

***ANOTO***

QUARTERLY REPORT

Q2/ 2016

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Anoto Group AB is a global leader in digital writing and drawing solutions. Its technology enables high-precision pen input on nearly any surface. Anoto is present around the world through a global network of strategic licensing partners that deliver user-friendly writing and drawing solutions for effective collection, transfer and storage of data. Anoto is traded on the Small Cap list of Nasdaq Stockholm under ANOT.

This report was published July 29, 2016 at 08.45 CET

For more information: [www.anoto.com](http://www.anoto.com)

## REPORT JANUARY – JUNE 2016

- Net sales in the period amounted to MSEK 128 (83) and Net sales for the quarter were MSEK 83 (40).
- The Gross margin for the period was 34% (53%) and Gross margin for the quarter was 31% (46%). Gross profit for the period was MSEK 44 (43) and Gross profit for the quarter was MSEK 26 (18).
- Earnings before depreciations and amortizations (EBITDA) for the period were MSEK -90 (-35) and EBITDA for the quarter was MSEK -35 (-23).
- The Result after tax for the period was MSEK -102 (-35) and the Result after tax for the quarter was MSEK -40 (-29).
- Earnings per share before and after dilution for the period were SEK -0,08 (-0,05) and for the quarter SEK -0,03 (-0,04).
- Cash flow during the period was MSEK 30 (3) and Cash flow for the quarter was MSEK 32 (-27). Cash flow from operating activities before changes in working capital during the period was MSEK -83 (-32) and for the quarter MSEK -29 (-28). Cash flow from financing activities during the period was MSEK 199 (36) and for the quarter MSEK 169(16).
- Acquisition of Pen Generation Inc. was completed on May 31. The acquisition was another step in consolidating the Anoto ecosystem to realize synergies in hardware and software development, supply chain and operations, as well as to give Anoto access to additional market channels for online sales and retail distribution. Pen Generation financials and revenues of 3.6 MSEK was included in Q2 from June 1st.

Key ratios	2016	2015	2016	2015	2015
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Net sales, MSEK*	83	40	128	83	193
Gross profit/loss*	26	18	44	43	86
Gross margin, %	31	46	34	53	44
Operating margin, %	Neg	Neg	Neg	Neg	Neg
Operating profit/loss, MSEK	-42	-24	-104	-37	-106
EBITDA, MSEK	-35	-23	-90	-35	-99
Profit/loss for the period, MSEK*	-40	-29	-102	-35	-108
Earnings per share before and after dilution, SEK*	-0.03	-0.04	-0.08	-0.05	-0.13
Cash flow for the period, MSEK*	32	-27	30	3	8
Cash at end of period, MSEK*	42	7	42	7	12

## Comments from the CEO

### SUMMARY

Q2 revenue was MSEK 83, an 84% increase over Q1 2016 and a 108% growth YOY compared to Q2 2015. Several factors contributed to this sharp increase in revenue. Anoto now has a stable revenue flow from recent acquisitions such as Livescribe and Pen Generation which combined contributed MSEK 23 for the quarter. Also the successful delivery of pens in the Japanese insurance company project account for MSEK 30.

Gross profit increased from MSEK 18 in Q1 to MSEK 26 in Q2. Diversification of product portfolio and reduced dependency on higher margin Enterprise Forms business is continuing to put pressure on the Gross Margin. Gross Margin remained at 31%, a 9 percentage point drop over Q1. The decline in gross margin is somewhat expected as a result of the addition of increased revenue base with higher volume and lower margin businesses.

In terms of operating losses, Anoto reduced operating losses from MSEK 62 in Q1 to MSEK 42 in Q2. Operating expenses still remain high due to the fact that the restructuring efforts in Q2 does not take full effect until Q3 and Q4 of this year. For example, due to restructuring charges, total compensation and consultant expense remained virtually unchanged at MSEK 52 in Q2 vs MSEK 53 in Q1. However, we expect this number to go down in Q3 and further employee count reduction measures in Q2 and Q3 will take effect in Q4 of this year. To date, we have achieved more than 15 MSEK savings per quarter in labor costs.

