ANOTO

2016 Annual Report

Bridging the analogue-digital divide

CONTENTS

DIRECTORS REPORT

The Board of Directors and CEO of Anoto Group AB (publ.), Corporate Identity No. 556532-3929, hereby submit the annual accounts and consolidated accounts for the January 1 – December 31, 2016 financial year.

Group Structure

Anoto Group AB is the parent company in the corporate business group, performing group-wide functions on behalf of its subsidiaries. The operational activities, including sales, are performed by the subsidiaries which consist of Anoto AB, Anoto K.K., Anoto Ltd, Anoto Inc, Livescribe Inc., XMS Penvision AB, and Pen Generations Inc. Hereafter the entire business group is referred to as “Anoto”, unless the context indicates otherwise.

Enterprise

Anoto is a technology company known globally for innovation in the area of information-rich patterns and the optical recognition of those patterns. It is a leader in digital writing and drawing solutions, having historically used its proprietary technology to develop smart pens and the related software. These smart pens enrich the daily lives of millions of people around the world. Now Anoto is also using its pattern, optics, and image-processing expertise to bridge between the analogue and digital domains through an initiative known as Anoto DNA (ADNA). ADNA makes it possible to uniquely and unobtrusively mark physical objects and then easily identify those individual objects using ubiquitous mobile devices such as phones and tablets. ADNA is enabling exciting possibilities for product innovation, marketing insights, and supply-chain control.

Anoto Business Units

Enterprise Solutions and Licensing

Enterprise Solutions focuses on systems, products, and services that target businesses, primarily in the field of forms processing, document management, and signature capture. The offering is Pen Solutions which includes solutions for creating a form in digital format, digital processing of handwritten forms and automatic generation of a digital version of a document with handwritten signatures and notes. Anoto has both direct and indirect business models, depending on territory, and partners with system integrators, software developers and IT consulting firms in specific vertical markets, all of whom offer customized solutions with Anoto technology to their customers.

Anoto Enterprise Solutions had a challenging year with lower sales compared to the previous year but won additional high profile customers in healthcare. The decrease in sales was primarily due to the shift in demand from developed to developing markets as well as constrained supply of pens in 2H 2016.

Notetaking Business

Livescribe is the world’s leading digital pen brand for notetaking use. Since acquiring Livescribe at the very end of 2015, Anoto has been actively listening to end users, enhancing operational efficiency, reinforcing the supply chain, optimizing the distribution channel, tweaking products in small but important ways, and building software competencies for the future.

The result has been a rationalized product portfolio and product positioning that eliminates confusion and increases customer satisfaction.

Education business

Anoto acquired Pen Generations Inc. in May of 2016 for three main reasons. Firstly, Pen Generations adds an important vertical to Anoto’s business; the Education sector. Digital pens are naturally suitable for use in education but Anoto has not been successful in addressing this market. The high-volume Education market requires affordable pens and Pen Generations has a suitable portfolio of digital pens that are used primarily in the Education sector and with interactive white boards. Anoto’s Live Pen 2 and Live Pen 2 Pro pens are high-end pens designed for the Enterprise Forms customers and are not suitable for the volume-oriented Education businesses. Livescribe has a pen named Echo which is a highly regarded ink-and-audio pen used in secondary and tertiary education but its sophistication and cost make it less than optimal for mass adoption across the education spectrum. With the addition of Pen Generations’ ADP-601 for interactive whiteboards and the competitively priced ADP-611 and ADP-612 pens for the education customers of Korea, Japan, China and India, Anoto is now able to execute a competitively priced, volume-driven strategy.

The Pen Generations acquisition also expands Anoto’s development capability, especially in lowering the manufacturing cost of digital pens for the mass market. One of the most important strategies for Anoto is to bring down the manufacturing cost of digital pens, thereby making them more affordable to the end customers. The company believes having an affordable pen will expand the market and increase the customer use cases.

In addition, Pen Generations adds geographic expansion as its customer base is primarily in Asia where Anoto has traditionally been weak. There’s a growing need for digital pens in Asia as well as Latin America. However, to be successful in these markets, Anoto had to address the price issue. Pen Generations provides the solution for affordability.

The Education business can be further divided into public schools and the private tutoring market. Pen Generations' China business is primarily targeted at the public schools while in Korea and Japan, the customers are primarily private education companies. There are also countries such as India and Turkey where pens are used for exam taking. With Anoto's expertise in firmware and software combined with Pen Generations' hardware expertise, the company believes there will be substantial synergies which will further enlarge our market share in the global education market.

Shares and Shareholders

There were, as per the end of 2016, 2,340,83,108 issued Anoto shares. According to Euroclear Sweden AB's statistics, there were 19,665 shareholders on December 31, 2016, representing an increase of approximately 4.1 per cent over the past 12 months.

The largest shareholder as at December 31, 2016 was Försäkringsbolaget Avanza Pension owning 8.6 per cent of the votes and capital. There is only one class of share.

Corporate Governance Report

The Corporate Governance Report is located in a separate section after the financial reports in this annual report.

Employees

The average number of employees within the Group increased from 117 to 156 in 2016. The Group had 96 employees (156) at the year-end and has further reduced the number of employees to 78 at the end of the first quarter of 2017. When restructuring initiatives are completed a further 38 employees will have been removed from the group.

Remarks on the Statement of Comprehensive Income

Net sales for the year increased by 22 percent from MSEK 193 to MSEK 236. Anoto's gross profit for the year decreased to MSEK 79 (86) and the gross margin was 33 percent (44).

The margin decrease is associated with manufacturing consolidation among the business units and quality enhancement activities that increased the cost-of-goods in the short term but are expected to provide long-term group-wide benefits including a return to higher margins. The margin decrease is not indicative of price erosion; in fact, in certain instances Anoto implemented important price increases in 2016. The decreased margin also reflects lower software sales in 2016 than in recent prior periods and relative to what is anticipated in the future.

The Operating loss for 2016 was MSEK -260 (-106) with much of that attributable to expensing previously capitalized costs and one-time charges associated with the much-needed global reorganization. The capitalized costs expensed related to numerous internal and external projects started by the prior management team that the current leadership determined to be neither strategically important nor financially attractive.

Anoto capitalizes non-customer financed development and patent expenses meeting the IAS 38 criteria. A total of MSEK 26 (38) was capitalized in 2016.

The profit before interest, taxes, depreciation and amortization (EBITDA) in the period was MSEK -190 (-99).

As a part of the annual closing process, Anoto tested the value of the Group goodwill and found that there is no evidence of impairment regarding Group goodwill. A review of the value of Group goodwill was also carried out at the end of the third quarter and an adjustment of MSEK 34.1 was made for impairment at that time. During the year, Anoto Group has made write-downs of MSEK 0.3 (1.7) in connection with the continuous review of the company's patent portfolio.

The operating result for the year was MSEK -260 (-106).

Remarks on the Statement of Financial Position and the Statement of Cash Flows

The total assets decreased by MSEK 60. Short term and long term liabilities have decreased by MSEK 3 to MSEK 178.

Group Equity at the end of the year amounted to MSEK 213, compared to MSEK 278 in the previous year. The cash flow from operating activities was MSEK -164 (-85). Working capital decreased by MSEK 46 (15). Cash flow from investment activities during the year was MSEK -48 (-176). The cash flow from financing activities was 206 (268), including net proceeds from share issues of 161 MSEK (266) and funding from an issue of Convertible debt 28 MSEK (0). The cash flow for the year was MSEK -6 (7). Closing cash at end of year was MSEK 6 (12).

Research and Development

Anoto’s R&D efforts are focused on meeting market needs in the three existing business areas (education, forms and notetaking) and on innovation relating to ADNA, The R&D expenses during the year were MSEK 76 (101), equivalent to 22 percent (53) of the total operating expenses. The number includes amortization of capitalized development of MSEK 3 (3) and impairment of MSEK 10 (0) . Pursuant to its compliance with IAS 38, the Group capitalized MSEK 26 (38) during 2016. Including capitalization, the Group´s R&D expenses totalled MSEK 102 (137) for the year.

Anoto has an extensive patent portfolio. At the end of 2016, the Group had 37 active patent applications and owned 319 registered patents.

Disputes

In 2016, the Company filed patent infringement suits in Japan against NeoLAB Corporation (“NeoLAB”), a subsidiary of NeoLAB Convergence, and Uchida Yoko Co. Ltd. Anoto was 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, were based on Anoto’s Japanese patents 4245474, 4928696, and 4613251. The suits were focused on Anoto’s patented methods for digital pen design and optical pattern processing. The lawsuit was ongoing as of March 31, 2017.

In April 2017, the Company reached a comprehensive global settlement of the patent infringement with NeoLAB and Uchida Yoko Co. Ltd. In accordance with the settlement terms, Anoto and NeoLAB each granted the other a comprehensive, royalty-free and non-transferable license to its patent portfolio, as well as a general release and waiver of any and all patent-related claims globally. Anoto received a payment of US$1 million from NeoLAB on April 28, and expects to receive another $1 million within nine months of the date of the Agreement.

Anoto is currently involved in a dispute with LeapFrog Enterprises (and its affiliates), a U.S. (Delaware) company headquartered in Emeryville, California (“LeapFrog”), in Sweden.

The dispute is related to two requests for arbitration filed by LeapFrog in Sweden, the first at the Stockholm Chamber of Commerce (“SCC Arbitration”) and the second at the International Chamber of Commerce (“ICC Arbitration”). In both the SCC Arbitration and the ICC Arbitration, LeapFrog is seeking indemnification and defence from Anoto with respect to patent infringement claims filed by Celebrate LLC in U.S. federal court in Delaware. On December 19, 2016, both Parties agreed to a six-month voluntary stay of both the ICC Arbitration and SCC Arbitration proceedings, which were accepted by the authorities, in order to explore an amicable resolution to the issues in both cases. More recently, the parties have agreed in principle to extend the voluntary stay of both proceedings for an additional three months, until mid-September 2017, while continuing to build upon a constructive business relationship.

A former Anoto employee has filed a civil lawsuit against the Company in Los Angeles, CA, alleging wrongful termination, unpaid wages/expenses and gender discrimination. After Anoto successfully removed this case to U.S. federal court, the Parties have commenced pre-trial discovery. Anoto believes the former employee’s claims are meritless and intends to defend the case vigorously. A mandatory settlement conference (MSC) between the Parties, required by law, was held in March but did not produce a settlement. The Parties completed discovery proceedings on May 8, 2017, and Anoto expects to move for summary judgment and dismissal of the case this summer.

Anoto is also a defendant in a lawsuit filed by a technology company, APOLOGIC Information Applications, in the commercial court of St. Malo Commercial Court. Anoto believes that the claim by APOLOGIC, alleging breach of commercial contract, is wholly without merit and furthermore that the court lacks both personal and subject matter jurisdiction over Anoto. Anoto’s attorneys have moved for dismissal of the case, arguing that the case should be referred to the Arbitration Institute of the Stockholm Chamber of Commerce. The St. Malo Commercial Court is expected to issue its decision on June 27.

Environment

Anoto does not pursue any activities that require environmental permits. None of its units are environmentally certified.

Risk Management

Liquidity and financing risk

Anoto´s liquid assets, as cash and bank deposits, amounted at the end of 2016 to MSEK 6 (12).

Anoto focuses on monitoring cash flow forecasts to appropriately manage any stresses on working capital and liquidity.

During 2016 the group has raised funds from existing shareholders by way of a rights issue and through the issuing of convertible bonds as follows.

- In February, the Company completed a private placement of 13 million new shares at a price of SEK 0.83 per share, for total proceeds of 10.8 million SEK (10.4 million SEK net of costs for share issue).

- The following month, in May, the Company carried out a rights offering of 1,003,716,488 shares at a subscription price of SEK 0.15 per share, which represents a total rights issue proceeds of approximately 160 million SEK (138 million SEK net of costs for share issue).
- In May, Anoto completed the acquisition of Pen Generations Inc. and resolved on an issue in kind of 144.689,816 new shares.
- In October the Company completed a private placement of 63 million new shares to ABLE Investment Advisors Inc at a price of SEK 0.20 per share, which represents a total issue proceeds of approximately 13 million SEK
- In December, Anoto announced the successful placement of approximately SEK 39 million of senior unsecured convertible bonds due 2018. During 2017 an amount of 29.8 MSEK has been converted to shares and the remaining amount of 9.2 MSEK will be set off against part of a loan granted to Anoto by Inhye Kim

In 2017 Anoto Management continues to address a number of risks facing the company. In particular, these risks have included a cost structure that was too high relative to sales and a lack of strategic focus. Multiple cost-cutting activities were carried out in 2016 and the corporate strategy was refined through the imposition of focus.

In March 2017, Anoto announced the closure of the Lund and Norrköping offices to further reduce the business's cost base. The expectations are that the refocusing of strategy, combined with the substantial reduction in costs, will put Anoto in a cash-generating position in 2017.

Anoto is now organized into four business divisions, based in the US; the Livescribe retail business, in the UK; a global enterprise forms business, in Korea; Pen Generations the education business, and the revenue for ADNA will be booked in Sweden. The purpose of the restructuring program is to create four profitable business divisions.

The ongoing cost reduction programme will be completed by 3Q of 2017 and should by then be delivering the full benefits.

Taking into consideration the cash-on-hand as at the date of this report, the receipt of funds from NeoLAB in April 2017, an investment of $5.0m, by SMark in May 2017 and the already improved operating cash flow from cost reductions and the forecasted increasing sales, it is the opinion of management and the Board of Directors that, existing funds and forecasted cash flow from operating activities provides the the liquidity required by Anoto for the coming 12 months.

Financing remains an important concern for Anoto and if the company generates more business than budgeted it will likely need to source additional funding to accommodate development costs, provide additional working capital, and handle fluctuations in operating expenses. Based on experience from financing activities during the past twelve months Anoto´s Board of Directors and management are confident that additional financing and liquidity needs can be met, using similar financing activities, if necessary.

Currency exposure and credit risk

Refer to Note 4 for a detailed description of the company's risk management policies, currency exposure and credit risk

Insurance risk

Anoto's insurance coverage is reviewed annually with respect to traditional business insurance policies for property, liability, travel, etc. Anoto's insurance policy for patent disputes expired in 2005 and has not been renewable on reasonable terms. However, claims filed before the policy expired are still covered. The company plans to take out an insurance policy for patent disputes as soon as it can do so on reasonable commercial terms.

Patent risks, etc.

Anoto continually expands its patent portfolio by applying for patents on innovations linked to Anoto's technology in order to supplement previous patent applications and patents granted. Anoto cannot guarantee that all patent applications will be approved or that our intellectual property rights will not be called into question, declared null and void, or circumvented. Third parties have claimed that Anoto infringes their intellectual property rights, and may do so in the future. Defending Anoto against such assertions can be costly in terms of time, money and other resources. Legal disputes can compel Anoto to pay damages or other compensation, to modify its products and technology, and/or to enter into license agreements with licensors. Anoto cannot guarantee that such licenses will be available at all or be possible to obtain on reasonable terms.

Employee Policies

To realize Anoto's business concepts, we depend on a multitude of skilled employees who are wholeheartedly engaged in their work and who have a good understanding of the communication between people from different cultures and backgrounds. We strive to make use of all of our employees' competences in the best possible ways. No employee should under any circumstance be discriminated against. We apply a clear policy on gender equality, equal opportunities and anti-discrimination. We strongly encourage an environment of respect and honesty, with open and clear communication by and between all parties involved in Anoto's business.

In a knowledge-based company like Anoto, employee competences are our most important assets. Without constantly adding knowledge to the workforce and allowing the transfer of knowledge between colleagues, the company cannot develop. Competence development is therefore a priority at Anoto. Development plans are determined individually to ensure that the goals and ambitions of both the employees and the company are aligned.

The Board and Its Rules of Procedure

The Anoto Group AB Board of Directors consists of three members. Refer to the section entitled “Corporate Governance Report” in this annual report for a detailed account of the Board’s composition and working methods.

Guidelines on Remuneration for Senior Executives

Principles for remuneration, fees and other remuneration paid to the Board of Directors, the Chairman, the CEO and other members of Group Management, other statistics and the guidelines regarding remuneration and benefits to Group Management as approved by the Annual General Meeting are specified in Note 9. Remuneration for the CEO and senior executives in 2016 appears in Note 9, “Salaries and other remuneration”. The Board has proposed to the Annual General Meeting that the guidelines on remuneration for senior executives remain unchanged in 2017.

Outlook

Anoto’s focus in 2017 continues to be on achieving profitability by concentrating on just three existing related business areas (Livescribe Retail business, Enterprise Forms and Education Business) and achieving growth through the Anoto DNA initiative.

In Q1 2017, we continued our initiatives to restructure the business and announced our decision to close down our Lund, Norrköping and Wetherby offices. This decision to close regional offices was motivated by the need to consolidate decision making and increase communication, as much as the need to reduce costs. The company suffered from the costs of miscommunication and the lack of communication. Customers were confused as to who to contact and accountability and responsibilities were not clear.

Anoto had ten offices worldwide last year. When the restructuring of the business is complete, Anoto will have two.

Interestingly, despite a reduction of over 100 in the headcount and the closing down of 7 offices globally over the previous year, gross revenue was not affected by the restructuring as it increased 2% vis-a-vis 2016 while costs were 40% lower than in Q1 2016.

Productization of Anoto DNA (ADNA) moved forward energetically in Q4 of 2016 and an enhanced release was made in Q1 of 2017. Business and technical cooperation with SMark has also continued and in Q1, we reached a new agreement with SMark regarding ADNA.

SMark will invest 5 million USD in Anoto and SMark will use Anoto's microdot pattern in all of its products. Anoto will also receive 20% of all of SMark’s ADNA revenue. Anoto will pay 20% of its revenue to SMark only if Anoto uses technology developed by SMark in relation to printing and copy protection. This investment was finalised on May 4th.

