
Shareholders equity per share (kr) <sup>2</sup>			3,17	3,64	3,65

<sup>1</sup> 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.

<sup>2</sup> Including outstanding warrants (09-12-31: 0)

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

	July-Sep 2010	July-Sep 2009	Jan-Sep 2010	Jan-Sep 2009	Jan-Dec 2009
<b>TSEK</b>					
Net sales	605	971	2 753	8 418	9 126
Gross profit	605	971	2 753	8 418	9 126
Administrative costs	-548	-885	-2 506	-7 645	-7 966
<b>Operating profit</b>	<b>57</b>	<b>86</b>	<b>247</b>	<b>773</b>	<b>1 160</b>
Financial items	-4	1	-1	-9	6
<b>Profit for the period</b>	<b>53</b>	<b>87</b>	<b>246</b>	<b>764</b>	<b>1 166</b>

## Parent company, balance sheet in summary

<b>TSEK</b>	<b>2010-09-30</b>	<b>2009-09-30</b>	<b>2009-12-31</b>
Intangible fixed assets	537	652	628
Tangible assets	65	264	113
Financial fixed assets	344 700	344 700	344 700
<b>Total fixed assets</b>	<b>345 302</b>	<b>345 616</b>	<b>345 441</b>
Other short-term receivables	108 800	108 887	108 218
Liquid assets, including current investments	267	244	1 286
<b>Total current assets</b>	<b>109 067</b>	<b>109 131</b>	<b>109 504</b>
<b>Total assets</b>	<b>454 369</b>	<b>454 747</b>	<b>454 945</b>
Equity	453 098	452 447	452 852
Other current liabilities	1 269	2 300	2 093
<b>Total liabilities and shareholders equity</b>	<b>454 367</b>	<b>454 747</b>	<b>454 945</b>