Another reason for high operating expenses is attributable to the development costs for the HP pen. A significant part of Anoto's resources and headcounts are dedicated to the development of HP pen. In addition, we are incurring costs related to the external consultants in preparation for the mass production which adds to the cost base. We expect a substantial portion of the work and expenses will be done by Q3, thereby allowing us to reduce costs in Q4 of this year.

### OUTLOOK

Anoto is expanding its business lines from hardware centered business (digital pen) to software and pattern technology based businesses. It is also reducing its dependence on the Enterprise Forms business which typically has long sales lead time and long development time in coordination with SI partners.

Anoto's dot pattern technology enables multi-surface collaboration work including paper. Anoto currently has interactive walls (We Inspire), Desktop solutions and screens (LFDs) which can be combined with paper based solutions to create a multi-user, multi-surface collaboration software. This is going to be an important line of business in 2017.

The addition of Livescribe and Pen Generation provides much needed pen portfolio diversification. More importantly, it opens up the possibility of working with large corporations to a multi-million dollar, high volume businesses. For example, a Pen Generation's customer, a large education company in Korea, buys more than 200,000 pens per year. Anoto is in the final stages of discussions with Tstudy China for a minimum purchase of 100,000 pens in one year in the Chinese education markets. Chinese government, the Ministry of Education, recently passed a decree mandating all primary schools to purchase digital writing instrument in order to teach writing and calligraphy of Chinese characters to its students. The Chinese government is concerned about children not learning how to write as they are becoming more and more dependent on typing on mobile devices.

In Japan, we are in the final stages of negotiation for additional order of 4,000 pens and 6,000 cradles which is a follow-on order for our Boxer Jr. pens. We expect to deliver this order in Q4 of 2016.

Lastly but most importantly, our recent transaction with Digiwork provides an ability to use mobile phones to read patterns rather than using digital pens. On July 15, 2016 Anoto entered into a Strategic Cooperation and Investment Agreement with Digiwork, a specialist in pattern based image encoding technology using mobile phones and tablets as a device for pattern recognition. In addition, Digiwork has a proprietary technology to print such patterns on all surfaces including, but not limited to, metal, plastic, glass and fabrics.

This alliance includes a co-marketing agreement of each other's' products. Digiwork produces a near-invisible pattern which can be read with mobile devices for the authentication and security. Digiwork has extensive clients in Asia, including Indonesia, Thailand and Korea. Through Digiwork's client base, Anoto is expected to increase its exposure in rapidly growing Asian economies. Digiwork also has an ability to encode 16K data into its pattern which enables mobile connectivity and data gathering in its Apps. Anoto's global sales force is already engaged to sell this product worldwide and are working on multiple sales leads.

Anoto and Digiwork are collaborating to migrate Anoto's unique pattern generating ability to Digiwork's mobile solutions to create a new business line called the "Product DNA" Anoto's unique pattern becomes a product ID which can be linked to

consumer's mobile phones and tablets which could gather information on the digital connectivity, ecommerce activities and use of various mobile apps. This technology enables product registration and bridges physical objects to digital space.

Anoto is entering into a new phase of evolution. Anoto is no longer just a pen hardware manufacturer. Our focus on collaboration software and alternate use of patterns will expand our business lines beyond paper and screens. Although we only started this process, Q2 2016 was a critical time where we laid a foundation for this future.