With most of the cost-reduction and efficiency-enhancement activities initiated in April 2016 now completed, Anoto’s focus is shifting to profitable growth. Sales activities are concentrating on high-growth areas such as emerging markets and governments. To support these accelerating sales Anoto is investing in a new platform approach to pen hardware and ongoing software innovation to meet the needs of changing business environments. Anoto has recently released V1 of ADNA for select developers and an ADNA demo app will shortly be widely available to support the various parties with whom we are working to commercialize this business. Anoto is also hosting a global solutions roundtable in Seoul in June 2017 where Anoto partners will convene to share their latest technological developments and solutions. We believe this increased collaboration will further stimulate growth through geographic expansion.

The key theme for 2016 was “cost”; the key theme for 2017 is “profitable growth”.

Proposed Appropriation of Accumulated Result

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Proposed appropriation of accumulated result in the parent company (SEK):	**SEK**
Share premium reserve	538,974,639
Profit/loss brought forward	-113,777,821
Loss for the year	-149,754,453
Total	**275,442,365**

The Board of Directors propose that the reserves of SEK 275,442,365 are carried forward. With regard to the financial position of the Group and parent company, refer to the following accounts.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(KSEK)	Note	Group 2016	Group 2015
Net sales	5	235,657	192,839
Cost of goods and services sold	11	(156,264)	(107,283)
Gross profit/loss		**79,393**	**85,556**
Selling expenses	8,14,31,33	(35,206)	(59,626)
Administrative expenses	8,9,10,14,31,33	(232,992)	(31,561)
Research & development costs	8,14,33	(76,150)	(101,185)
Other operating income	12	22,656	2,437
Other operating costs	13	(18,054)	(1,870)
Operating profit/loss	11	**(260,353)**	**(106,249)**
Financial income	16	-	3
Financial cost	16	(7,317)	(3,713)
Profit/loss before taxes		**(267,670)**	**(109,959)**
Taxes	17	4,445	1,604
Profit/Loss for the year		**(263,225)**	**(108,355)**
Total profit/loss for the year attributable to:			
Shareholders of Anoto Group AB		(255,625)	(104,029)
Non-controlling interest		(7,600)	(4,326)
Total profit/loss for the year		**(263,225)**	**(108,355)**
Other comprehensive income			
Items that may be reclassified to profit/loss for the year:			
Translation differences for the year		(1,283)	(8,159)
Other comprehensive income for the year		**(1,283)**	**(8,159)**
Total comprehensive income for the year		**(264,508)**	**(116,514)**
Total comprehensive income for the year attributable to:			
Shareholders of Anoto Group AB		(258,182)	(109,800)
Non-controlling interest		(6,326)	(6,714)
Total comprehensive income for the year		**(264,508)**	**(116,514)**
Earnings per share before dilution (SEK)		-0.15	-0.13
Earnings per share after dilution (SEK)		-0.15	-0.13
Weighted average number of ordinary shares		1,792,711,313	857,155,605
Weighted average number of ordinary shares after dilution		1,792,711,313	857,155,605

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(KSEK)	Note	Group 2016	Group 2015
ASSETS			
Non-current assets			
Intangible fixed assets			
Capitalized development expenditures	18	52,979	41,769
Patents	19	-	170
Goodwill	22	162,704	182,651
Brands	20	874	1,060
Other intangible assets	21	20,253	37,415
Total intangible fixed assets	5	**236,810**	**263,065**
Property, plant and equipment			
Equipment and tools	23	8,414	5,944
Total property, plant and equipment	5	**8,414**	**5,944**
Financial fixed assets			
Other long-term securities	25	16,962	5,104
Other long-term receivables	26	1,893	2,176
Total financial fixed assets		**18,855**	**7,280**
Total non-current assets		**264,079**	**276,289**
Current assets			
Inventory			
Finished goods and goods for sale	39	49,478	44,589
Current receivables			
Accounts receivable	27	34,825	65,443
Other receivables		24,642	32,572
Prepaid expenses and accrued income	28	10,714	18,806
Total current receivables		**70,181**	**116,821**
Cash and bank balances		**5,553**	**11,629**
Total current assets		**125,212**	**173,039**
TOTAL ASSETS		**389,291**	**449,328**

(KSEK)	Note	Group 2016	Group 2015
SHAREHOLDERS´ EQUITY AND LIABILITIES			
Share capital		46,840	21,076
Other capital contributed		1,117,531	943,057
Other reserves	37	(11,074)	(8,517)
Profit brought forward and Profit/loss for the year		(940,039)	(677,690)
Equity attributable to the shareholders of Anoto Group AB		**213,258**	**277,926**
Non-controlling interest		**(1,689)**	**(9,730)**
Total Equity		**211,569**	**268,196**
Long-term liabilities/Provisions			
Convertible debt	43	28,000	-
Deferred tax liabilities	17	6,900	10,394
Other Long-term liabilities		131	15,399
Total long-term liabilities/provisions		**35,031**	**25,793**
Current liabilities			
Provisions for product warranties	29	1,312	1,756
Short-term interest bearing liabilities	32	29,018	8,145
Accounts payable		65,576	83,471
Advance payments from customers		6,306	23,380
Other liabilities		5,722	8,621
Accrued expenses and deferred income	30	34,757	29,966
Total current liabilities		**142,691**	**155,339**
TOTAL SHAREHOLDERS´ EQUITY AND LIABILITIES		**389,291**	**449,328**

CONSOLIDATED STATEMENT OF CASH FLOWS

(KSEK)	Note	Group 2016	Group 2015
OPERATING ACTIVITIES			
Profit after financial items		(267,670)	(109,959)
Items not affecting cash flow:			
Change in provisions	29	(444)	1,259
Depreciation, amortization and impairment of assets	14,18-23	70,736	7,321
Other items	38	(12,422)	1,368
Cash flow from operating activities before change in working capital		**(209,800)**	**(100,011)**
Cash flow from change in working capital			
Change in operating receivables		63,899	(59,927)
Change in inventory		20,298	(24,036)
Change in operating liabilities		(38,209)	99,192
Total change in working capital		**45,988**	**15,229**
Cash flow from operating activities		**(163,812)**	**(84,782)**
Cash flow from investment activities			
Capitalized development expenditures	18	(26,001)	(39,037)
Acquisition/disposal of subsidiaries net of cash acquired/disposed	41, 44	400	(130,500)
Patents	19	(559)	(302)
Brands	20	-	(39)
Other intangible assets	21	(220)	-
Equipment and tools	23	(6,817)	(5,655)
Disposal of associated company		1,700	-
Financial assets	25	(16,962)	-
Cash flow from net investment activities		**(48,459)**	**(175,533)**
Total cash flow before financing activities		**(212,271)**	**(260,315)**
Financing activities			
New share issue		160,539	265,855
Convertible loan	43	28,000	-
Change in financial liabilities		17,656	2,180
Cash flow from financing activities		**206,195**	**268,035**
Cash flow for the year		**(6,076)**	**7,720**
Cash and cash equivalents at the beginning of the year		11,629	3,909
Cash and cash equivalents at the end of the year	38	**5,553**	**11,629**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(KSEK)	Share capital	Ongoing new share issue	Other capital contributed [1)]	Translation reserve [2)]	Profit brought forward incl. profit for the year	Shareholders' equity attributable to the shareholders of Anoto Group AB	Non-controlling interest	Total shareholders' equity
Shareholders´ equity 01 January 2015	**13,967**	**-**	**640,682**	**(2,746)**	**(573,661)**	**78,242**	**(16,198)**	**62,044**
Total profit/loss for the year	-	-	-	-	(104,029)	(104,029)	(4,326)	(108,355)
Other comprehensive income	-	-	-	(5,771)	-	(5,771)	(2,388)	(8,159)
Total comprehensive income/cost for the year	**-**	**-**	**-**	**(5,771)**	**(104,029)**	**(109,800)**	**(6,714)**	**(116,514)**
Convertible loan	983	-	16,396	-	-	17,379	-	17,379
Effect of forgiving loan in Destiny Wireless Ltd	-	-	-	-	-	-	11,085	11,085
New share issue	6,114	-	285,179	-	-	291,293	2,909	294,202
Ongoing new share issue	-	12	800	-	-	812	(812)	-
Shareholders´ equity 31 December 2015	**21,064**	**12**	**943,057**	**(8,517)**	**(677,690)**	**277,926**	**(9,730)**	**268,196**
Total profit/loss for the year	-	-	-	-	(255,625)	(255,625)	(7,600)	(263,225)
Other comprehensive income	-	-	-	(2,557)	-	(2,557)	1,274	(1,283)
Total comprehensive income/cost for the year	**-**	**-**	**-**	**(2,557)**	**(255,625)**	**(258,182)**	**(6,326)**	**(264,508)**
New share issue	22,859	-	137,680	-	-	160,539	-	160,539
Ongoing new share issue	-	12	854	-	-	866	(866)	-
Acquisitions [3)]	2,894	-	35,939	-	-	38,833	-	38,833
Debt Conversion [4)]	-	-	-	-	(6,724)	(6,724)	(6,460)	(13,184)
Loss of control [5)]	-	-	-	-		-	21,693	21,693
Shareholders´ equity 31 December 2016	**46,817**	**24**	**1,117,530**	**(11,074)**	**(940,039)**	**213,258**	**(1,689)**	**211,569**

1. Includes parent company statutory reserve and premium reserve from shares issues. For changes in these items references to changes in parent company equity.
2. From translation of financial reporting from foreign subsidiaries.
3. Issue of shares when acquiring Pen Generations
4. Effect from reclassification of convertible bond from equity to debt in Destiny Wireless
5. Effect from loss of control of Destiny Wireless. For further information, see notes 13, 44.

INCOME STATEMENT – PARENT COMPANY

(KSEK)	Note	Parent Company 2016	Parent Company 2015
Net sales		13,681	7,014
Gross profit/loss		**13,681**	**7,014**
Administrative expenses	8,9,10,14,31,33	(13,294)	(5,973)
Other operating income	12	153	805
Other operating costs	13	(43)	(67)
Operating profit/loss		**497**	**1,779**
Profit/loss on shares in group companies	15	(151,000)	(90,000)
Interest and similar income	16	2,146	1
Interest and similar expenses	16	(1,398)	(733)
Profit/loss before taxes		**(149,755)**	**(88,953)**
Taxes	17	-	-
Profit/loss for the year		**(149,755)**	**(88,953)**

STATEMENT OF COMPREHENSIVE INCOME– PARENT COMPANY

(KSEK)	Note	Parent Company 2016	Parent Company 2015
Profit/loss for the year		**(149,755)**	**(88,953)**
Other comprehensive income/cost		**-**	**-**
Total comprehensive income/cost for the year		**(149,755)**	**(88,953)**

BALANCE SHEET – PARENT COMPANY

(KSEK)	Note	Parent Company 2016	Parent Company 2015
ASSETS			
Non-current assets			
Intangible fixed assets			
Patents	19	22	42
Brands	20	25	35
Total intangible fixed assets		**47**	**77**
Financial fixed assets			
Other long-term securities	25	16,962	2,853
Shares in group companies	24	70,344	27,792
Receivables - group companies		334,606	237,428
Total financial fixed assets		421,912	**268,073**
Total non-current assets		**421,959**	**268,150**
Current assets			
Current receivables		-	-
Receivables - group companies		230,761	121,385
Other receivables		376	9
Prepaid expenses and accrued income	28	210	185
Total current receivables		**231,347**	**121,579**
Cash and bank		**303**	**613**
Total current assets		**231,650**	**122,192**
TOTAL ASSETS		**653,609**	**390,342**

(KSEK)	Note	Parent Company 2016	Parent Company 2015
SHAREHOLDERS´ EQUITY AND LIABILITIES			
Restricted equity			
Share capital		46,817	21,064
Ongoing new share issue		24	12
Statutory reserve		123,031	123,031
Total restricted equity		**169,872**	**144,107**
Non restricted equity			
Share premium reserve		538,975	364,502
Profit brought forward and Profit/loss for the year		(263,533)	(125,159)
Total non-restricted equity		**275,442**	**239,343**
Total Equity		**445,314**	**383,450**
Non-current liabilities			
Convertible debt	43	**28,000**	**-**
Current liabilities			
Accounts payable		3,807	2,374
Loan notes	32	15,138	-
Liabilities to group companies		153,549	1,200
Other liabilities		324	1,751
Accrued expenses and prepaid income	30	7,477	1,567
Total current liabilities		**180,295**	**6,892**
TOTAL SHAREHOLDERS´ EQUITY AND LIABILITIES		**653,609**	**390,342**

CASH FLOW STATEMENT – PARENT COMPANY

(KSEK)	Note	Parent Company 2016	Parent Company 2015
OPERATING ACTIVITIES			
Profit after financial items		(149,755)	(88,953)
Items not affecting cash flow:			
Depreciation and amortization of assets	14, 18-23	30	72
Impairment of shares in group companies	15	151,000	90,000
Cash flow from operating activities before change in working capital		**1,275**	**1,119**
Cash flow from change in working capital			
Change in operating receivables		(109,768)	(49,583)
Change in operating liabilities		158,265	(88,737)
Total change in working capital		**48,497**	**(138,320)**
Cash flow from operating activities		**49,772**	**(137,201)**
Investment activities			
Contributions to capital in group companies	15	(151,000)	-
Acquisition of long term securities	22	(16,962)	-
Acquisition of shares in Group companies		-	(26,260)
Cash flow from investment activities		**(167,962)**	**(26,260)**
Total cash flow before financing activities		**(118,190)**	**(163,461)**
Financing activities			
Convertible debt		28,000	-
Loan notes		15,138	
New share issues		160,539	291,382
Long term receivable group companies		(85,797)	(127,428)
Cash flow from financing activities		**117,880**	**163,954**
Cash flow for the year		**(310)**	**493**
Cash and cash equivalents at beginning of the year		613	120
Cash and cash equivalents at end of the year	38	**303**	**613**

CHANGES IN SHAREHOLDERS' EQUITY – PARENT COMPANY

(KSEK)	Share capital	Ongoing new share issue	Other capital contributed	Share premium reserve	Profit brought forward incl. profit for the year	Shareholders' equity attributable to the shareholders of Anoto Group AB
Shareholders´ equity 01 January 2015	**13,967**	**-**	**123,031**	**62,037**	**(36,206)**	**162,829**
Total profit/loss for the year	-	-	-	-	(88,953)	(88,953)
Other comprehensive income/cost	-	-	-	-	-	-
Total comprehensive income/cost for the year	-	**-**	-	**-**	(88,953)	**(88,953)**
Convertible loan	983	-	-	16,396	-	17,379
Allocations of income	-	-	-	-	-	-
New share issues	6,114	-	-	285,268	-	291,382
Ongoing new share issues	-	12	-	801	-	813
Shareholders´ equity 31 December 2015	**21,064**	**12**	**123,031**	**364,502**	**(125,159)**	**383,450**
Total profit/loss for the year	-	-	-	-	**(149,755)**	**(149,755)**
Other comprehensive income/cost	-	-	-	-	-	-
Total comprehensive income/cost for the year	-	-	-	**-**	(149,755)	**(149,755)**
Revaluation of net investment in foreign currency					11,381	**11,381**
New share issue	25,753	-	-	173,619	-	**199,372**
Ongoing new share issues	-	12	-	854	-	**866**
Shareholders´ equity 31 December 2016	**46,817**	**24**	**123,031**	**538,975**	**(263,533)**	**445,314**

Changes in the number of shares and their par value, see below.
All shares are fully paid and entitle the holder to an equal dividend percentage.

Share issues – Number of shares	**2016**	**2015**
Registered opening balance	**1,053,193,826**	**698,353,534**
Redemption convertible loan, February 2015 [1]		49,166,659
Private placement, March 2015 [2]		79,625,292
Private placement, June 2015 [3]		20,000,000
Private placement, July 2015 [4]		30,000,000
Acquisition XMS Pensvision AB, 90,24%, August 2015 [5]		18,048,341
Private placement, part 1, November 2015 [6]		56,500,000
Private placement, part 2, November 2015 [7]		101,500,000
Private Placement, February 2016 [8]	13,000,000	
New issue, May 2016 [9]	1,066,193,826	
New issue Pen Generations Inc., June 2016 [10]	144,689,816	
Private Placement, October 2016 [11]	43,224,750	
Private Placement, October 2016 [12]	20,529,890	
Registered closing balance	**2,340,832,108**	**1,053,193,826**
Ongoing Acquisition XMS Pensvision AB [13]	1,187,258	576,125
Par value (SEK)	**0.02**	**0.02**

[1] Conversion of convertible bonds. Converted at SEK 0.427, with a discount of 15% of the volume weighted average price of the stock during the 10 days prior to conversion.
[2] Private placement, price SEK 0.427
[3] Private placement, price SEK 0.765
[4] Private placement, price SEK 1.35
[5] Acquisition XMS Pensvision AB, 90,24%, price SEK 1.41
[6] Private placement, part 1, price SEK 1.306
[7] Private placement, part 2, price SEK 1.13
[8] Private Placement, price SEK 0.83
[9] New issue, price SEK 0.15
[10] New issue Pen Generations Inc., price SEK 0.269
[11] Private Placement, price SEK 0.214
[12] Private Placement, price SEK 0.214
[13] shares to be issued in connection with the ongoing acquisition of shares in XMS Pensvision AB, price SEK 1.41

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – General Accounting policies

The consolidated accounts of Anoto Group AB (publ) (Anoto) have been prepared in compliance with the Swedish Annual Accounts Act. International Financial Standards (IFRS), interpretation from IFRS Interpretations Committee as accepted by EU and the Swedish Financial Reporting Board recommendations RFR 1 “Complementary accounting rules for group accounting”.