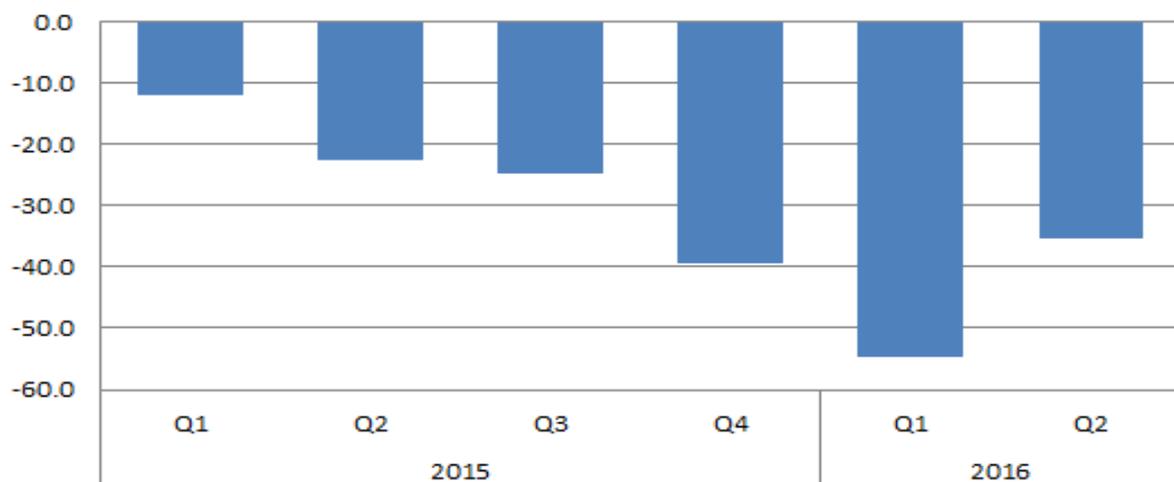
Joonhee Won  
CEO, Anoto Group AB (publ)

## A partner driven business model

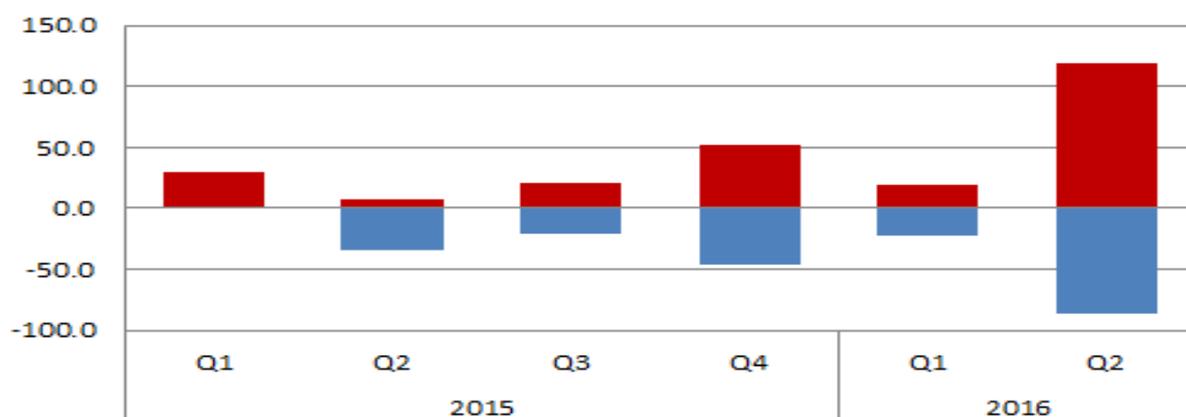
Anoto's business generates income in five different categories - licensing, royalty, digital pens, components, NRE (Non Refundable Engineering) and other.

MSEK	2016 Apr-Jun	2015 Apr-Jun	2016 Jan-Jun	2015 Jan-Jun	2015 Jan-Dec
Licenses	2	6	4	20	31
Royalty	0	1	1	3	11
Digital Pens	74	33	112	53	124
NRE	0	4	0	11	8
Other	7	-4	11	-4	18
<b>Total</b>	<b>83</b>	<b>40</b>	<b>128</b>	<b>83</b>	<b>193</b>

**EBITDA 2015- Q2 2016(MSEK)**



**Cash flow 2015-Q2 2016 (MSEK)**



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

**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. Disclosures in accordance with IAS 34 are presented either in notes or elsewhere in the report. For information about the accounting policies applied, refer to the 2015 annual report. The accounting policies applied and the judgments in the Interim Report are consistent with those applied in the Annual Report for 2015 except for disclosure of ESMA's guidelines on alternative performance measures that is applied as of July 3, 2016 and implies disclosures related to financial measures not defined under IFRS.

**RELATED PARTY TRANSACTIONS**

Antonio Mugica, representing the second largest shareholder (Goldeigen Kapital), is also the CEO of Anotos partner Smartmatic, was a previous Board member, however he has not been a Board member since the AGM 2016. Transactions with companies Smartmatic amounts to MSEK 2 during 2016. All transactions have been made on normal commercial conditions.

**TRANSACTIONS AND ACTIVITIES AFTER JUNE 30, 2016.**

On July 15, 2016 Anoto has entered into a strategic cooperation with Digiwork, a specialist in pattern-based image encoding technology using mobile phones and tablets for pattern recognition, in addition to an investment agreement with its listed parent company SMark Co., Ltd. ("SMark"). This alliance includes a co-marketing of products which will further enhance Anoto's product offering and expand Anoto's market into the growing economies of additional Asian countries.

**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 2,277,077,468.

**OPTION PROGRAM**

During the six months ended June 30, 2016, 6.9 million shares issued to Executive Officers under the Anoto Incentive Scheme 2014/2017 were cancelled, about 9.0 million shares issued to Executive Officers and 600,000 shares issued to Managers under the Anoto Incentive Scheme 2015/2018 were cancelled. No further grants were issued during this period. Due to the large block of cancellations, the related Stock option expense (which was calculated using the Black-Scholes Option Pricing model) was not deemed to be material for the six months ended June 30, 2016.

**LEGAL ACTIVITIES**

The Company has filed patent infringement suits in Japan against NeoLAB Corporation ("NeoLAB"), a subsidiary of NeoLAB Convergence, and Uchida Yoko Co. Ltd. Anoto is seeking all available remedies, including but not limited to injunctive relief against importation of NeoLAB's pen products and notebooks.

The lawsuits, filed with the Civil Division of the Tokyo District Court, are based on Anoto's Japanese patents 4245474, 4928696, and 4613251. The suits are focused on Anoto's patented methods for digital pen design and optical pattern processing.

The lawsuit is ongoing.

This interim report has not been subject to review by the auditors.

The Board of Directors and the CEO certify that the half-year report gives a true and fair view of the Parent Company's and Group's operations, financial position and results of operations, and describes significant risks and uncertainties that the Parent Company and the companies included in the Group faces.

Lund, July 29, 2016 Anoto Group AB (publ)

Jörgen Durban  
Chairman of the Board

Joonhee Won  
CEO

Henric Ankarcrona  
Board Member

Brett Halle  
Board Member

Anoto Group AB discloses the information provided herein pursuant to the Securities Markets Act (2007:528)/ the Swedish law on Trading with Financial Instruments (1991:980). The information was submitted for publication at 08.45 on July 29, 2016.

#### **CALENDAR 2016**

Q3 report      18<sup>th</sup> of November

Q4 report      February 2017

#### **FOR MORE INFORMATION**

Please contact:

Joonhee Won, CEO  
Email: [ir@anoto.com](mailto:ir@anoto.com)

Anoto Group AB (publ.), Corp. Id. No. 556532-3929  
Mobilvägen 10  
SE-223 62 Lund, Sweden  
Phone: +46 46 540 12 00  
[www.anoto.com](http://www.anoto.com)