The parent company’s annual accounts have been prepared in accordance with the Swedish Annual Accounts Act (ARL) and the Swedish Financial Reporting Board recommendation RFR2, “Reporting for legal entities”. The consolidated and annual accounts, which are specified in thousands of Swedish kronor (SEK Thousand), refer to January 1 – December 31 for income statement items and December 31 for balance sheet items.

The annual report and consolidated accounts have been approved for distribution by the Board and the CEO on June 18, 2017 The Group’s statement of comprehensive income and statement of financial position, and the parent company’s income statement and balance sheet, will be subject to approval by the Annual General Meeting on June 30, 2017.

NOTE 2 – Anoto’s accounting policies

THE GROUP

Other than the revaluation of certain financial instruments, assets and liabilities are based on historical cost.
The parent company´s functional currency, Swedish kronor (SEK), is also the reporting currency for the Group.

Below is a summary of the accounting principles used by the Group. The accounting principles have, with the exceptions described, been applied consequently to all periods presented, in the Group´s financial reports.

Accounting judgement and sources of estimation uncertainty

Preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed periodically. Changes in estimates are recognized in the period in which it is revised if the revision affects only that period, or the period in which the revision is made and future periods if the revision affects both current and future periods.

Classification etc.

Fixed assets and financial liabilities consist of amounts expected to be recovered or settled after more than twelve months after the reporting period. Current assets and current liabilities consist of amounts to be recovered or paid within twelve months after the reporting period

Basis of consolidation

The consolidated accounts incorporate the financial statements of Anoto Group AB (publ.) and entities controlled by the parent company and its subsidiaries Control is achieved when the parent company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its poser to affect its return. In determining whether control exists, potential voting rights are considered.

The consolidated accounts have been prepared in accordance with the acquisition method. Acquisition of business are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred liabilities incurred to the former owners of the acquire and the equity instruments that Anoto has issued in exchange for control in the acquired unit. Transaction costs that arise, with the exemption of transaction costs arising from issues of equity instruments or debt instruments, are recognized directly in profit or loss for the year.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except for deferred taxes, liabilities or equity instruments related to share-based payments arrangement and asset classified as held for sale.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire, and the fair value of the acquirer´s previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

When the difference is negative, a so called bargain purchase, this is recognized directly in profit or loss for the year.

Transferred consideration in connection with the acquisition does not include payments that applies to settlement of previous business relations. This type of settlement is recognized in profit or loss.

Contingent considerations are measured at fair value on the acquisition date. In cases where a contingent payment is classified as an equity instrument, no revaluation is done at subsequent reporting dates, and its subsequent settlement is accounted for within in equity. Other contingent payments are remeasured at fair value at every reporting date, and the change is recognized in profit or loss for the year.

Non-controlling interests may be initially measured either as the proportionate share of net assets or at fair value meaning that goodwill is included in the non-controlling interest. The choice of method can be made individually for each acquisition.

Consolidation of an investee shall begin from the date the investor obtains control of the investee and cease when the investor loses control of the investee.
In cases where the subsidiary's accounting policies do not comply with Group accounting policies, adjustments are made to the Group's accounting policies. Losses attributable to non-controlling interest is distributed even in cases where non-controlling interest will be negative.

Non-controlling interest

Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions (i.e. transactions with owners in their capacity as owners).

Elimination of intra-Group transactions

All intra-Group transactions are eliminated in the consolidated accounts. Intragroup transactions include internal sales, profits and balances, as well as shareholders’ contributions to Group companies and impairment losses on participations in Group companies.

Transactions in foreign currencies

A functional currency is assigned to each foreign subsidiary. The functional currency is the currency of the primary economic environment in which the companies carry out their business. Monetary assets and liabilities in foreign currencies are translated to the functional currency to the exchange rate in effect on the balance sheet date. Exchange rate differences arising from translation are recognized against profit or loss for the year. Non-monetary assets and liabilities recognized at historical costs are translated at the exchange rate at the time of the transaction. Non-monetary assets and liabilities recognized at fair values are translated at the functional currency to the exchange rate applicable at the time of valuation to fair value.

The financial reports of the foreign subsidiaries that have a different functional currency than Anoto’s functional currency (the Swedish krona) are recalculated at the exchange rate on the balance sheet date for all balance sheet items, including goodwill and other consolidated surpluses and deficits and at the average exchange rate for all items included in the result. Exchange differences arising are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in the revaluation reserve in equity in respect of that operation attributable to the owners of Anoto are reclassified to profit or loss.

Revenue recognition

Revenue is received from product sales, licenses, royalties and development projects. Revenue from product and license sales is recognized when essentially all risks and rights associated with ownership have been transferred to the purchaser, normally at the time of delivery.

Royalties are reported during the same month as the partner makes the actual sale.

Revenue from services relates to software/hardware and development of customer products. Revenue from services is recognized by reference to the stage of completion of the contract. The stage of completion is determined by the proportion of costs incurred to date compared to the estimated total costs of the transaction.

Financial income and expenses

Financial expenses comprise of interest expense on borrowings, the effect of dissolving the present value of provisions, revaluation losses on financial assets valued at fair value through profit or loss and impairment of financial assets. Borrowing costs are recognized in earnings using the effective interest method, except to the extent they are directly attributable to the acquisition, construction or production of assets that take a substantial period of time to get ready for intended use or sale, in which case they are added to the cost.
Exchange gains and losses are reported net.

Intangible assets

Goodwill

Goodwill, which is reported in connection with the acquisition of subsidiaries in accordance with the above, is initially reported as an asset at cost as established at the date of acquisition of the business. As described in note 22 the Group has two cash-generating units for which the goodwill value is impairment-tested Goodwill is not amortized but subject to an impairment test annually or whenever needed by calculating the recoverable amount of the corresponding cash-generating unit. The recoverable amount is defined as the asset's net realizable value or value in use, whichever is higher. Goodwill is allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination. An impairment loss is recognized if the value of the unit reported by the Group exceeds the recoverable amount. The impairment loss is recognized directly in profit or loss.

Research and development

Expenses for research related to acquiring new scientific or technical knowledge are expensed immediately as they occur. Expenses for development, where the results from research or other knowledge are applied to achieve new or improved products, are reported as an asset in the statement of financial position if it is technically possible to complete the product, if there is an intention to complete and use or sell the product and if it is likely that the product will generate future economic benefits. The cost includes all directly attributable expenses, such as material and services, payroll and registration of legal rights. Other expenses related to development are expensed directly as they occur. In the statement of the financial position development expenses are reported at cost less accumulated amortization and write-downs.

Amortization of capitalized development expenses begins in conjunction with the intangible asset being brought into use.

Other intangible assets

Other intangible assets acquired by the Group mainly relates to patents, brands and licenses and are reported at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenses

Subsequent expenditure on capitalized intangible assets are recognized as an asset in the statement of financial statement only when it increases the future economic benefits for the specific asset to which they relate. All other expenditure is expensed as incurred.

Tangible fixed assets

Property, plant and equipment consisting of equipment, computer equipment and computer programs is recognized at cost less accumulated depreciation and any impairment losses. Acquisition cost includes purchase price and expenses directly attributable to the bringing of the asset to its use as intended with the acquisition. Other expenses are added to the acquisition cost only if it is probable that such expenses will lead to future economic benefits and if such expenses can be calculated properly. Other related costs are reported as expenses as they occur.

Depreciation and amortization

Depreciation and amortization are based on the costs and are done on a straight-line basis over the estimated economic useful lives of the assets in view of the following depreciation and amortization periods:

- Patents	10 years
- Capitalized development expenditures	3 years
- Brands	10 years
- Equipment	5 years
- Capital expenditure on rented assets	5 years

The depreciation and amortization methods used, residual values and useful life of assets are reassessed at the end of each year.

Impairment

Impairment of tangible and intangible fixed assets

If there is an indication that a Group asset has been impaired, its recoverable amount is estimated. The recoverable amount is defined as the asset's net realizable value or value in use, whichever is higher. When determining the value in use, the present value of the future cash flows that the asset is expected to give rise to during its useful life is estimated. An impairment loss is recognized if the Group's reported value exceeds the recoverable amount, and the impairment loss is recognized in profit or loss.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result if one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Leases

Lease contracts are classified as either financial or operational leases. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases. The Anoto Group has no significant financial lease contracts. Operating lease payments are recognized as an expense on a straight-line basis over the lease term

Earnings per share

The calculation of earnings per share is based on the annual result in the Group attributable to the shareholders of the parent company and the weighted average of outstanding shares during the year. When calculating the earnings per share after dilution the result and the average number of shares are adjusted in order to consider potential dilution from preference shares, which during the reporting periods relates to options granted to employees.

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are retranslated at the exchange rate on the balance sheet date, and unrealized exchange gains and losses are included in profit or loss. Exchange gains/losses on operating receivables and liabilities are reported as other operating income/expenses. Exchange rate differences on financial receivables and liabilities are reported as financial items.

Financial instruments

The Group's financial instruments consist mostly of accounts receivable, cash and cash equivalents, long-term receivables, accounts receivables, financial investments, interest bearing liabilities and accounts payables.

Recognition and derecognition from the statement of financial position

A financial asset or financial liability is recognized in the statement of financial position when the company becomes party to the instrument's contractual terms. A receivable is recognized when the company has performed and there is a contractual obligation on the counterpart to pay, even if the invoice has not been sent. Accounts receivable are recorded in the statement of financial position when the invoice is sent. Liabilities are recognized when the counterparty has performed and there is contractual obligation to pay, even if the invoice has not been received. Accounts payable are recognized when an invoice is received.

A financial asset is derecognized from the statement of financial position when the rights to the agreement are realized, expired or when the company loses control over them. The same applies to portions of financial assets. A financial liability is derecognized from the statement of financial position when the obligations are discharged, cancelled or have expired. The same applies for part of a financial liability.

A financial asset and a financial liability are offset and the net amount is recognized in the statement of financial position only when the company has a legal right to set off the amounts and intends either to settle the net amounts or at the same time realize the receivable and settle the liability. Acquisition or divestment of financial assets are reported on the transaction day. The transaction day is the date on which the company commits to acquire or divest the asset.

Classification and measurement

Financial instruments, except for derivative instruments, are initially stated at cost, corresponding to the instrument´s fair value. Transaction costs are added to this for all financial instruments except for those belonging to the financial assets category, which are reported in the income statement at fair value. The classification of a financial instrument on the initial reporting depends on the intention of the acquirer. The classification decides how the financial instrument is valuated on the initial reporting date as described below.

Derivative instruments are reported initially at their fair value meaning that transaction costs are charged against profit or loss for the period. After the initial recognition, derivative instruments are reported as described below.

Cash and cash equivalents

Cash comprises cash on hand and demand deposit. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at amortized cost using the effective interest method less any impairment.

Financial assets available for sale

Financial assets available for sale are non-derivative financial assets that are either designated as available for sale or are not classified in any of the other categories. They are included in current assets and management does not intend to dispose of the investment within 12 months after the reporting period.

Other financial liabilities

Loans and other financial liabilities, such as accounts payable, are included in this category. The liabilities are measured at amortized cost using the effective interest method

Inventory

Inventory, consisting of finished products and critical components, is stated at the lower of cost (in accordance with FIFO) and net realizable value. The cost of inventories includes costs incurred to purchase inventory assets and transport them to their current site and condition.

Employee benefits

All pension plans in the Group are classified as defined contribution pension plans, as Anoto´s obligation is limited to the contributions that the company has undertaken to pay. In those cases, the size of an employee´s pension depends on the contributions the company pays into a fund or to an insurance company and the capital return on those contributions. Consequently, it is the employee who takes the actuarial risk (that the benefit becomes less than expected) and the investment risk (that the invested assets will be insufficient to support the expected benefit). The company´s commitments concerning service costs paid to defined contribution pension plans are expensed against profit in pace when employees have rendered service entitling them to the contributions employees´ performance of their service for the company during a period.

Short-term compensation paid to employees is calculated without discounting and is reported as an expense when the related services were received. A provision for estimated bonus payment is recognized when the Group has a legal or constructive obligation to make such payments due to the fact that the services in question have been received from the employees and the provision amount can be estimated in a reliable manner.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earliest of the following dates: (a) when the Group no longer has the opportunity to withdraw the offer of compensation; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of severance pay.

Taxation

Income tax expense represent the sum of the tax currently payable and deferred tax. Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

The tax current payable is based on taxable profit for the year. The tax has been calculated in accordance with each country's tax regulations and included in the tax on profit/loss for the year item.

The Group uses the balance sheet method to calculate deferred tax assets and liabilities. In accordance with the balance sheet method, the calculation is based on tax rates as of the balance sheet date as applied to temporary differences between the reported and tax value of an asset or liability, as well as tax loss carry-forwards. Deferred tax assets are
Recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Temporary differences are not taken into consideration in consolidated goodwill or in difference attributed to initial recognition of assets and liabilities not classified as acquisitions of business operations that, at the time of transaction, did not affect either net profit or taxable profit.

Cash flow

The cash flow statements are prepared in accordance with the indirect method, i.e., profit/loss after financial items is adjusted for transactions that have not given rise to cash receipts and payments during the period, as well as for any income and expenses attributable to the cash flow of investing or financing activities.

Provisions

A provision is recognized when there is a present obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and an amount can be reliably estimated. The following provisions are reported in the statement of financial position:

Product warranties

Provisions for product warranty obligations relate to the sale of pens. The warranty time period is 12 months and the provision is classified as short-term.

Disclosures about related parties

For disclosures about the company's transactions with related parties, refer to Note 9 "Remuneration for senior executives", Note 31 Share based payments to employees and Note 36 "Related party transactions". There were no other transactions with related parties.

Segment reporting

During 2016, the Group has been reorganized to become a more unified global entity, and internal reporting does not yet include any reporting on segments. Internal reporting has been prepared for the group as a whole. will prepare appropriate segmental reporting when the reorganization is complete.

Amendments to IFRSs that are mandatorily effective for the current year

No new or amended standards or interpretations have had an impact on the Group's financial position, results, cash flows or disclosures.

New and revised IFRSs in issue but not yet effective

The new and revised standards and interpretations that have been issued by the International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRIC) but which only come into effect for financial years beginning on or after 1 January 2017 have not yet been applied by the Group. The following describes the new and revised standards and interpretations that are expected to have an impact on the consolidated financial statements in the period in which they are first applied.

Standards	**To be applied for fiscal years beginning:**
IFRS 9 Financial Instruments	January 1, 2018 or later
IFRS 15 Revenue from agreements with customers, including amendments to IFRS 15:	
Amendment date for IFRS 15	January 1, 2018 or later
Clarifications in IFRS 15 Revenue from agreements with customers *	January 1, 2018 or later
IFRS 16 Leases *	January 1, 2019 or later
Amendments to IAS 7 Statement of Cash Flows (”Disclosure Initiative”) *	January 1, 2017 or later

* Not yet approved by EU

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and measurement. IFRS 9 contains new principles for how financial assets must be classified and measured. Which measurement category a financial asset belongs to is determined by the company’s business model (the purpose of holding the financial asset) and the contractual cash flow of the financial asset. The new standard also contains new rules for impairment testing of financial assets, which means that the previous “incurred loss method” is replaced by a new “expected loss method”. The standard contains simplification rules for accounts receivable and lease receivables. The new standard must be applied to financial years beginning on or after 1 January 2018. Anoto has not yet preformed its assessment of the possible impact on financial result or position.

IFRS 15 Revenue from Contracts establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue* and IAS 11 *Construction Contracts*. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Also, IFRS 15 provides detailed guidance in specific areas and includes a comprehensive set of disclosure requirements. The new standard must be applied to financial years beginning on or after 1 January 2018. Anoto has not yet preformed its assessment of the possible impact on financial result or position.

IFRS 16 Leases introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaces by a model where a right-of-use asset and a corresponding liability has to be recognized for all leases except for short-term leases and leases of a low value assets. The standard is effective for annual reporting periods beginning on or after 1 January 2019. The standard is not yet endorsed within EU. Anoto has not yet preformed its assessment of the possible impact on financial result or position.

Amendments in IAS 7 Statement of cash flows will add disclosure related to financial liabilities.

It is management’s view that other new and revised standards not will have a significant effect on the financial statement of the Group.

PARENT COMPANY

The parent company's annual accounts have been prepared in compliance with the Swedish Annual Accounts Act (ÅRL) and the Swedish Financial Reporting Board recommendation RFR 2, "Reporting for Legal Entities". Application of RFR 2 entails that the parent company, in the annual report for the legal entity, shall comply with all EU-endorsed IFRSs and pronouncements as far as possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act, and taking into account the connection between reporting and taxation. The recommendation indicates which exceptions from and amendments to IFRS are to be made.

For details of the parent company's accounting policies, refer to the Group's accounting policies above. The section below is limited to the parent company's deviations from the Group's policies.

Changes to accounting principles

No new or amended IFRS, interpretations or other regulatory changes have had a significant effect on the parent company's financial position, results or disclosures.

The parent company has not yet applied the changes in RFR 2 Accounting for legal entities which are effective for periods beginning on or after 1 January 2017. Below is a description of amendments that may have an impact of the parent company's financial statements.

IFRS 9 *Financial instruments*
The new standard covers classification, measurement and hedge accounting. In RFR 2, there is an exception from applying IFRS 9. Additional guidance related to accounting for financial instruments has been incorporated in RFR 2. The amendment is effective for periods beginning on or after 1 January 2018. Anoto has not yet preformed its assessment of the possible impact on financial result or position.

Except for the amendment in IAS 7 and is described above, it´s management's view that other new and revised standards not will have a significant effect on the financial statement of the parent company.

Classification and presentation format

An income statement and a comprehensive statement of income are presented for the parent company, whereas for the Group, these two financial statements form one comprehensive statement of income. In addition, for the parent company the titles balance sheet and cash flow are used for the financial statements which in the Group are titled statement of financial position and statement of cash flows, respectively. The income statement and balance sheet of the parent company are presented in accordance with the format prescribed in the Annual Accounts Act, whereas the statement of comprehensive income, statement of changes in equity and cash flow statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows. The differences in the parent company´s income statement and balance sheet compared with the Group´s financial statements consist mainly of the reporting of financial income and costs and the reporting of equity.

Leases

The parent company's financial lease contracts are reported as operational lease contracts.

Financial instruments

The parent company does not apply the presentation rules of IAS 39. The parent company measures non-current financial asset at cost less any impairment losses. Current financial assets are measured at the lower of cost or net realizable value. Principles for recognition and de recognition of financial instruments are the same as described for the Group above. Also, principles for financial liabilities are the same as for the Group.

Holdings in subsidiaries and associated companies

Holdings in Group and associated companies are reported at cost. If the carrying amount of the investment exceeds the recoverable amount (refer to section above on impairment losses), an impairment loss is recognized. Transaction costs are included in the reported cost for the subsidiary. Contingent payments are measured according to the probability that the payment will be made.

NOTE 3 – Assessments when applying the Group's accounting policies and the main sources of uncertain estimates

Assessments and applications in the financial reports

Preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed periodically. Changes in estimates are recognized in the period in which it is revised if the revision affects only that period, or the period in which the revision is made and future periods if the revision affects both current and future periods.

Critical assessments when applying the company's accounting policies

When applying the Group's accounting policies (as described in Note 2), management has made the following assessments that have the most significant impact on the amounts that appear in the financial reports.

Key sources of uncertainty in the estimates

The information below concerns key assumptions about the future and other key sources of uncertainty in the estimates on the balance sheet date that entail significant risk of substantial adjustments to reported assets/liabilities for the next financial year.

Impairment tests for goodwill

Goodwill is not amortized but is subject to periodic tests for impairment. When testing for impairment losses, the value in use is calculated for the three cash generating units to which goodwill has been allocated. The value in use is based on the estimated future cash flows that these cash-generating units are expected to give rise to.

In 2016, the group adjusted the carrying amounts of goodwill in the third quarter and reviewed this exercise at the end of the year. As the group continues to restructure its activities in 2017 it will continue to review the carrying values of goodwill against the progress made in the business and specifically in the cash generating units to which goodwill has been allocated and further adjust goodwill as appropriate.

The reported value for goodwill is SEK 163 million as of the balance sheet date. For additional information about impairment losses, refer to Note 22.

Impairment tests for capitalized development expenditures and other intangible assets

Other intangible assets including capitalized development expenditures are amortized or depreciated based on management's estimates of the period that the assets will generate revenue but are also reviewed regularly for indications of impairment. The impairment tests are based on a review of the recoverable amount, which is estimated based on management's projections of future cash flows using internal business plans and forecasts.

Asset impairment requires management's judgment, particularly in assessing:
– whether an event has occurred that may affect asset values,
– whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset in the business,
– the appropriate assumptions to be applied in preparing cash flow projections, and
– the discounting of these cash flows.

The value in use is based upon the estimated future cash flows that the technology and products are expected to generate, refer to Notes 18 and 21.

When testing for impairment losses, the value in use is calculated for the technology and products developed by the group. As the group continues to restructure its activities in 2017 it will continue to review the carrying values of capitalized development expenditure and other intangible assets against the progress made in the business and will further adjust the carrying value of other intangible assets including capitalized development expenditures as appropriate.

Inventory

The Group values inventory at the lower of historical cost, based on the first-in, first-out basis, and net realizable value. The calculation of net realizable value involves management's judgment as to the estimated sales prices, overstock articles, obsolete and out-dated articles, damaged goods, and selling costs. If the estimated net realizable value is lower than cost, a valuation allowance is established for inventory obsolescence. See note 39 for additional information.

Trade and financial receivables

Anoto estimates the risk that receivables will not be paid and provides for doubtful accounts based on specific provisions for known case. Management's judgment considers changing market conditions; Additional information is included in "Credit risk" in note 27.

Liquidity risk and financing risk

For information on liquidity risk and financing risk, see the Directors report, page 5 and Note 4.

Legal proceedings

Anoto recognizes a liability when the Group has an obligation from a past event involving the transfer of economic benefits and when a reasonable estimate can be made of what the transfer might be. The Group reviews outstanding legal cases regularly in order to assess the need for provisions in the financial statements. These reviews consider the factors of the specific case by internal legal counsel and through the use of outside legal counsel and advisors when necessary. The financial statements may be affected to the extent that management's assessments of the factors considered are not consistent with the actual outcome.

NOTE 4 – Risk management by the group

The Anoto Board of Directors has adopted a financial policy for:

- Simplifying and harmonizing the Group's financial activities
- Defining rules for the financial risks that are accepted by the Board
- Adopting guidelines for the Group to operate independently
- Delegating management of financial risks to the CFO

The areas of the financial policy that most affect Anoto's management of financial risks are liquidity and currency.

The CFO and senior management of Anoto identify liquidity and currency risk in preparing budgets and forecast and when reviewing the performance of the business. Management develop strategies to minimize the impact of these risks

Risk definitions

Liquidity risk	The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.
Loans	Loans are financial liabilities, other than short-term trade payables on normal credit terms.
Market risk	The risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices. There are three types of market risk: currency risk, interest rate risk and other price risk.
Currency risk	The risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in foreign exchange rates.
Interest risk	The risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market interest rates.
Other price risks	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors related to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
Credit risk	The risk that one party to a financial instrument will fail to discharge an obligation and cause a financial loss.

Liquidity policy

In accordance with the Finance policy of the Group the cash need of the Group is continuously updated. These cash flow analyses give information about cash planning, deposits, interest periods etc.
In accordance with the liquidity policy, available cash shall consist of cash and negotiable securities with an official credit rating equivalent to Moody's P1.

Liquidity and financing risk

Anoto´s liquid assets, as cash and bank deposits, amounted at the end of 2016 to MSEK 6 (12).

There are no credit promises or liquidity reserve, e.g. overdraft facilities. Within 12 months MSEK 14 will fall due related to bank loans and MSEK 15 related to a loan from a related party. Convertible debt shown as due in 1-5 years as at December 31, 2016, has been converted into equity in 2017. The only other financial liabilities that, apart from the interest on the loans, will affect the cash flow are accounts payable and other current liabilities. All these liabilities fall due within 3 months.

Maturity structure financial liabilities:
(KSEK)

2016:

	0-3 months	4-6 months	7-12 months	1-5 years
Borrowings	0	0	29,018	28,000
Accounts payable	65,576			
Other current liabilities	12,028			

2015:

	0-3 months	4-6 months	7-12 months	1-5 years
Borrowings	0	0	0	23,544
Accounts payable	83,471			
Other current liabilities	29,996			

Currency exposure and currency policy
Transaction exposure

Transaction exposure arises when income and expenses are in different currencies. Anoto has significant currency flows in USD, EURO, JPY, KRW and GBP because most of its invoicing is in those currencies.

Anoto's Group's currency policy is that the hedging of future cash flows is not made. This is mainly due to the difficulty in forecasting flows in different currencies for six months.

The surplus in EUR results from the Group invoicing mostly in EUR in the European market with almost no costs in this currency. The net exposure in EUR will decrease in 2017 as invoices will be issued in other currencies.

The net exposure in USD has increased during 2016 due to higher expenses and increased revenue through Livescribe, Inc. and increased costs through the acquisition of Pen Generations Inc. The expenses in USD are a combination of the purchasing of components and finished goods along with current expenses incurred in the USA based subsidiaries.

The net exposure in JPY is primarily due to sales invoiced in Japan and will vary with the success of the Group in that market. The Group´s cost in JPY is related to the operations of the subsidiary in Japan.

The net exposure in GBP is unchanged compared to last year. The Net sales in GBP relate to invoicing to customers in the UK by our UK based subsidiary and the costs in GBP are related to the running of the UK business.

The net exposure in KRW arises due to sales invoicing in Korea by Pen Generations Inc. which was acquired in 2016. These sales exposures are partly offset by local costs. Hedge accounting under IAS 39 does not apply.

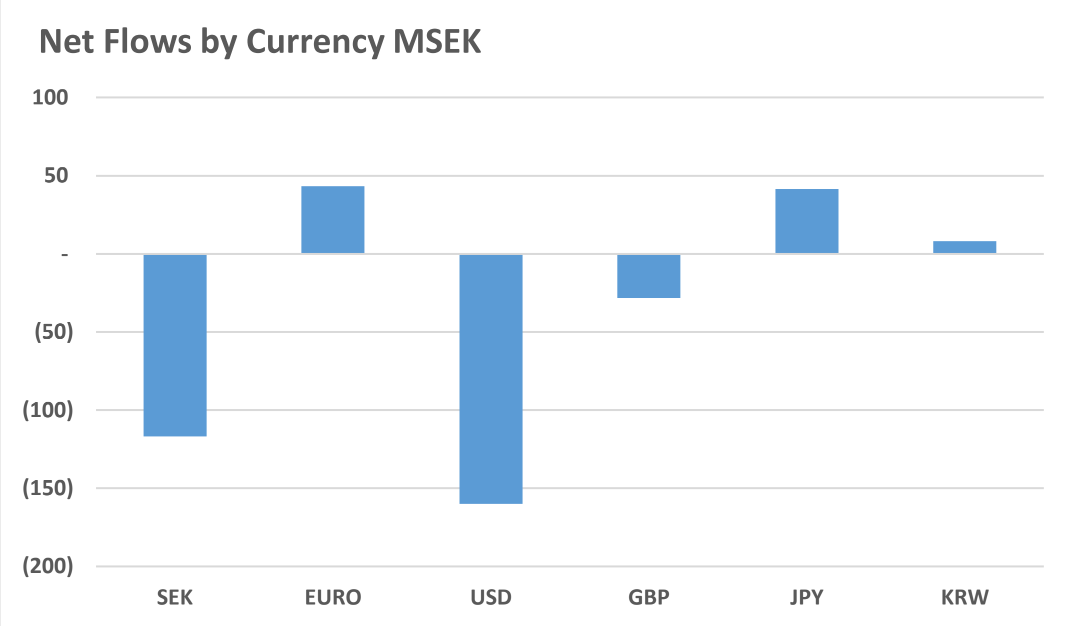
Sensitivity analysis exposure

The following table indicates the effect of a 5 percentage point weakening or strengthening of the currencies against SEK.

USD	8.0 +/- MSEK
EUR	2.2 +/- MSEK
JPY	2.1 +/- MSEK
GBP	1.4 +/- MSEK
KRW	0.4 +/- MSEK

This analysis has been based on the proportion of revenues and costs in each currency to which the group is exposed

Actual Net flows by currency 2016 MSEK



Translation exposure

Hedging of translation exposure is determined by the Group finance policy. Currently no hedging of the translation exposure is undertaken. An annual analysis of the risk takes place in order to identify changes in exposure. The net assets in the subsidiaries in the US, Japan, Korea and the UK amount to MSEK -152.2, MSEK -11.8, MSEK -57.3 and MSEK -67.3 respectively.

The effect on the translation reserve of a 5 percent change of the exchange rate is:

USD	7.6 +/- MSEK
JPY	0.6 +/- MSEK
GBP	3.4 +/- MSEK
KRW	2.9 +/- MSEK

Interest risk

Interest rates are currently low and not expected increase in the near future. The Group also has a low level of interest bearing loans and borrowings and management therefore considers that interest risk is not currently a significant exposure of the Group. Convertible Debt is not interest bearing; details of interest bearing liabilities are set out in note 32.

Other Price risk

The Group carries Other long term investments at historical cost, less any allowance for impairment. At December 3, 2016 no allowance for impairment was considered necessary. There is a risk that the market value of these investments may fall. Management monitors the market price of these investments and assesses the need for any impairment provision.

Credit risk

The management of credit risks can be broken down into commercial risks and financial risks. The provisions set aside for bad debt losses as of the balance sheet date have not identified any commercial credit risks. The financial credit risk on financial transactions is that the company incurs losses as a result of non-payment by counterparts related to investments and bank deposits. The company uses only stable A-rated Nordic Banks which is why the risk is limited.

For additional information about credit risk in accounts receivable, refer to Note 27. The financial credit risk is managed as part of the Group's finance policy. For other financial instruments is assessed that no significant credit risks exist.

NOTE 5 – Net sales and assets

Group sales per market

(KSEK)	Group 2016	Group 2015
Sweden	26,416	3,984
Rest of EU	53,406	65,449
USA	65,698	47,659
Japan	29,224	6,393
Rest of Asia	56,726	55,685
Rest of the world	4,187	13,668
Total	**235,657**	**192,838**

Group sales per product group

(KSEK)	Group 2016	Group 2015
Royalty	5,437	11,232
Licenses	6,021	30,842
Digital pens	196,109	124,011
Other[1)]	28,090	26,753
Total	**235,657**	**192,838**

Group new sales per revenue type

(KSEK)	Group 2016	Group 2015
Goods	196,109	124,011
Services	34,111	57,595
Royalties	5,437	11,232
Total	**235,657**	**192,838**

Group assets per market

(KSEK)	Intangible assets		Tangible assets	
	2016	2015	2016	2015
Sweden	163,613	116,485	3,702	4,518
USA	72,866	75,119	1,004	175
Holland	-	-	-	9
England	-	71,461	2,979	1,237
Japan	-	-	-	5
Korea	331	-	729	-
Total	**236,810**	**263,065**	**8,414**	**5,944**

[1)] Revenues from software/hardware development of customer products.
[2)] Net sales of the parent company only consist of inter-company invoicing of shared services.

NOTE 6 – Average number of employees

	2016 No. of Ee's	2016 Of which are Men	2015 No. of Ee's	2015 Of which are Men
Parent company	-	-	-	-
Group companies:				
Sweden	72	61	42	30
USA	36	26	25	13
Japan	4	4	2	2
Korea	18	16	-	-
United Kingdom	26	21	48	38
Total	**156**	**128**	**117**	**83**

NOTE 7 – Board of Directors and management split by gender

	2016 No. of Ee's	2016 Of which are Men	2015 No. of Ee's	2015 Of which are Men
Board of Directors Parent company	3	3	5	5
Board of Directors Group companies	4	4	7	7
Total Board	**7**	**7**	**12**	**12**
Management Parent company	-	-	-	-
Management Group companies	5	5	11	11
Total Management	**5**	**5**	**11**	**11**

Management of Group companies includes a director of the parent company (2015:1) and three directors of group companies (2015:3)

NOTE 8 – Salaries and remuneration

(KSEK)	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Salaries				
Board of Directors and CEO	6,095	4,497	3,661	1,400
Other senior executives [1]	16,992	11,228	-	-
Other employees Sweden	24,106	22,170	-	-
Other employees USA	32,892	8,271	-	-
Other employees UK	30,029	35,185	-	-
Other employees Japan	2,917	1,270	-	-
Other employees Korea	4,227	-	-	-
Total salaries	**117,258**	**82,621**	**3,661**	**1,400**
Payroll overhead				
Board of Directors and CEO	1,217	537	1,150	361
Other senior executives [1]	2,248	1,537	-	-
Other employees Sweden	8,566	6,966	-	-
Other employees USA	2,468	787	-	-
Other employees UK	3,207	4,053	-	-
Other employees Japan	278	66	-	-
Other employees Korea	-	-	-	-
Total payroll overhead	**17,984**	**13,946**	**1,150**	**361**
Pension expenses				
Board of Directors and CEO	9	28	-	-
Other senior executives [1]	1,031	920	-	-
Other employees Sweden	3,020	3,692	-	-
Other employees USA	549	309	-	-
Other employees UK	420	989	-	-
Other employees Japan	-	68	-	-
Other employees Korea	588	-	-	-
Total pension expenses	**5,617**	**6,006**	**-**	**-**
Total salaries and remunerations	**140,859**	**102,573**	**4,811**	**1,761**
Whereof:				
Sweden	49,121	39,654	4,811	1,761
USA	46,807	21,288	-	-
UK	36,921	40,227	-	-
Japan	3,195	1,404	-	-
Korea	4,815	-	-	-
Total	**140,859**	**102,573**	**4,811**	**1,761**

Salaries and other remunerations are included in the statement of comprehensive income headlines as follows:

Selling expenses	37,074	31,787	-	-
R&D expenses	80,191	53,953	-	-
Administrative expenses	23,594	16,832	4,811	1,761
Total	**140,859**	**102,573**	**4,811**	**1,761**

[1] *The Group had 11 senior executives at the end of 2015. During 2016 the business has been restructured and the size of the management team reduced and now consists of 5 persons.*

NOTE 9 – Remuneration of the Board of Directors, CEO and management

Board and CEO 2016		(KSEK)	Salary / Remuneration	Bonus	Pension	Other Remuneration	Total
Stein Revelsby	-	CEO	2,434	-	9	-	2,443
Joonhee Won	-	CEO	2,536	-	-	-	2,536
Jörgen Durban	-	Chairman of the Board	600	-	-	-	600
Joonhee Won	-	Board Member	75	-	-	-	75
Antonio Mugica	-	Board Member	150	-	-	-	150
Henric Ankarcrona	-	Board Member	300	-	-	-	300
Total [1)]			**6,095**	**-**	**9**	**-**	**6,104**

Board and CEO 2015		(KSEK)	Salary/ Remuneration	Bonus	Pension	Other Remuneration	Total
Stein Revelsby	-	CEO	3,097	-	28	-	3,125
Jörgen Durban	-	Chairman of the Board	500	-	-	-	500
Gunnel Duveblad	-	Board Member	150	-	-	-	150
Joonhee Won	-	Board Member	250	-	-	-	250
Andrew Hur	-	Board Member	250	-	-	-	250
Antonio Mugica	-	Board Member	250	-	-	-	250
		Total [1)]	**4,497**	**-**	**28**	**-**	**4,525**

Management 2016 (KSEK)	Salary / Remuneration	Bonus	Pension	Other Remuneration	Total
Group management [2)]	16,621	371	1,031	7,468	25,491
Total	**16,621**	**371**	**1,031**	**7,468**	**25,491**

Management 2015 (KSEK)	Salary / Remuneration	Bonus	Pension	Other Remuneration	Total
Group management [2)]	11,857	645	920	10,851	24,273
Total	**11,857**	**645**	**920**	**10,851**	**24,273**

[1)] Compensation to Board members (Board fees) are paid from the parent company. Compensation to the CEO may originate from other Group companies.