## FINANCIAL REPORTS

## Condensed statement of comprehensive income

TSEK	2016 Apr-Jun	2015 Apr-Jun	2016 Jan-Jun	2015 Jan-Jun	2015 Jan-Dec
Net sales	83,098	39,533	128,281	82,661	192,839
Cost of goods and services sold	-57,571	-21,463	-84,457	-39,259	-107,283
<b>Gross profit</b>	<b>25,528</b>	<b>18,070</b>	<b>43,825</b>	<b>43,402</b>	<b>85,556</b>
Sales, administrative and R&D costs	-73,802	-42,196	-153,693	-81,022	-184,136
Other operating income/cost*	6,282	95	6,286	205	-7,669
<b>Operating profit/loss</b>	<b>-41,992</b>	<b>-24,031</b>	<b>-103,582</b>	<b>-37,415</b>	<b>-106,249</b>
Other financial items*	1,023	-5,029	-478	2,723	-3,710
<b>Profit before taxes</b>	<b>-40,969</b>	<b>-29,060</b>	<b>-104,060</b>	<b>-34,692</b>	<b>-109,959</b>
Taxes	1,278	0	2,117	-8	1,604
<b>Profit/loss for the period</b>	<b>-39,691</b>	<b>-29,060</b>	<b>-101,943</b>	<b>-34,700</b>	<b>-108,355</b>
<b>Other comprehensive income</b>					
Translation differences for the period	597	2,825	244	-8,280	-8,159
<b>Other comprehensive income for the period</b>	<b>597</b>	<b>2,825</b>	<b>244</b>	<b>-8,280</b>	<b>-8,159</b>
<b>Total comprehensive income for the period</b>	<b>-39,094</b>	<b>-26,235</b>	<b>-101,699</b>	<b>-42,980</b>	<b>-116,514</b>
<b>Total Profit/loss for the period attributable to:</b>					
Shareholders of Anoto Group AB	-38,177	-28,385	-99,426	-33,512	-104,029
Non controlling interest	-1,514	-675	-2,517	-1,188	-4,326
<b>Total Profit/loss for the period</b>	<b>-39,691</b>	<b>-29,060</b>	<b>-101,943</b>	<b>-34,700</b>	<b>-108,355</b>
<b>Total comprehensive income for the period attributable to:</b>					
Shareholders of Anoto Group AB	-37,580	-26,200	-99,182	-41,620	-109,800
Non controlling interest	-1,514	-35	-2,517	-1,360	-6,714
<b>Total comprehensive income for the period</b>	<b>-39,094</b>	<b>-26,235</b>	<b>-101,699</b>	<b>-42,980</b>	<b>-116,514</b>
<b>Key ratios:</b>					
Gross margin	30.7%	45.7%	34.2%	52.5%	44.4%
Operating margin	Neg	Neg	Neg	Neg	Neg
Earnings per share before and after dilution	-0.03	-0.04	-0.08	-0.05	-0.13
Average number of shares before and after dilution**	1,547,401,145	827,145,485	1,303,297,486	698,353,534	857,155,605

*Comparison numbers has been restated.*

*\*Including FX gains/losses on internal balances, earlier reported as "Other operating income/cost" and the gain on re-measuring to fair value the existing interest of 13% in Pen Generation Inc on acquisition of control*

*\*\*excluding share-options granted*

## Condensed consolidated balance sheet

TSEK	30/06/2016	30/06/2015	31/12/2015
Intangible fixed assets	308,005	87,287	263,065
Tangible assets	8,518	2,144	5,944
Financial fixed assets	3,855	5,240	7,280
<b>Total fixed assets</b>	<b>320,377</b>	<b>94,671</b>	<b>276,289</b>
Inventories	68,814	9,410	44,589
Accounts receivable	59,147	32,331	65,443
Other current assets	13,319	25,533	51,378
<b>Total short-term receivables</b>	<b>72,466</b>	<b>57,864</b>	<b>116,821</b>
Liquid assets, including current investments	41,523	6,576	11,629
<b>Total current assets</b>	<b>182,802</b>	<b>73,850</b>	<b>173,039</b>
<b>Total assets</b>	<b>503,180</b>	<b>168,521</b>	<b>449,328</b>
Equity attributable to shareholders of Anoto Group AB	366,571	101,645	277,926
Non controlling interest	-12,248	-18,746	-9,730
<b>Total equity</b>	<b>354,323</b>	<b>82,899</b>	<b>268,196</b>
Provisions	11,117	377	12,150
Other long term liabilities	165	0	23,544
<b>Total long-term liabilities</b>	<b>11,282</b>	<b>377</b>	<b>35,694</b>
Loans	17,491	18,587	0
Other current liabilities	120,084	66,658	145,438
<b>Total current liabilities</b>	<b>137,574</b>	<b>85,245</b>	<b>145,438</b>
<b>Total liabilities and shareholders equity</b>	<b>503,180</b>	<b>168,521</b>	<b>449,328</b>