[2)] Compensation to Group management may originate from Group companies. .

[3)] The Group Management includes 5 people who are consultants with a total fee of KSEK 7,468 (10,851).

Guidelines for compensation to the Executives of the Company (Annual General meeting 2016)

The compensation level and structure shall be at market level. The total compensation shall be a balanced mix of fixed salaries, variable compensation, retirement and health plans, any other benefits and terms for dismissal and severance payments. The compensation may also comprise stock related long term incentive programmes.

The variable compensation varies for the respective Executive and shall primarily be related to Anoto´s result and operative goals and may at the most be fifty percent of the fixed salary. However, the variable compensation for the CEO may be at most 75 % of the fixed salary.

The retirement plan shall be competitive. The CEO shall have a pension premium based retirement plan of 35 % of the fixed salary.

Other benefits, such as health plans and company cars, shall be competitive.

As a main rule all of the executives shall have a mutual notice period of six months. Under certain conditions, some Executives may have an additional three month notice period in the event that Anoto gives notice. The CEO shall have a mutual notice period of six months and a severance payment of twelve months salary in the event that Anoto terminates the employment without just cause.

Stock related incentive plans are to be determined by the AGM. Issues and transfers of securities determined by the AGM according to the rules of s16 in the Swedish Companies Act are not comprised by these guidelines in case the AGM has or will make such decisions.

The Board shall be entitled to deviate from these guidelines in a certain case should there be specific reasons.

The Board has deviated from these guidelines in relation to the CEO concerning both pensions and notice period. The notice period for the CEO is six months from the company and six months from the employee. No Pension plan contributions are made in respect of the current CEO.

Other Information

The period of notice for other senior executives is three to six months if the company terminates their employment, provided that the Security of Employment Act can be applied.

No agreements have been entered into for pension commitments or the equivalent for either Board members or senior executives above and beyond that which is covered by these notes.

One executive is entitled to financial compensation equivalent to six month's salary in case of discharge.

Apart from a salary during the period of notice, none of the other senior executives receives financial compensation in case of discharge.

The retirement age for the CEO and other senior executives is 65.

NOTE 10 – Audit Fees

(KSEK)	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Deloitte				
Audit assignment, Deloitte	1 681	520	1 224	370
Tax advisory services	215	-	160	-
Other services	180	308	180	308
Total	**2,076**	**828**	**1,564**	**678**
Other auditors				
Audit assignment, other auditors	119	275	-	-
Tax advisory services	-	13	-	-
Total	**119**	**288**	**-**	**-**
Total	**2,195**	**1,116**	**1,565**	**678**

Audit fees refer to the audit of the financial statements and the accounting records. For the Parent company this also includes the administration of the business by the Board of Directors and the CEO.

Audit activities other than audit assignments refer, for example, to auditor´s statements for share issues.

Tax advisory involves the provision of advisory services related to taxes, VAT and fees. Other services relate to all other services

Other services relate mainly to consultancy services, such as services related to prospectuses.

NOTE 11 – Operating costs by type

(KSEK)	Note	Group 2016	Group 2015	Parent 2016	Parent 2015
Cost of goods sold		-151,375	-83,247	-	-
Change in Inventories		-4 889	-24,036	-	-
Personnel cost	9	-140,859	-89,008	-4 811	-341
External services		-97,571	-47,274	-5 210	-4 344
Rent		-12,451	-11,023	-	-
Travel expenses		-15,349	-10,237	-3 171	-1 015
Marketing and PR		-7,383	-9,501	-31	-187
Depreciation and amortisation	14	-26,512	-7,321	-30	-72
Impairment	14	-44,224	-	-	-
Other operating costs	13	-18,054	-17,441	-41	-81
Total		**-518,677**	**-299,088**	**-13,294**	**-6 040**

NOTE 12 – Other operating income

(KSEK)	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Exchange gains/(losses)	16,216	2,135	153	805
Gain on remeasuring existing interest in Pen Generations Inc.to fair value on acquisition	6,440	302	-	-
Total	**22,656**	**2,437**	**153**	**805**

NOTE 13 – Other operating costs

(KSEK)	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Impairment of intangible assets	-	-348	-	-
Profit on sale of non-current assets	-101	-	-	-
Other operating expenses	-9	-32	-	-
Loss on Deconsolidation of Destiny Wireless Limited [1)]	-12,490	-	-	-
Exchange losses	-5,454	-1,490	-43	-67
Total	**-18,054**	**-1,870**	**-43**	**-67**

[1)]Due to the loss of control of Destiny Wireless Limited a loss amounting to 12.5 MSEK has been recognized. Out of this amount no gain or loss was attributable to measuring the investment retained in the former subsidiary at its fair value in Q4, 2016 when control was lost. There were no cash flows arising from losing control of the former subsidiary other than cash in Destiny Wireless leaving the group. (Note 44)

NOTE 14 – Depreciation, amortization and impairment

Depreciation of property, plant and equipment and amortization and impairment of intangible fixed assets are included in the statement of comprehensive income as follows:

(KSEK)	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Amortization intangible fixed assets				
Cost of goods and services sold	-	-	-	-
Selling expenses	-5,737	-1,677	-	-
Administrative expenses	-3,652	-888	-30	-72
Research & development expenses	-12,405	-2,847	-	-
Total amortization intangible fixed assets	**-21,794**	**-5,412**	**-30**	**-72**
Depreciation tangible fixed assets				
Cost of goods and services sold				-
Selling expenses	-1,242	-592		-
Administrative expenses	-790	-313		-
Research & development expenses	-2,686	-1,004		-
Total depreciation tangible fixed assets	**-4,718**	**-1,909**		**-**
Impairment intangible fixed assets				
Cost of goods and services sold	-	-	-	-
Selling expenses	-2,667	-	-	-
Administrative expenses	-35,791	-	-	-
Research & development expenses	-5,766	-	-	-
Total impairment intangible fixed assets	**-44,224**	**-**	**-**	**-**
Total amortization, depreciation and impairment	**-70,736**	**- 7,321**	**-30**	**- 72**

The group reviews intangible assets on a regular basis to determine if these have been impaired and if the estimated recoverable amount is less than the carrying value an impairment is recognised.

NOTE 15 – Profit/loss on participations in group companies – Parent Company

(KSEK)	Parent company 2016	Parent company 2015
Impairment of shares [1)]	151,000	90,000
Total	**151,000**	**90,000**

[1)] Refers to write-down in 2016 related to unconditional shareholders´ contributions to the subsidiaries Anoto AB and XMS Penvision AB and to 2015 in Anoto AB. The shareholders' contributions were made to cover the subsidiaries' loss for the year and to restore their equity to the level of share capital.

NOTE 16 – Financial income and expenses

(KSEK)	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Financial income				
Other interest income	-	3	-	-
Interest from Group companies	-	-	2,146	-
Total financial income	**-**	**3**	**2,146**	**-**
Financial expenses				
Interest expenses on loans	-6,039	-3,455	-798	-733
Other interest expenses	-127	-51	-	-
Other financial expenses	-600	-207	-600	-
Loss on sale of investments	-551	-	-	-
Total financial cost	**(7,317)**	**(3,713)**	**(1,398)**	**(733)**
Total financial net income/(expense)	**(7,317)**	**(3,710)**	**748**	**(733)**
Of which:				
Interest income from instruments valued at accrued acquisition value	-	-	-	-
Interest expenses from instruments valued at accrued acquisition value	-6,039	-3,455	-798	-733

NOTE 17 – Taxes

(KSEK)	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Deferred tax	4,445	1,604	-	-
Total	**4,445**	**1,604**	**-**	**-**

Correlation between tax expense for the year and reported profit/loss before tax

(KSEK)	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Reported profit/(loss) before tax	(245,977)	(109,959)	(149,755)	(88,953)
Tax in accordance with current tax rate of 22%	54,027	24,191	32,946	19,570
Other	-	-	(33,220)	(19,800)
Other non-deductible expenses	(318)	(713)	(9)	(22)
Tax impact of non-taxable income	2,473	9,814	-	-
Increase/decrease of tax deficits without corresponding capitalization	(51,737)	(31,688)	283	252
Tax reported	**4,445**	**1,604**	**-**	**-**

Tax deficit

(KSEK)	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Opening balance Swedish companies	(732,683)	(627,639)	(23,253)	(24,403)
Opening balance foreign companies	(249,000)	(187,000)	-	
Acquisitions of group companies	(40,627)	(16,320)	-	
Deconsolidation of group companies	113,908			
Tax deficit of the year Swedish companies	(100,772)	(88,724)	1,286	1,150
Tax deficit of the year foreign companies	(96,656)	(62,000)	-	
Closing tax deficit	**(1,105,830)**	**(981,683)**	**(21,967)**	**(23,253)**
Nominal amount, tax asset 22% Swedish companies	**243,283**	**215,970**	**4,833**	**5,116**

Due to the fact that the Group still reports a loss, the value of deferred tax assets is not recognised in the balance sheet. Tax deficits are not time limited.
The Deferred tax charge and deferred tax liabilities in the Group relate to intangible fixed assets.

NOTE 18 – Capitalised development expenditures

(KSEK)	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Accumulated historical cost				
Opening accumulated historical cost	48,004	114,823	-	-
Acquisition of Group companies	-	657	-	-
Capitalization for the year [1)]	26,001	38,380	-	-
Deconsolidation of Group companies	(3,976)	-	-	-
Impairment losses for the year	-	(105,964)	-	-
Translation difference	-	108	-	-
Closing accumulated historical cost	**70,029**	**48,004**	**-**	**-**
Accumulated amortization and impairment losses				
Opening accumulated amortization	(6,235)	(109,486)	-	-
Amortization for the year according to plan	(3,406)	(2,691)	-	-
Deconsolidation of Group companies	1,451	-		
Impairment losses for the year	(9,859)	105,964	-	-
Translation difference	999	(22)	-	-
Closing amortization and impairment losses	**(17,050)**	**(6,235)**	**-**	**-**
Closing residual value	**52,979**	**41,769**	**-**	**-**

[1)] *Internally developed*

Capitalised development expenditure comprises costs incurred on projects developing products and technology. The Group has reviewed capitalised development expenditure and has recognised an impairment loss in the year in relation to projects that have now been discontinued 9.9 MSEK (0.0).

When testing for impairment losses, the value in use is calculated for the technology and products developed by the company. The value in use is based upon the estimated future cash flows that the technology and products are expected to generate. If the book value exceeds the value in use for a specific asset the value is impaired.

Amortization by function is shown in note 14.

NOTE 19 – Patents

(KSEK)	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Accumulated historical cost				
Opening accumulated historical cost	73,992	75,764	13,996	13,996
Capitalization for the year	559	302	-	-
Acquisitions of companies	72	-	-	-
Impairment losses for the year	-	(2,074)	-	-
Translation difference	(19)	-	-	-
Closing accumulated historical cost	**74,604**	**73,992**	**13,996**	**13,996**
Accumulated amortization and impairment losses				
Opening accumulated amortization	(73,822)	(74,951)	(13,954)	(13,893)
Amortization for the year according to plan	(511)	(611)	(20)	(61)
Impairment losses for the year	(271)	1,740	-	-
Closing amortization and impairment losses	**(74,604)**	**(73,822)**	**(13,974)**	**(13,954)**
Closing residual value	**-**	170	**22**	**42**

The group reviews the carrying value of patents on a regular basis and recognises an impairment loss where the book value exceeds the estimated recoverable amount.

Amortization by function is shown in note 14.

NOTE 20 – Brands

(KSEK)	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Accumulated historical cost				
Opening accumulated historical cost	2,288	2,249	104	104
Capitalization for the year	-	39	-	-
Translation difference	2	-	-	-
Closing accumulated historical cost	**2,290**	**2,288**	**104**	**104**
Accumulated amortization and impairment losses				
Opening accumulated amortization	(1,228)	(1,038)	(69)	(58)
Amortization for the year according to plan	(186)	(190)	(10)	(11)
Translation difference	(2)	-	-	-
Closing amortization and impairment losses	**(1,416)**	**(1,228)**	**(79)**	**(69)**
Closing residual value	**874**	**1,060**	**25**	**35**

Amortization by function is shown in note 14.

NOTE 21 – Other intangible assets

(KSEK)	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Accumulated historical cost				
Opening accumulated historical cost	49,724	15,338	-	-
Capitalization for the year	220	37,243	-	-
Impairment losses for the year	-	(2,857)	-	-
Acquisition of companies	360	-	-	-
Translation difference	1 139	-	-	-
Closing accumulated historical cost	**51,443**	**49,724**	**-**	**-**
Accumulated amortization and impairment losses				
Opening accumulated amortization	(12,309)	(13,246)	-	-
Impairment losses for the year	-	2,857	-	-
Amortization for the year according to plan	(17,691)	(1,920)	-	-
Translation difference	(1,190)	-	-	-
Closing amortization and impairment losses	**(31,190)**	**(12,309)**	**-**	**-**
Closing residual value	**20,253**	**37,415**	**-**	**-**

Amortization by function are shown in note 14.

NOTE 22 – Goodwill

(KSEK) 2016	Anoto AB	Destiny	Anoto Ltd	XMS	Live Scribe	Pen Generations	Total
Accumulated historical cost 2016							
Opening accumulated historical cost	298,674	29,105	38,200	18,294	97,052	-	481,325
Acquisitions for the year	-	-	-	-	-	35,137	35,137
Translation differences	-	(2,875)	(1,956)	-	10,160	1,602	6,931
Deconsolidation	-	(26,230)	-	-	-	-	(26,230)
Closing accumulated historical cost 2016	**298,674**	**-**	**36,244**	**18,294**	**107,212**	**36,739**	**497,163**
Opening accumulated write downs	(298,674)	-	-	-	-	-	(298,674)
Write downs for the year	-	-	(15,800)	(18,294)	-	-	(34,094)
Translation differences	-	-	(1,691)	-	-	-	(1,691)
Closing accumulated write downs 2016	**(298,674)**	**-**	**(17,491)**	**(18,294)**	**-**	**-**	**(334,459)**
Closing net balance 2016	**-**	**-**	**18,753**	**-**	**107,212**	**36,739**	**162,704**

(KSEK) 2015	Anoto AB	Destiny	Anoto Ltd	XMS	Live Scribe	Pen Generations	Total
Accumulated historical cost 2015							
Opening accumulated historical cost	298,674	32,059	37,460	-	-	-	368,193
Acquisitions for the year	-	-	-	18,294	102,521	-	120,815
Translation differences	-	(2,954)	740	-	(5,469)	-	(7,683)
Closing accumulated historical cost 2015	**298,674**	**29,105**	**38,200**	**18,294**	**97,052**	**-**	**481,325**
Opening accumulated write downs	(298,674)	-	-	-	-	-	(298,674)
Closing accumulated write downs 2015	**(298,674)**	**-**	**-**	**-**	**-**	**-**	**(298,674)**
Closing net balance 2015	**-**	**29,105**	**38,200**	**18,294**	**97,052**	**-**	**182,651**

Impairment testing

The goodwill balance consists of Goodwill from six acquisitions. In 2001 the Group acquired shares in Anoto AB resulting in a goodwill of 299 MSEK. During 2011 Anoto acquired Destiny Wireless Ltd, which resulted in an increase of the Group Goodwill value by 27,8 MSEK and in the beginning of 2012 Anoto acquired the UK based company Ubiquitous Systems Ltd, creating an additional goodwill of 13,6 MSEK. In relation to Shanwell Holding Ltd, 18,5 MSEK was added to the total goodwill balance. During 2014 Ubiquitous Systems Ltd was been transferred to Shanwell Holding Ltd, currently Anoto Ltd. During the third quarter of 2015 the Group acquired the Swedish company XMS Penvision AB, creating an additional goodwill of 18.3 MSEK. During the fourth quarter of 2015 the Group acquired the US based company Livescribe, Inc., creating an additional goodwill of 102.5 MSEK.

On 31 May 2016 Anoto Group AB acquired the remaining 81% shares and votes in the company Pen Generations Inc. for MSEK 38.9. Pen Generations Inc. has been a long standing Anoto Partner.

Goodwill related to Anoto AB was written down in previous years and in the fourth quarter of 2016 Destiny Wireless Limited was deconsolidated due to loss of control. In Quarter 3, 2016 XMS Penvision AB was written down in full by a total of 18.3 MSEK and Anoto Ltd by 15.8 MSEK. The total write down for the year is 34.1 MSEK.

The three remaining cash generating units were tested for impairment during quarter 4 and no additional need for write down was identified.

Impairment testing of goodwill is performed for each cash generating unit respectively annually or when an indication of decline in value occurs. The recoverable value for Group business is defined based on calculations of value in use.

When assessing the value of the cash generating units, a discount factor of 15% (15%) and a perpetual growth rate after 5 years of 2.0% (2.0%) have been used which are consistent with prior years.

Five year forecasts and cash flow estimations have been prepared by management using a 3% growth on sales and management's estimates of sales and margins in relation to new sources of revenue that are now being developed.