**Consolidated 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
<b>Opening balance 1 January 2015</b>	13,967	0	640,682	-2,746	-573,661	78,242	-16,198	62,044
None controlling interest arising from business combination							2,752	2,752
Profit/loss for the year					-104,029	-104,029	-4,326	-108,355
Other comprehensive income				-5,771		-5,771	-2,388	-8,159
<b>Total comprehensive income</b>	0	0	0	-5,771	-104,029	-109,800	-6,714	-116,514
Convertible bonds - conversion	983		16,396			17,379		17,379
Private placement 27 march	1,593		31,800			33,392		33,392
Private placement 15 june	400		14,228			14,628		14,628
Private placement 24 july	600		38,491			39,091		39,091
Acquisition of XMS - 8 august	361		25,077			25,438	157	25,595
Private placement 10 & 30 nov	3,160		175,584			178,744		178,744
Debt Conversion etc. - non controlling interest						0	11,085	11,085
Ongoing Acquisition of XMS	12		800			812	-812	0
<b>Closing balance 31 December 2015</b>	21,076	0	943,057	-8,517	-677,690	277,926	-9,730	268,196
Profit/loss for the year					-99,426	-99,426	-2,517	-101,943
Other comprehensive income				597		597		597
<b>Total comprehensive income</b>	0	0	0	597	-99,426	-98,829	-2,517	-101,346
Private placement 27 march	260		10,270			10,530		10,530
Private placement 23 may	21,324		116,697			138,021		138,021
Acquisition of Pen Generation - 31 may	2,894		36,028			38,922		38,922
Ongoing Acquisition of XMS						0		0
<b>Closing balance 30 June 2016</b>	45,554	0	1,106,053	-7,920	-777,116	366,571	-12,247	354,323

## Consolidated Cash flow statement

TSEK	2016	2015	2016	2015	2015
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Profit/loss after financial items	-40,969	-29,060	-104,060	-34,692	-109,959
Depreciation, amortisation	6,154	1,484	13,176	2,900	7,330
Other items not included in cash flow	2,910	73	4,488	-120	1,922
Items not included in cash flow	9,064	1,557	17,664	2,780	9,252
<b>Cash flow from operating activities</b>					
before changes in working capital	-31,905	-27,503	-86,396	-31,912	-100,707
Change in operating receivables	-7,951	-4,930	44,355	-969	-59,927
Change in inventory	-13,956	1,332	-24,225	11,143	-24,036
Change in operating liabilities	-32,389	-3,876	-41,621	-7	99,192
<b>Cash flow from operating activities</b>	<b>-86,201</b>	<b>-34,977</b>	<b>-107,887</b>	<b>-21,745</b>	<b>-85,478</b>
Intangible assets	-49,105	-6,267	-55,810	-10,416	-186,762
Fixed assets	-1,293	-1,207	-4,940	-1,610	-8,605
Cash flow from net capital expenditures	-50,398	-7,474	-60,750	-12,026	-195,367
<b>Total cash flow before financing activities</b>	<b>-136,599</b>	<b>-42,451</b>	<b>-168,637</b>	<b>-33,771</b>	<b>-280,845</b>
New share issue	198,851	14,240	209,381	47,585	292,106
Convertible loan				-1,416	-3,541
Change in financial liabilities	-30,000	1,434	-10,850	-9,731	0
<b>Cash flow from financing activities</b>	<b>168,851</b>	<b>15,674</b>	<b>198,531</b>	<b>36,438</b>	<b>288,565</b>
<b>Cash flow for the period</b>	<b>32,252</b>	<b>-26,777</b>	<b>29,894</b>	<b>2,667</b>	<b>7,720</b>
Liquid assets at the beginning of the period	9,272	33,353	11,629	3,909	3,909
<b>Liquid assets at the end of the period</b>	<b>41,523</b>	<b>6,576</b>	<b>41,523</b>	<b>6,576</b>	<b>11,629</b>