Important variables

Market Growth	Group management expects long-term positive development in the markets where Anoto´s products are used. The growth forecasts are built on underlying forecasts and discussions with partners and customers together with the expected long-term growth and take account of past experience and other external sources of information.
Discount Rate	The discount rate is determined with regards to the market conditions and the required return of the Group. Considering Anoto´s current tax position where the Group companies will not pay any tax over a foreseeable time, the difference between discount rate before and after tax will be minimal.
Gross Profit	The long-term forecasted gross profit is calculated with caution. Gross margins have been reviewed for each cash generating entity based on the past performance and management's expectation for the future and take into account margin improvement initiatives that have been negotiated with customers and suppliers. Assumed values for gross margins have been updated compared to the prior year following changes and reallocations between parts of the business, changes in forecasts and changes in sales mix affecting the gross margin in the respective cash generating unit.
Cost Increase	The company believe it is reasonable to calculate with a general cost increase over time which in the forecast is expected to be in line with the inflation which was around 1.3-1.9% from January to April 2017 (based on KPI). An allowance for inflationary increases in costs of 1.5% has been used.
Perpetual growth rate	The company believes that a reasonable perpetual growth rate would be around the average historical inflation rate. Also consideration is taken to the yearly inflation rate target from the Swedish Central bank which is 2%.

Pen Generations Inc. and Livescribe Inc. were acquired in 2016 and 2015 respectively. The management does not believe that any reasonable possible changes in the key assumptions on which recoverable amounts are based would cause the carrying value for Pen Generations Inc. and Livescribe Inc. to exceed its recoverable amount. The table below sets out the variables used in the calculation of future value in use to estimate cash flow and the changed values which when adjusted together, would result in a recoverable value equal to the carrying value.

(KSEK)	**Livescribe Assumed Value**	**Livescribe Changed Value**	**Pen Generations Assumed Value**	**Pen Generations Changed Value**
2016				
Perpetual growth rate	2,0%	1.0%	2,0%	1.0%
Discount rate after tax	15,0%	17.0%	15,0%	17.0%
Gross Profit	40.0% - 48.0%	34.0%	23.6%	17.5%
Cost increase	1,5%	3,0%	1,5%	3.0%

(KSEK)	**Anoto AB Assumed Value**	**Anoto AB Changed Value**	**Destiny Assumed Value**	**Destiny Changed Value**	**Anoto Ltd Assumed Value**	**Anoto Ltd Changed Value**
2015						
Terminal value	-	-	2.0%	1.2%	2.0%	0.7%
Discount rate after tax	-	-	15.0%	15.4%	15.0%	15.7%
Gross Profit	-	-	79.0%	73.3%	63.9%	62.7%
Cost increase	-	-	3.5%	3.9%	3.5%	4.3%

Goodwill in relation to Anoto Limited was written down to its recoverable value in Q3 of 2016. The table below sets out the variables used in the calculation of future value in use to estimate cash flow. No further impairment of the carrying value of goodwill is considered necessary as at December 31, 2016.

Management estimate that a decrease in the gross profit assumed from 50 % to less than 43.5% for Anoto Ltd would result in the aggregate carrying amount of the cash generating unit Anoto Ltd exceeding the recoverable amount. The management believes that any reasonable possible change in the other key assumptions on which recoverable amount is based would not cause the Anoto Ltd to exceed its recoverable amount.

(KSEK)	**Anoto Ltd Assumed Value**
2016	
Perpetual growth rate	2,0%
Discount rate after tax	15,0%
Gross Profit	50.0%
Cost increase	1,5%

NOTE 23 – Equipment and tools

(KSEK)	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Accumulated historical cost				
Opening accumulated historical cost	41,119	35,051	-	-
Acquisitions of companies	952	377	-	-
Additions for the year	6,817	5,655	-	-
Deconsolidation of companies	(115)	(14)	-	-
Translation difference	(87)	50	-	-
Closing accumulated historical cost	**48,686**	**41,119**	**-**	**-**
Accumulated depreciation and impairment				
Opening accumulated depreciation	(35,175)	(33,005)	-	-
Acquisition of companies		(377)		
Depreciation for the year according to plan	(4,718)	(1,727)	-	-
Translation difference	(379)	(66)	-	-
Closing depreciation and impairment losses	**(40,272)**	**(35,175)**	**-**	**-**
Closing residual value	**8,414**	**5,944**	**-**	**-**

NOTE 24 – Participation in Group companies

(KSEK)	Parent Company 2016	Parent Company 2015
Opening balance acquisition cost	326,454	300,194
Opening shareholders´ contribution	752,603	662,603
Opening accumulated impairment losses	(1,051,265)	(961,265)
Acquisition of shares in Group companies	42,552	26,260
Shareholders 'contribution [1)]	151,000	90,000
Impairment loss for the year [2)]	(151,000)	(90,000)
Total	**70,344**	**27,792**

Entity Name	Reg No.	Domicile	Total No. of participation	% of capital and votes	Shareholders' equity	Carrying amount
Anoto AB	556320-2646	Lund	5,000	100%	19,860	1,332
XMS Penvision AB	556708-4685	Norrköping	592,176	90.2%	313	27,126
Pen Generations Inc. [1)]	129-86-60962	Seongnam	6,078,061	100%	57,286	41,686
Anoto Administration AB	556591-2481	Malmö	1,000	100%	5,673	100
Anoto Licenciering AB	556665-4306	Lund	1,000	100%	88	100
						70,344

[1)]Ordinary shares 4,938,061 and preferred shares 1,140,000

The Anoto Group contains sub-groups consisting of the following companies

Entity name	Domicile	Country	Operational	Parent company	Equity
Anoto Inc. [3)]	Boston	USA	Operational	Anoto AB	100%
We-Inspire Inc.	Los Angeles	USA	Operational	Anoto Inc	100%
Anoto KK.	Tokyo	Japan	Operational	Anoto AB	100%
Anoto Ltd.	Basingstoke	UK	Operational	Anoto AB	100%
C Technologies AB	Lund	Sweden	Operational	Anoto AB	100%
Ubiquitous Systems Ltd [4)]	Wetherby	UK	Operational	Anoto AB	100%
FAB Licensiering AB [5)]	Lund	Sweden	Dormant	Anoto AB	100%
Livescribe Inc. [3)]	Oakland	USA	Operational	Anoto Inc	100%

[1)] Unconditional shareholders´ contribution to Anoto AB and XMS Penvision AB in 2016, and to Anoto AB in 2015

[2)] Write-down of shares in Anoto AB and XMS Penvision AB in 2016, and in Anoto AB in 2015

[3)] During 2017, the activities of Anoto Inc and Livescribe Inc. will be merged into a single entity

[4)] The activities of Ubiquitous Systems Ltd were fully transferred to the Anoto Ltd. in 2015 and the company will be liquidated in 2017.

[5)] FAB Licensiering will be liquidated in 2017.

Related Company

The Group's shareholding in Destiny Wireless Limited fell from 51% to 49% in the year and the Group has accounted for this loss of control as at December 31, 2016. At December 31, 2016, the carrying value of the Group's holding in Destiny Wireless Limited was SEK nil. (See Note 44)

NOTE 25 – Other long-term securities

(KSEK)	Group 2016	Group 2015	Parent 2016	Parent 2015
Opening balance	5,104	4,361	2,853	2,853
Acquisition of shares [1)]	16,962	743	16,962	-
Reclassification [2)]	(2,853)	-	(2,853)	-
Sale of shares [3)]	(2,251)	-	-	-
Total	**16,962**	**5,104**	**16,962**	**2,853**

[1)] The acquisition of shares in 2016 relates to long term investment in SMark Limited. In 2015 the figure relates to shares acquired in W'Inspire GmBH

[2)] The reclassification relates to shares in Pen Generations Inc. which became a 100% subsidiary during the year

[3)] The sale relates to the holding of an interest in W'Inspire GmBH, corporate ATU68161222 established in Linz, Austria.

NOTE 26 – Other long-term receivables

(KSEK)	Group 2016	Group 2015
Opening balance	2,176	121
Additions	751	2,105
Settlements	(1,034)	(52)
Translation difference	-	2
Total	**1,893**	**2,176**

The receivables represent deposits.

NOTE 27 – Accounts receivable

(KSEK)	2016 Gross	2016 Net	2015 Gross	2015 Net
Not due	8,690	8,695	18,075	3,901
Due 1 - 30 days	316	347	27,083	27,083
Due 31 - 60 days	7,832	7,825	11,737	11,737
Due 61 - 90 days	(166)	(206)	9,541	9,541
Due more than 90 days	18 153	18 014	15,747	13,181
Total	34 825	34 675	**82,183**	65,443

There is a risk that the Group´s customers will not fulfil their obligations, meaning that payments are not received from the customers, is a credit risk. The Group´s customers undergo credit checks whereby information about the customers´ financial position is obtained from various credit reporting agencies. The Group has drawn up a credit policy which stipulates how customer credits are to be handled.

The provision for doubtful receivables amounts to 5 516 (2 567) KSEK. The provision has been increased by 2 949 KSEK compared to 2015.

Apart from the reserve for bad debts the company believes that the credit worthiness of customers is satisfactory. Assessment of the need for provisions against Accounts receivable due more than 90 days are made on an individual basis.

No security related to Accounts receivable are held by Anoto.

No individual receivable exceed 10% of total Accounts receivable.

	2016			2015		
Concentration of credit risk	**Number of customers**	**% Total number of customers**	**% Share of value**	**Number of customers**	**% Total number of customers**	**% Share of value**
Exposure < 1 MSEK	438	94%	66%	536	93%	33%
Exposure 1-10 MSEK	23	5%	12%	36	6%	61%
Exposure > 10 MSEK	6	1%	22%	5	1%	6%
Total	**467**	**100%**	**100%**	**577**	**100%**	**100%**

NOTE 28 – Prepaid expenses and accrued income

(KSEK)	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Prepaid rent	2,407	1,231	-	-
Prepaid insurance	818	1,092	195	-
Prepaid software licenses	2,280	3,162	-	-
Prepaid legal fees	916	183	-	-
Accrued income	1,934	11,407	-	170
Other	2,359	1,731	15	15
Total	**10,714**	**18,806**	**210**	**185**

NOTE 29 – Provisions for product warranty commitments

(KSEK)	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Opening balance	1,756	497	-	-
Unrecognized amount	(15)	(281)	-	-
New provisions	897	2,070	-	-
Unutilized amount returned	(1,326)	(530)	-	-
Total	**1,312**	**1,756**	**-**	**-**

Provisions for product warranty commitments relate essentially to the sale of pens during 2016 and 2015. The provisions are based on calculations made on historical data for warranties related to the sale of pens. The whole amount is expected to be paid within 12 months.

NOTE 30 – Accrued expenses and deferred income

(KSEK)	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Holiday pay liability	2,061	5,944	332	-
Accrued social security	2,234	2,239	1,187	157
Accrued social security pensions	1,183	1,375	188	188
Accrued salaries and remunerations	9,086	4,258	3,447	500
Deferred income	3,598	2,995	-	-
Accrued interest	-	820	-	-
Legal fees	3,584	2,413	809	-
Other services and goods	544	5,535	300	-
Other	12,467	4,387	1,214	722
Total	**34,757**	**29,966**	**7,477**	**1,567**

NOTE 31 – Share-based payments to employees

Option Program

As at December 31, 2016, Anoto Group has the following valid option programs:

4.6 million share-option have been granted to former CEO Stein Revelsby under the Anoto Incentive Scheme 2014/17 at a subscription price of 0.61 SEK. The share-options will mature during 2017.

In Q4, 2016 an incentive scheme for senior executives was issued that comprises a maximum of 51.8 million stock options at a subscription price of 0.26. The maximum number of stock options to be allocated to each senior executive shall be 15.0 million. The share options will mature during 2019. This incentive scheme is replacing the Anoto Employee Incentive Program for 2015. At December 31, 2016, 32,250,000 Options had been granted under this scheme.

The Company's Board of Directors has also authorized the issuance of a 9.0 million share-options grant to the Chairman of the Board of Directors Jörgen Durban at a subscription price of 1.43 SEK and the issuance of 21.8 million share options at a strike price of 0.38 SEK. Both programmes will mature in 2018. Furthermore, the company's CEO Joonhee Won has been granted 21.8 million share options at a strike price of 0.38 SEK that will mature in 2018. In Q4 the Company's Board of Directors authorized the issuance of a 6.0 million share-options grant to a Board member, Henric Ankarcrona, at a subscription price of 0.26 SEK. The share-options will mature during 2019.

No Payments are due or have been paid on the grant of options.

The value of outstanding options, calculated using the Black & Scholes valuation model, as per 31st of December 2016 is insignificant for disclosures in accordance with IFRS 2.

NOTE 32 – Interest bearing liabilities

Short term interest bearing liabilities

(KSEK)	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Opening balance	8,145	35,875	_-	-
Loan notes issued	58,885	-	44,982	-
Repayment of loan	(38,168)	(27,883)	(30,000)	-
Interest accrued	156	-	156	-
Translation difference	-	153	-	-
Total short term interest bearing liabilities	**29,018**	**8,145**	**15,138**	**-**

(KSEK)	Nominal interest	Maturity	2016 Nom. Value	2016 Book value	2015 Nom. Value	2015 Book value
Bank loan	12.0%	**2015**	-	-	8,145	8,145
Bank loans	6.9-10.0%	**2017**	13,880	13,880	-	-
Related Party loan	3.5%	**2017**	15,138	15,138	-	-
Total interest bearing liabilities			**29,018**	**29,149**	**8,145**	**8,145**

Bank loans
The loans are secured against current assets in the company where the lenders have priority over other creditors. The loan is repayable on demand but the bank has agreed not to require repayment of the loans in the coming twelve months unless the company has sufficient cash reserves.

NOTE 33 – Leasing expenses

The leasing cost of assets under operating leases amounted to 10 061 (11 023), and are derived primarily from rented premises.

Future payments for non-cancellable operating leasing contracts fall due as follows

(KSEK)	Group 2016	Group 2015
Less than one year	8 017	3,810
Between one and five years	20,557	19,447
More than five years	4,490	3 413
	33,064	**26,670**

NOTE 34 – Pledged assets and contingent liabilities

(KSEK)	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Blocked bank deposits [1)]	351	351	-	-
Security against loans [2)]	-	8,170	-	-
Total	**351**	**8,521**	**-**	**-**

Blocked Bank deposits are pledged as security for the import of goods into Sweden.
There are no contingent liabilities

NOTE 35 – Financial instruments

Group 2016	Loans and receivables	Available for sale	Other financial liabilities	Total carrying amount	Total fair value
Long-term investments and securities	-	16,962	-	16,962	16,962
Long-term receivables	1,892	-	-	1,892	1,892
Accounts receivable	34,825	-	-	34,825	34,825
Cash	5,553	-	-	5,553	5,553
Assets	**42,270**	**16,962**	**-**	**59,232**	**59,232**
Borrowings	-	-	57,018	57,018	57,018
Accounts payable	-	-	65,576	65,576	65,576
Other liabilities	-	-	12,028	12,028	12,028
Liabilities			**134,622**	**134,622**	**134,622**

Group 2015	Loans and receivables	Available for sale	Other financial liabilities	Total Carrying amount	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
Cash	11,628	-	-	11,628	11,628
Assets	**79,247**	**-**	**-**	**84,351**	**84,351**
Accounts payable	-	-	83,471	83,471	83,471
Other liabilities	-	-	32,001	32,001	32,001
Liabilities	**-**	**-**	**115,472**	**115,472**	**115,472**

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.

NOTE 36 – Related parties

As of December 31, Anoto Group AB had loans from Inhye Kim, wife to the CEO at Anoto, to a total value of 2.4 Singapore Dollars, 15.1 MSEK. These short-term loans incur 3.5% annual interest. Inhye Kim has subscribed for Convertible bonds that were issued in December 2016, and 9.2 MSEK of this loan will be transferred to this Convertible loan in 2017.

Antonio Mugica, a member of the board until the 2015 AGM, was also the CEO of Anoto's partner Smartmatic. Transactions with Smartmatic amount to MSEK 2 during 2016 (5). All transactions have been made on normal commercial conditions.

Tstudy (Tstone/Aurora) is no longer a related party and Pen Generations Inc. is now a subsidising of the Group. Destiny Wireless was subsidiary of the Group during the Year

Summary of related party transactions

Parent company:

Related parties (KSEK)		Selling of goods and services	Purchasing of goods and services	Other	Receivable from related party on 31 December	Liability to related party on 31 December
Group company	**2016**	13,681	-	(53,783)	565,367	(153,549)
Group company	**2015**	13,698	-	216,563	358,813	(1200)

Group:

Shareholders (KSEK)		Selling of goods and services	Purchasing of goods and services	Other	Receivable from related party on 31 December	Liability to related party on 31 December
Smartmatic	**2016**	1,985	-	-	70	-
Smartmatic	**2015**	5,128	-	-	-	-
TStudy (Tstone/Aurora)	**2015**	3,073	-	-	15	-
Pen Generations	**2015**	60,489	2,149	-	27,260	2,149

NOTE 37 – Equity

Equity (KSEK)	Group 2016	Group 2015
Translation reserve		
Accumulated exchange rate differences at beginning of the year	(8,517)	(2,746)
Exchange rate differences for the year	(2,557)	(5,771)
Accumulated exchange rate differences at year end	**(11,074)**	**(8,517)**

Capital management

The Anoto Group has since being founded in 1999 worked on developing a digital pen enabling digital transfer of data written with a digital pen to a computer or similar. Development costs have been significant and since 1999 approximately MSEK 2,293 have been invested as capital by the shareholders. The company´s ambition is to achieve profitable growth and in the future be able to pay dividends on invested capital.

Anoto defines capital as equity. There is only one class of share.

Anoto Group has so far not paid any dividend and will suggest to the Annual general meeting of 2017 that no dividend shall be paid out.

The company has no announced targets regarding dividends, debt/equity ratio or other capital ratios other than the strive for profitability and positive cash flow. When solid profitability has been achieved targets for dividends, debt/equity ratio etc. will be determined.