## Key ratios

TSEK	2016	2015	2016	2015	2015
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Cash flow for the period	32,252	-26,777	29,894	2,667	7,720
Cashflow / share before and after dilution (SEK) <sup>1</sup>	0.02	-0.03	0.02	0.00	-0.01
	<b>30/06/2016</b>	<b>30/06/2015</b>	<b>30/06/2016</b>	<b>30/06/2015</b>	<b>31/12/2015</b>
Equity/assets ratio	72.9%	60.3%	72.9%	60.3%	61.9%
Number of shares	2,277,077,468	827,145,485	2,277,077,468	827,145,485	1,053,193,827
Shareholders equity per share (kr)	0.16	0.12	0.16	0.12	0.26

<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.

## Parent company, summary of income statement

TSEK	2016 Apr-Jun	2015 Apr-Jun	2016 Jan-Jun	2015 Jan-Jun	2015 Jan-Dec
Net sales	94	1,716	617	4,583	7,014
Gross profit	94	1,716	617	4,583	7,014
Administrative costs	-840	-1,318	-1,454	-3,290	-5,748
Operating profit	-746	398	-837	1,293	1,266
Profit/loss from shares in Group companies					-90,000
Financial items	570	-12	575	-646	-819
Profit for the period	-176	386	-262	647	-89,553

## Parent company, balance sheet in summary

TSEK	30/06/2016	30/06/2015	31/12/2015
Intangible fixed assets	61	114	77
Financial fixed assets	396,781	114,385	268,073
<b>Total fixed assets</b>	<b>396,842</b>	<b>114,499</b>	<b>268,150</b>
Other short-term receivables	155,623	116,752	121,579
Liquid assets, including current investments	29,387	1,286	613
<b>Total current assets</b>	<b>185,010</b>	<b>118,038</b>	<b>122,192</b>
<b>Total assets</b>	<b>581,851</b>	<b>232,537</b>	<b>390,342</b>
Equity	571,177	228,843	383,450
Loans	0	0	0
Other current liabilities	10,675	3,694	6,892
<b>Total liabilities and shareholders equity</b>	<b>581,851</b>	<b>232,537</b>	<b>390,342</b>

## Note 1 - Acquisitions 2016

### Pen Generation Inc

On May 31, 2016 Anoto Group AB (publ) acquired the remaining 81% shares and votes in the company Pen Generation Inc. for MSEK 38,9. Pen Generations Inc. which is active within Anoto Enterprise Solutions has been a long standing Anoto Partner. Anoto has consolidated the acquired entity as from June 1, 2016.

Through this acquisition Anoto enhances its hardware product portfolio and hardware development capabilities.

During the period June 1 through June 30 Pen Generations contribution to Net sales was MSEK 3,60

### Effects from acquisitions

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

#### (KSEK)

Intangible assets	394
Tangible assets	952
Other Non-current assets	276
Inventory	25,303
Current assets	19,720
Liquid assets	6
Interest bearing liabilities	-11,286
Current liability	-20,921
Other Non-current liabilities	-1,530
<b>Net identifiable assets and liabilities</b>	<b>12,914</b>
Group goodwill	35,137
<b>Consideration</b>	<b>48,051</b>

Revaluation on previous investment (19%) in Pen Generation Inc results in a gain of MSEK 6,3.

### Goodwill

The goodwill value includes additional sales resources and an increased presence on the Asian market.

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

### Acquisition related expenses

Expenses related to the acquisition amounts to 80 KSEK 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)

Fair value on previous investment	9,130
Issued shares	38,922
<b>Total consideration</b>	<b>48,051</b>

Fair value of the 144 689 816 shares issued as part of the total consideration paid for the shares in Pen Generation Inc is based on the price for the Anoto share on the day of the transaction.

## Note 2 - Financial instruments

Group 2015	Loans and accounts receivable	Financial assets that can be sold	Other financial liabilities	Total book value	Level 1	Level 2	Level 3	Total fair value
Investments				5,104				5,104
Long-term receivables	2,176			2,176				2,176
Accounts receivable	65,443			65,443				65,443
Other receivables								
Cash	11,628			11,628				11,628
Short-term investments and securities								
<b>Assets</b>	<b>79,247</b>	<b>0</b>	<b>0</b>	<b>84,351</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>84,351</b>
Borrowings								
Accounts payable			83,471	83,471				83,471
Other liabilities			32,001	32,001				32,001
<b>Total</b>	<b>0</b>	<b>0</b>	<b>115,472</b>	<b>115,472</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>115,472</b>
<b>Group 2016</b>	<b>Loans and accounts receivable</b>	<b>Financial assets that can be sold</b>	<b>Other financial liabilities</b>	<b>Total book value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total fair value</b>
Investments				2,251				2,251
Long-term receivables								
Accounts receivable	59,146			59,146				59,146
Other receivables								
Cash	41,522			41,522				41,522
Short-term investments and securities								
<b>Assets</b>	<b>100,668</b>	<b>0</b>	<b>0</b>	<b>102,919</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>102,919</b>
Borrowings	17,868			17,868				17,868
Accounts payable			55,624	55,624				55,624
Other liabilities			33,625	33,625				33,625
<b>Total</b>	<b>17,868</b>	<b>0</b>	<b>89,249</b>	<b>107,117</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>107,117</b>

**Disclosures on fair value classification**

Level 1: According to listed prices on an active market for similar instruments  
 Level 2: According to directly or indirectly observable market data not included in level 1  
 Level 3: According to indata not observable on the market

**Estimation of fair value**
**Accounts receivable and accounts payable**

For accounts receivable and accounts payable with a remaining life of less than six months, recorded amount is deemed to reflect fair value. Accounts receivable and accounts payable with a due time over six months are discounted at the time of determining the fair value.

**Financial assets that can be sold**

Financial assets that can be sold are valued on the basis of level 1.

**Borrowings**

Borrowings are measured at amortized cost.

### Alternative performance measures

Anoto Group presents certain financial measures in this interim report that are not defined under IFRS. Anoto Group believes that these measures provide useful supplemental information to investors and the group's management as they allow evaluation of the company's performance. Because not all companies calculate these financial measures similarly, these are not always comparable to measures used by other companies. These financial measures should not be considered a substitute for measures defined under IFRS.

Definitions of alternative measures used by Anoto Group that are not defined under IFRS are presented below.

#### GROSS MARGIN

*Gross profit as a percentage of net sales. Gross profit is defined as net sales less cost of goods sold*

#### OPERATING PROFIT/LOSS

*Gross profit less costs for sales, administrative, R&D and other operating income/costs.*

#### OPERATING MARGIN

*Operating profit/loss after depreciation and amortization as a percentage of net sales*

#### CASH FLOW PER SHARE FOR THE YEAR

*Cash flow for the year divided by the weighted average number of shares during the year.*

#### EQUITY /ASSETS RATIO

*Equity attributable to shareholders of Anoto Group AB as a percentage of total assets*

#### EBITDA

*Operating profit/loss before depreciation and amortisation.*

EBITDA is considered to be a useful measure of the group's performance because it approximates the underlying operating cash flow by elimination of depreciation and amortisation. A reconciliation from group operating profit/loss is set out below.

TSEK	2016	2015	2016	2015	2015
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Operating profit/loss	-42	-24	-104	-37	-106
Depreciation and amortisation	6	2	13	3	7
EBITDA	-35	-12	-90	-35	-99