NOTE 38 – Specification to Statement of Cash Flows

(KSEK)	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Cash and bank balances	5,553	11,629	303	613
Total	5,553	**11,629**	**303**	**613**

Other Items not affecting cash flow				
Exchange gains and losses	-17,014	-	-	-
Gain on remeasuring existing interest in Pen Generations to fair value on acquisition.	-6,440	-	-	-
Loss on deconsolidation of Destiny Wireless	12,490	-	-	-
Loss on sale of interest in associated company	551	-	-	-
Other	-2,009	1,398	-	-
Total	**(12,422)**	**1,398**	**-**	**-**

Bank deposits are pledged as security for Letters of Credit and Bank Guarantees

NOTE 39 – Inventory

(KSEK)	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Raw material (components)	17,359	13,426	-	-
Finished goods	32,119	31,163	-	-
Total	**49,478**	**44,589**	**-**	**-**

The net value of inventory includes 6 133 KSEK of provisions to reflect net realisable value

NOTE 40 – Events after December 31 2016

On March 17, 2017, in order to increase productivity and efficiency, Anoto announced the closure of its locations in Lund and Norrköping, Sweden, and the establishment of a new presence in Stockholm that is primarily dedicated to investor relations activities.

On April 12, 2017, Anoto and NeoLAB announced the resolution of their legal disputes and formed a mutually beneficial strategic relationship, which included a multi-faceted cross-licensing agreement and an intention for NeoLAB to provide Anoto with hardware design and supply capabilities relating to the Anoto DNA (ADNA) business.

On April 13, 2017, Anoto and Trata E Systems (Trata) expanded their previously announced relationship to now establish Trata as Anoto's master distributor in India. The estimated transaction value based in expected sales performance in the rapidly expanding Indian market approaches USD 100 million over three years.

On May 8, 2017, Anoto announced that it had received a total of USD 6 million from licensing and collaboration agreements announced in April 2017. USD 5 million relates to investment in Anoto Group AB shares in connection with the collaboration agreement with SMark Co., Ltd. (SMark); Anoto Group AB issued 212,500,000 new shares to SMark Co., Ltd. USD 1 million is the first tranche of proceeds from the licensing agreement with NeoLAB Convergence Inc. (NeoLAB).

On May 8, 2017, Anoto converted 29.8 MSEK of the convertible bonds issued in December 2016 and issued 220,740,740 new shares in Anoto Group AB. Following this conversion there are 9.2 MSEK of Convertible bonds outstanding.

NOTE 41 – Acquisitions

Pen Generations Inc.

On 31 May 2016 Anoto Group AB (publ) acquired the remaining 81% of shares and votes in the company Pen Generations Inc. for MSEK 38.9. Pen Generations Inc. has been a long standing Anoto Partner.

Anoto has consolidated the acquired entity as from 1 June 2016.
Through this acquisition, Anoto enhances its hardware product portfolio and hardware development capabilities.

During the period 1 June through to 31 December Pen Generations contribution to Net sales was MSEK 25.2 and the loss was MSEK -21.5. From the period from 1 January 2016 through to 31 December 2016 Pen Generations had Net sales of MSEK 41.3 and a net loss of MSEK -27.9. Had the business combination been effected at January 1, 2016, the revenue for the Group would have increased by 16.1 MSEK 2015 and the loss increased by 6.4 MSEK.

Effect of acquisition

	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
Cash and bank balances	6
Interest bearing liabilities	(11,286)
Current liability	(20,921)
Other Non-current liabilities	(1,530)
Net identifiable assets and liabilities	12,914
Group goodwill	35,137
Consideration	48,051

Revaluation of the previous investment (19%) in Pen Generations Inc. results in a gain of MSEK 6.4.

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 amount to 80 KSEK and include 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 of previous investment	9,130
Issued shares	38,922
Total consideration	48,051

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

NOTE 42 – Parent Company details

Anoto Group is a Swedish limited company with its registered office in Lund. The shares of the parent company are listed on the NASDAQ OMX Stockholm Stock exchange. The address of the head office is Mobilvägen 10, SE 223 62, Lund. The consolidated financial statements for 2016 relate to the parent company and its subsidiaries, jointly referred to as the Group.

NOTE 43 – Convertible debt

On December 5, 2016, Anoto placed approximately 42 MSEK of convertible bonds which was later reduced to 39 MSEK. Settlement for 28.0 MSEK of the bonds took place on December 7, 2016 and another settlement of 1.8 MSEK took place on January 20, 2017. Bonds in the total amount of 9.2 MSEK will be set off against part of a loan granted to Anoto by Inhye Kim in 2017.

NOTE 44 – Deconsolidation of Destiny Wireless

The Groups shareholding in Destiny Wireless Limited has changed from 51% to 49% and the Group has accounted for this loss of control from December 31, 2016.

Effect of deconsolidation

	Net liabilities at the time of deconsolidation
	KSEK
Intangible assets	2,525
Tangible assets	115
Inventory	116
Current assets	2,467
Cash and bank balances	(394)
Current liabilities	(15,395)
Other Non-current liabilities	(24,867)
Net identifiable liabilities	(35,433)
Group Goodwill written off	26,230
Non-Controlling interest	21,693
Net Impact on Anoto Group. (note 13)	-12,490

The Group carrying value of its 49% holding in Destiny Wireless Limited as at December 31, 2016, is SEK nil.

SIGNATURES FOR THE ANNUAL REPORT

The Annual Report and consolidated financial statements were approved by the Board on June 18, 2017. The consolidated statement of comprehensive income and the statement of financial position, as well as the Parent Company's income statement and balance sheet will be presented to the Annual General Meeting in June 2017 for adoption.

The Board of Directors and CEO affirm that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and that they provide a true and fair view of the Group's financial position and earnings. The Annual Report has been prepared in accordance with generally accepted accounting standards and provides a true and fair view of the Parent Company's financial position and earnings.

The Directors' Report for the Group and Parent Company provides a true and fair overall account of the development of the Group's and Parent Company's business, financial position and earnings and describes significant risks and uncertainties facing the Parent Company and the companies within the Group.

Lund, June 18, 2017

Jörgen Durban
Chairman of the Board

Joonhee Won
Board member and CEO

Henric Ankarcrona
Board member

Our auditor´s report was submitted on June 18, 2017.

Deloitte AB

Per-Arne Pettersson
Authorized Public Accountant

AUDIT REPORT

To the general meeting of the shareholders of of Anoto Group AB (publ)
corporate identity number 556532-3929.

Report on the annual accounts and consolidated accounts.

Opinions

We have audited the annual accounts and consolidated accounts of Anoto Group AB (publ) for the financial year 2016-01-01 - 2016-12-31 except for the corporate governance statement on pages 64-67.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 of December 2016 and its financial performance for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 64-67. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Assessment of the Entity's Ability to Continue as a Going Concern

As at December 31, 2016 the liquidity position of the company is such that the going concern assumption has to take into consideration future improvements in the cost structure of the company and sales not yet confirmed requiring significant judgments and estimates by management and the Board of Directors. If the going concern basis of accounting is not appropriate this could have a significant impact on the financial statements.

Management and the Board of Directors assessment of going concern and risks related to liquidity and financing risks is described in the Administration Report on page 5.

Our audit procedures included, but were not limited to:

- Evaluating management's assessment of the entity´s ability to continue as a going concern,
- Analyzing and discussing cash flow, profit and other relevant assumptions included in the forecasts with management,
- Reading minutes of the meetings of the Board of Directors for reference to financing difficulties,
- Based on the cash flow forecast prepared by the entity, evaluating the reliability of the underlying data generated to prepare the forecast; and determining whether there is adequate support for the assumptions underlying the forecast,
- Inquiry of management as to its knowledge of events or conditions beyond the period of management's assessment that may cast significant doubt on the entity's ability to continue as a going concern, evaluating management's plans for future actions in relation to its going concern assessment, whether the outcome of these plans is likely to improve the situation and whether management's plans are feasible considering these circumstances,
- Determining whether the financial statements adequately disclose the principal events or conditions relevant for assessing the entity's ability to continue as a going concern and management's plans to deal with these events or conditions.

Recognition of revenue in the appropriate period

The group generates revenues from mainly product sales but also from licenses and royalties in multiple geographies. Revenue from the sale of goods, license sales and royalties is recognized when an agreement with the customer is in place, the delivery has occurred and all key risks and benefits have been transferred to the customer. Revenue comprises the fair value of the consideration received or receivable for the sale, net of discounts and anticipated returns at the time of sale.

Although there are similarities between the different sales terms (including transfer of risk) for the various sales channels of the company, each contract is unique

We focused on this area due to the inherent complexity and the significant judgement sometimes involved in estimating when the risks have been transferred to customer for the various contracts.

In note 2 the group´s revenue recognition policy is described and note 5 provides disclosures of revenues separated on different product offerings and geographies.

Our audit procedures included, but were not limited to:

- evaluating the revenue recognition principles and the adaption thereof for the various revenue flows including compliance with IFRS,
- analytical review of revenues disaggregated on different product offerings and geographies,
- on a sample basis testing of sales transactions for revenue recognition in the appropriate period.

Valuation of intangible assets

The company has significant investments in intangible assets, MSEK 237 as of 31 December 2016, primarily related to capitalized development expenditures, goodwill and customer relationships. The company has prepared an impairment assessment that is based on a value in use calculation where each acquired entity constitute a separate cash generating unit ("CGU") for investments in goodwill and customer relationships and for investments related to the development projects under which the company operates.

We focused on the impairment assessments above as the book value of intangible assets are material and as the assessment is sensitive to changes in assumptions (in particular the sales growth, gross profit, the discount rates and the terminal growth rate of free cash flow).

In note 3 the group´s policy for impairment testing of intangible assets is described. Note 22 sets out the key assumptions used by management when preparing the annual impairment tests on goodwill and specifically explains that small changes in the key assumptions used could give rise to an impairment of the intangible assets balances in the future.

Our audit procedures included, but were not limited to:

- evaluating the assumptions and methodologies used by management, in particular those relating to forecasted sales growth, gross profit and discount rates,
- evaluating the adequacy of disclosures related to those assumptions to which the outcome of the impairment test is most sensitive including and
- assessing the sufficiency of the sensitivity analysis prepared by management and performed further sensitivity analysis primarily focused on changes in operating cash flow.

Responsibilities of the Board of Directors

The Board of Directors are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors are responsible for the assessment of the company’s and the group’s ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors of Anoto Group AB for the financial year 2016-01-01 - 2016-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the loss to be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Malmö, June 18, 2017
Deloitte AB

Per-Arne Pettersson
Authorized Public Accountant

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.

Operating profit/loss

The operating result of the business. Gross profit less costs for sales, administrative, R&D and other operating income/costs.

(KSEK)	Group 2016	Group 2015
Gross profit	**79 393**	**85 556**
Selling expenses	(35 206)	(59 626)
Administrative expenses	(232 992)	(31 561)
Research & development expenses	(76 150)	(101 185)
Other operating income	22,656	2 437
Other operating cost	(18,054)	(1 870)
Operating profit/loss	**(260,353)**	**(106 249)**

Operating margin

Operating margin: Shows the business's operating result in relation to sales. Operating profit/loss as a percentage of net sales.

(KSEK)	Group 2016	Group 2015
Operating profit/loss	(260,353)	(106,249)
Operating margin	**-110.5 %**	**-55.1%**

Cash flow per share for the year

An indication cash generated per share can be used to assist in determine any distribution policy. Cash flow for the year divided by the weighted average number of shares during the year.

(KSEK)	Group 2016	Group 2015
Cash flow	(6,076)	7,720
Weighted average number of ordinary shares	1,792,711,313	857,155,605
SEK	**-0.00**	**0.01**

Equity/Asset ratio

A measure of how assets are financed. Equity attributable to shareholders of Anoto Group AB (including non-controlling interest) as a percentage of total assets.

(KSEK)	Group 2016	Group 2015
Total assets	389,291	449,328
Equity attributable to the shareholders of Anoto Group AB	213,258	277,926
	54.8%	**61.9%**

EBITDA

Operating profit/loss before depreciation, amortisation and impairment.

EBITDA: Shows the business' underlying performance, adjusted for the effect of depreciation and amortization, in relation to sales. Valuable to indicate the business' underlying cash generating ability. A reconciliation from group operating profit/loss is set out below.

(KSEK)	Group 2016	Group 2015
Operating profit/loss	(260,353)	(106,249)
Depreciation and amortisation	70,736	7,321
EBITDA	**(189,617)**	**(98,928)**

Shareholders' equity per share

Gives a shareholder the possibility to compare book value with market value Shareholders' equity divided by the weighted average number of shares at the year end.

(KSEK)	2016	2015
Equity attributable to the shareholder of Anoto group AB	213,258	277,926
Number of ordinary shares	2,340,832,108	1,053,193,826
SEK	**0.09**	**0.26**

Net debt

An indication of the level of borrowings. Interest-bearing liabilities less liquid assets and current investments.

(KSEK)	Group 2016	Group 2015
Interest-bearing liabilities	29,018	8,145
Liquid assets	(5,553)	(11,628)
Net debt	**23,465**	**3,484**

Capital employed

Shows how much of the total capital is tied to the operations. Total assets less non-interest bearing provisions and liabilities (including deferred tax liabilities), less short term interest bearing liabilities.

(KSEK)	Group 2016	Group 2015
Total assets	389,291	449,328
Non-interest bearing provisions	(8,212)	(12,150)
Non-interest bearing liabilities	(112,492)	(160,837)
Short term interest bearing liabilities	(29,018)	(8,145)
Capital employed	**239,657**	**268,196**

CORPORATE GOVERNANCE REPORT

Anoto Group AB (publ.) is governed by its Articles of Association and the Swedish Companies Act. Since Anoto is listed on NASDAQ OMX Stockholm, Anoto also applies NASDAQ OMX Stockholm's Rule Book for Issuers. Since July 1, 2008, Anoto has applied the Swedish Code of Corporate Governance (see www.bolagsstyrning.se) Anoto is, in accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance, required to present a Corporate Governance Report.

Corporate Governance Structure

Anoto is governed by several bodies.

The shareholders exercise their voting rights at General Meetings of the Shareholders by electing the Board of Directors and external auditors and make decisions on other issues like the adoption of the annual report and stipulating how to appoint the Nomination Committee.

The Nomination Committee nominates candidates to the Board of Directors, Chairman of the Board and external auditors. A Nomination Committee is required by the Code, but not by the Companies Act. The Board is responsible for the appointment of the CEO, the development of long-term strategy, and controlling and evaluating Anoto's day-to-day operations.

The CEO is in charge of and responsible for daily operations and the management of Anoto in accordance with the Swedish Companies Act, and in accordance with instructions and guidelines from the Board of Directors.

External auditors appointed by the shareholders at the Annual General Meeting examine the Company's annual report and accounts as well as the management by the Board of Directors and the CEO.

Annual General Meeting

The Annual General Meeting is the corporate body where the shareholders in Anoto can exercise their rights by electing the Board of Directors and deciding on all other issues voted on at Annual General Meetings in accordance with the Companies Act and the Articles of Association.

The Annual General Meeting is normally held in May or June. The notice of the Annual General Meeting, together with the agenda, is published on Anoto's website and in the Swedish Newspaper Post och Inrikes Tidningar (the Swedish Official Gazette). As a courtesy, the date and place for the Annual General Meeting together with information on how to obtain the agenda is published in the Swedish newspaper Dagens Nyheter.

All information material for the Annual General Meeting is available in both Swedish and English. The Annual General Meeting is held in Swedish.

Annual General Meeting 2016

The Annual General Meeting (AGM) in 2016 took place in Lund on June 9. Jörgen Durban and Henric Ankarcrona were present from the Board of Directors. Present were also Anoto's external auditors.

The Annual General Meeting made the following decisions:

- The annual report was presented, and the consolidated income statements and balance sheets were adopted. The Board Members and CEO were discharged from liability. It was resolved that no dividends were to be paid to the shareholders.
- Board Members Jörgen Durban, Henric Ankarcrona and Joonhee Won, were re-elected as Board Members until the end of the next Annual General Meeting and Brett Halle was elected as a Board Member until the end of the next Annual General Meeting.
- Jörgen Durban was re-elected Chairman of the Board.

Anoto's Annual General Meeting 2017

Anoto's Annual General Meeting 2017 will take place on June 30 in Stockholm.

Extraordinary General Meetings

Extraordinary General Meetings were held on three occasions during 2016.

On March 2, 2016, an Extraordinary General Meeting was held, at which resolutions to authorize the Board of Directors to issue new shares, for cash consideration or with payment in kind, and/or convertible bonds, in connection with any or all of the acquisitions of Pen Generations Inc., We-Inspire Inc., and Destiny Wireless Limited were duly adopted.

On April 27, 2016, an Extraordinary General Meeting was held, at which resolutions to amend the Company's Articles of Association, to increase the share capital, and to have a Board of Directors consisting of four members and no deputies until the next Annual General Meeting, were duly adopted.

On November 25, 2016, an Extraordinary General Meeting was held, at which resolutions to approve the resolution by the Board of Directors to issue shares, implement an incentive scheme for senior executives, issue stock options to a Board member, Henric Ankarcrona, and authorize the Board of Directors to issue warrants were duly adopted.

The Board of Directors

The Board of Directors, which also appoints the CEO, is ultimately responsible for the organization of Anoto and the management of its operations. According to Anoto's Articles of Association, the Board shall consist of not less than three and not more than eight directors with not more than five deputies.

At the Annual General Meeting, Jörgen Durban, who is the Chairman of the Board, Joonhee Won, Henric Ankarcrona and Brett Halle were elected as members of the Board of Directors until the next Annual General Meeting.

Brett Halle resigned from the Board of Directors on September 12, 2016.

For information about the Board Members and their remuneration, please refer to Note 9 in the Annual Report. The members of the Board, save for Joonhee Won, are independent of the management of the company.

The other Board members are independent in relation to Anoto and its largest owners. The company does therefore comply with the conditions of the Swedish Code of Corporate Governance requiring that a majority of the members elected by the Annual General Meetings are to be independent from the company and its management, and that no less than two of the Board members are independent from the largest shareholders.

Rules of Procedures
The Board of Directors has adopted Rules of Procedures that outlines the work procedures and tasks for the Board, the Audit Committee and the Compensation Committee. The Rules of Procedures are reviewed and adopted at least once a year.

Work of the Board of Directors 2016
When appropriate, employees of the company participate in reporting capacities concerning their particular areas of expertise.

The Board continuously evaluated the performance of Anoto, the CEO and Anoto's management team. The Board held 17 recorded meetings during 2016.

The Board Members attendance at Board Meetings and Committee Meetings is set forth below:

Board Member:	Number of board meetings:
Jörgen Durban	17 / 17
Joonhee Won	17 / 17
Henric Ankarcrona	17 / 17
Brett Halle **	3 / 3
Antonio Mugica *	9 / 10
Stein Revelsby ***	2 / 2

* Board member until the Annual General Meeting 2016
** Board member until September 12, 2016
*** Board member until March 24, 2016

The board has not decided to delegate any responsibilities to any sub-committees such as Audit committee and Compensation committee. Hence the board in its entirety has the full responsibility for such matters.
The 2016 Annual General Meeting adopted guidelines for compensation to senior executives, which can be found in Note 9 in the Annual report.

CEO and Management

As of December 31, 2015 the Management Team consisted of 11 persons. During 2016, the business has been restructured and the size of the management team progressive reduced. It now consists of 5 persons, with the CEO in charge. The CEO and Management Team manage and control Anoto's daily operations.

Shareholders Controlling More than One Tenth of the Shares in the Company

None of the shareholders had, on the 31st of December, a direct or indirect ownership of more than one tenth of the votes for all shares.

Anoto's Articles of Association

The company´s Articles of Association do not comprise limitations concerning the number of votes each shareholder can represent in the Annual General Meeting, or specific conditions related to appointment or dismissal of Board members or introduction of amendments to the Articles of Association.

Internal Control

The Board of Directors is responsible for the internal control under the Swedish Companies Act and the Swedish Code of Corporate Governance. This section on internal control is focused on the internal control of the financial reporting. Given the size of Anoto, the Board has determined that there is no need for an internal audit department or function, and that Anoto's finance department sufficiently can carry out the internal control in cooperation with the external auditors.

Control environment
The corporate culture of Anoto encourages initiatives while assuming responsibility for meeting the defined strategic objectives of Anoto. Each employee at Anoto has a job description setting out tasks, responsibilities and authorizations.

The CEO has adopted guidelines and policies for specific areas that the employees are required to follow. Anoto has implemented a Code of Conduct that is applicable to Anoto and its suppliers. The Code of Conduct describes Anoto's requirements with respect to ethical behavior, child labor and the environment.

A detailed delegation plan has been drawn up with well- defined levels of attestation and decision levels. This is applied throughout Anoto.

Risk assessment
Risk assessments are performed in order to identify and map risks. The most important risks for the internal control of the financial reporting are identified at Group and Company level, as well as at a regional level. The outcomes of the risk assessments result in actions and tasks that support the internal control of the financial reporting.

Control measures
The Board has implemented a system for control and risk management based on the Board's Rules of Procedure - also including instructions for the CEO and reports that are to be made to the Board and the Finance Policy. These rules constitute the framework for the internal control.

Anoto's processes and systems for ensuring effective internal controls are designed with the intention of managing and limiting the risks of material errors in the reporting of financial data, thus ensuring that both strategic and operational decisions are based on accurate financial information.

The operational work of controlling the day-to-day activities is carried out by the CEO and the Management Team. Specific guidelines govern the capacity for decision making on different issues. In addition, there are several operational meeting forums like management meetings and steering committees that address specific control issues in the operational activities. These forums effectively steer Anoto towards the defined strategic objectives.

Monitoring

There are general as well as detailed control measures aimed at preventing, discovering and correcting faults and deviations. The control organization is evaluated by the CFO on an ongoing basis with the aim of ensuring quality and efficiency.

The CEO and the CFO continuously keep the Board informed of the Group's financial position, performance and any areas of risk. Anoto's external auditors attend at least two Board meetings per year, at which the auditors provide their assessment and observations on the business processes, accounts and reports. The Chairman of the Board is also in regular contact with the auditors of the Group.

The Board continuously monitors Anoto's financial performance by reports, as well as information from the CFO at Board Meetings. Regular follow-up ensures compliance with the Company's Finance Policy, thus identifying any deficiencies in the internal control system.

The internal control also includes detailed annual budgets split on application areas, geographic areas and cost centers. Forecasts are delivered three times a year; in May, August and November. The forecasting follows the same organizational set-up as the annual budget. In December, the Board adopts the budget for the following year. In addition to the budgeting and forecasting, Anoto's Management Team continuously works with overall three-year strategic scenarios.

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders in Anoto Group AB (publ.) corporate identity number 556532-3929.

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the financial year 2016-01-01 - 2016-12-31 on pages 64-67 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Malmö, June 18, 2017

Deloitte AB

Per-Arne Pettersson
Authorized Public Accountant

GROUP INFORMATION

Board of Directors

Jörgen Durban
Chairman of the Board, Independent
Born 1956
Board member since 2010
Shareholding: 5,725,652 shares and 30.8 million share options in Anoto Group AB
Education: LL.M, Stockholm University, Sweden

Joonhee Won
Chief Executive Officer
Born in 1965
Board member since 2014
Other positions: CEO of TStone Corporation.
Shareholding: 21.8 million share options in Anoto Group AB
Education: MBA, Harvard Graduate School, USA

Henric Ankarcrona
Independent Board Member
Born in 1945
Board member since 2015
Other positions: Board Member and Treasurer of a private hospital Stiftelsen Stockholms Sjukhem and a number of other foundations;
Board member of Arisaig Global Consumer Fund;
Commander of the Order of St John in Sweden;
a senior advisor in Söderberg & Partners
Shareholding: 2,000,000 shares and 3.0 million share options in Anoto Group AB
Education: HHS MBA, MSc Stanford Business School, University studies in humanities

Senior Management

Joonhee Won
CEO
Born in 1965
Employed since 2016
Shareholding: 21.8 million share options in Anoto Group AB
Education: BA Political Science, Economics
MBA, Harvard Graduate School, USA

Patrick Monaghan
Chief Legal Officer
Born in 1974
Employed since 2016
Shareholding: 4.0 million share options in Anoto Group AB
4 million personal options (0 vested and exercisable, 1st vesting of 1/3 occurs 1 Sept 2017)
Education: BS, University of Virginia; MBA, The Wharton School, University of Pennsylvania; JD, University of Pennsylvania Law School

James Shannon
Chief Operating Officer
Born in 1972
Employed since 2013
Shareholding: 8.0 million share options in Anoto Group AB
Education: Oundle, England

Will Reeb
CMO
Born in 1965
Employed since 2016
Shareholding: 6.0 million share options in Anoto Group AB
Education: PhD Informatics, University of Wales; MBA, University of London

Felix Yie
Chief Development officer
Born in 1966
Employed since 2016
Shareholding: 500,000 share options in Anoto Group AB
Education: MSEE, Seoul National of University, Korea

The Anoto Share

Anoto Group AB (publ.) has been listed on the NASDAQ OMX Stockholm Stock Exchange (ticker: ANOT) since June 16, 2000. Today the share is listed on the Small Cap list of the NASDAQ OMX Nordic Exchange Stockholm. The share was previously traded on the New Market starting on March 15, 2000. Anoto Group's share capital of SEK 46,816,642 as per Dec 31st 2016 is allocated among 2,340,832,108 shares. As per end of March 2017 the share capital of SEK 46,816,642 is allocated among 2,340,832,108 shares.

Each share entitles the holder to one vote at general meetings and all shares provide equal rights to participation in the company's assets and profits.

Share price performance

The price of the Anoto Group share decreased by 83 percent from SEK 0.90 to 0.15 during the year. During the same period, the NASDAQ OMX Stockholm PI increased by 9 percent and the NASDASQ OMX Technology PI decreased by 18 per cent. Anoto Group's market capitalization was MSEK 351 on December 31, 2016.

Shareholders

At the end of 2016, Anoto Group had 19,665 shareholders. Foreign shareholders controlled 16.45% per cent; the ten largest shareholders 17.5 per cent.

Dividend policy

The company's future dividend policy will reflect its earnings, financial position and financing needs. Dividend proposals will be examined in the light of shareholder demands for a reasonable return and the company's internal financing requirements.

Option programmes

The parent company has implemented various stock option program as set forth in Note 31.

Analysts

Anoto Group is covered by analysts at banks and securities brokers including Redeye.

Per share Data 2016

Number of shares 2016-12-31	2 340 832 108
Number of outstanding options 2016-12-31	95,350,000
Average number of shares	1,792,711,313
Earnings per share (SEK)	-0.15
Fully Diluted Earnings per share (SEK)	-0.15
Cash flow per share (SEK)	0.0
Fully Diluted Cash flow per share (SEK)	0.0
Shareholder´s equity per share (SEK)	0.09
Shareholder´s equity per share incl. options (SEK)	0.09

Largest shareholders 2016-12-31

1	Försäkringsaktiebolaget, Avanza Pension	8,60%	201 297 511
2	NORDNET PENSIONSFÖRSÄKRING AB	2,01%	46 991 365
3	HSBC-FUND SERV CLIENTS A/C 006-KR	1,36%	31 912 263
4	Six Sis AG, W8IMY	1,28%	29 977 988
5	SWEDBANK FÖRSÄKRING AB	0,99%	23 166 980
6	HSBC Private Bank (Suisse) S A, W8IMY	0,77%	17 927 896
7	JPM Chase NA	0,64%	15 000 000
8	NORDEA LIVFÖRSÄKRING SVERIGE AB	0,63%	14 684 390
9	NETFONDS ASA, NQ	0,59%	13 870 239
10	JPM CHASE NA	0,59%	13 709 700
	Total	**17,46%**	**408 538 332**

Shareholders by size, by December 31, 2016

Shares held	Total number of shareholders	% total number of shareholders	Hold collectively: number of shares	% of share capital
1 - 1 000	3 809	19,37%	1 557 047	0,1%
1 001 - 5 000	4 045	20,57%	11 337 465	0,5%
5 001 - 10 000	2 203	11,20%	17 688 721	0,8%
10 001 - 15 000	1 075	5,47%	13 641 327	0,6%
15 001 - 20 000	1 151	5,85%	21 634 672	0,9%
20 001 -	7 382	37,54%	2 274 972 876	97,2%
	19 665	**100,00%**	**2 340 832 108**	**100,0%**

FIVE-YEAR SUMMARY

Summary of comprehensive income statements

(KSEK)	2012	2013	2014	2015	2016
Net sales	198 646	144 306	141 465	192 838	235 657
Other income	-	-	-	-	-
Gross profit	143 563	97 474	94 269	85 556	79 393
Amortisation and impairment of intangible fixed assets	-10 534	-9 430	-3 416	-5 412	66 018
Depreciation - property, plant and equipment	-4 287	-2 902	-1 770	-1 909	4 718
Operating profit/loss	-42 173	-163 451	-56 249	-106 249	--260,353
Profit/loss on shares in subsidiaries	-	-	-	-	-
Write-down of shares in associated companies	-	-	-	-	-
Other financial items	-2 641	-4 839	-7 241	-3 710	-7 317
Profit/loss after financial items	-44 814	-168 290	-63 490	-109 959	-267,670
Tax	-15	-12	639	1604	4 445
Profit/loss after tax	**-44 829**	**-168 302**	**-62 851**	**-108 355**	**-263,225**

Summary of balance sheets

(KSEK)	2012.12.31	2013.12.31	2014.12.31	2015.12.31	2016.12.31
Assets.					
Intangible fixed assets	128 304	71 318	78 972	263 065	236 810
Tangible fixed assets	4 578	3 084	2 046	5 944	8 414
Financial fixed assets	3 782	3 605	4 482	7 280	18 855
Total non-current assets	136 664	78 007	85 500	276 289	264 079
Inventory	30 916	27 985	20 553	44 589	49 478
Accounts receivable	24 037	27 502	36 979	65 443	34 825
Other current assets	19 631	31 346	19 916	51 378	35 356
Cash and bank assets, including current investments	5 459	7 008	3 909	11 628	5 553
Non-current assets held for divestment	-	-	-	-	-
Total current assets	80 043	93 842	81 357	173 039	125 212
Total assets	**216 707**	**171 849**	**166 857**	**449 328**	**389 291**

Liabilities and shareholders' equity					
Shareholders´ equity	130 691	82 657	78 242	277 926	213 258
Minority interests	-14 888	-16 770	-16 198	-9 730	-1 689
Long-term liabilities					
Non-interest-bearing	0	0	2 124	25 793	7 031
Interest bearing	18 235	1 011	0	8 145	28 000
Current liabilities					
Non-interest-bearing	82 669	104 951	66 814	147 194	113 673
Interest-bearing	-	0	35 875	0	29 018
Total liabilities	100 904	105 962	104 813	181 132	142 691
Total liabilities and shareholders´ equity	**216 707**	**171 849**	**166 857**	**449 328**	**389 291**

Summary of cash flow statements

SEK thousand)	2012	2013	2014	2015	2016
Profit/loss after financial items	-44 814	-168 290	-63 490	-109 959	-267,670
Items that do not affect liquidity	16 149	85 052	8 244	9 948	57,870
Change in working capital	13 144	-9 186	-36 896	15 229	45 988
Cash flow from operating activities	-15 521	-92 424	-92 142	-84 782	-163 812
Cash flow from investment	-5 501	-3 946	-5 958	-175 533	-48 459
Total cash flow before financing activities	-21 022	-96 370	-98 100	-260 315	-212 271
Cash flow from financing activities	2540	97 919	95 001	268 035	206 195
Cash flow for the year	**-18 482**	**1 549**	**-3 099**	**7 720**	**-6 076**

Key Ratios

	2012	2013	2014	2015	2016
Sales growth, %	3	-27	-2	36	22
Gross margin, %	72	68	67	44	34
Capital employed (KSEK)	134,038	65,887	62,044	268,196	239,657
Equity/assets ratio, %	53	38	37	60	54
Net debt (KSEK)	12,776	-5,997	-3,909	-3,484	51,465
Earnings per share (SEK)	- 0.33	-1.03	-0.13	-0.13	-0.15
Earnings per share after dilution (SEK)	- 0.33	-1.03	-0.13	-0.13	-0.15
Cash flow per share for the year (SEK)	- 0.13	0.01	- 0.01	0.01	-0.00
Cash flow per share after dilution (SEK)	-0.13	0,01	- 0.01	0.01	-0.00
Shareholder´s equity per share (SEK)	0.95	0.21	0.11	0.26	0.09
Shareholder's equity per share after dilution (SEK)	0.95	0.21	0.11	0.26	0.09
Average No. Of employees	103	111	106	117	156
Sales per employee (KSEK)	1,929	1,300	1,335	1,648	1,510
Payroll expenses incl. social security contribution (KSEK)	92,775	100,318	67,889	102,576	140,859
(of which pension premiums)	7,551	7,806	5,333	6,006	5,617

Definitions

GROSS MARGIN

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

SHAREHOLDERS' EQUITY PER SHARE

Shareholders' equity divided by the number of shares at the year end.

AVERAGE NUMBER OF EMPLOYEES

Average number of employees during the year.

NET DEBT

Interest-bearing liabilities less liquid assets and current investments. Interest-bearing liabilities consist of Convertible debt and short term interest bearing liabilities.

SALES PER EMPLOYEE

Net sales divided by the average number of employees.

SALES GROWTH

Increase in net sales as a percentage of net sales for the previous year.

EARNINGS PER SHARE

Profit after tax divided by the weighted average number of shares during the year.

OPERATING MARGIN

Operating profit/loss as a percentage of net sales.

CAPITAL EMPLOYED

Total assets less non-interest bearing provisions and liabilities, (including deferred tax liabilities), less short term interest bearing liabilities.

EQUITY/ASSETS RATIO

Shareholders' equity including non-controlling interest as a percentage of total assets.

CASH FLOW PER SHARE FOR THE YEAR

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

EBITDA

Operating profit before depreciation and amortisation

OPERATING PROFIT/LOSS

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

Annual General Meeting

Anoto's Annual General Meeting will be held on June 30, 2017 at 10.00 am. at the premises of Setterwalls Advokatbyrå, Sturegatan 10 in Stockholm, Sweden.

Any shareholder wishing to participate in the meeting must notify the company in one of the following ways:

- Phone: +46 46 540 12 00, Fax: +46 46 540 12 02
- E-mail to AGM@anoto.com
- In writing to Anoto Group AB, Mobilvägen 10, SE -223 62 Lund, Sweden

The notification must reach the company by 12:00 noon on Monday, June 26, 2017. To be entitled to participate, the shareholder must also be entered in the Euroclear Sweden AB share register by June 23, 2017. Any shareholder who has registered his or her shares under a trustee must temporarily register them in his or her own name with Euroclear Sweden AB by Friday, June 23, 2017. When submitting the notification, please state your name, personal identity or corporate identity number, address, phone number and number of registered shares. If you are participating by proxy, you must submit the authorisation to the company prior to the meeting.

Financial reporting

Anoto Group's financial reports are released in Swedish and English. The easiest way to obtain the reports is by downloading them from www.anoto.com or e-mailing a request to AGM@anoto.com or phoning +46 46 540 12 00.

Following is the schedule of Anoto Group's financial reports for its 2017 financial year.

April-June, Interim report, Aug 30, 2017

Dates of the other interim reports are not yet determined but http://www.anoto.com/investors/investors-calendar/ will be updated as soon as this information is available.