

***ANOTO***

QUARTERLY REPORT

Q3/ 2015

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Anoto Group AB is a global leader in digital writing solutions, which enables fast and reliable transmission of handwriting into a digital format. Anoto operates worldwide through a global partner network that delivers user-friendly digital writing solutions for efficient capture, transmission, distribution and storage of data. Anoto is currently in use across multiple business segments, e.g. healthcare, banking and finance, transportation and logistics and education. The Anoto Group has around 100 employees and is headquartered in Lund (Sweden). The company also has offices in Norrköping (Sweden), Basingstoke and Wetherby (UK), Boston (US), Los Angeles (US) and Tokyo (Japan). The Anoto share is traded on the Small Cap list of NASDAQ OMX Stockholm under the ticker ANOT.

This report was published November 6, 2015 at 07.20  
CET

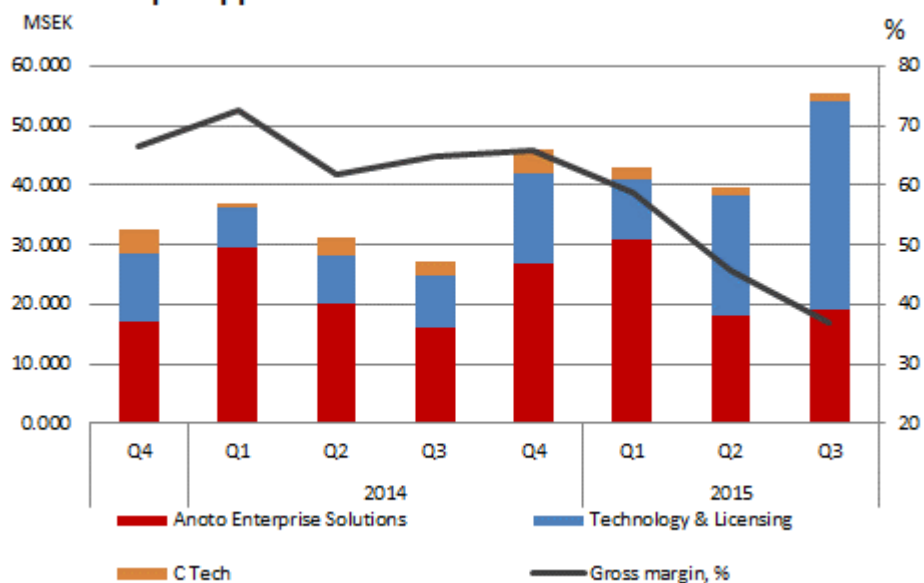
For more information: [www.anoto.com](http://www.anoto.com)

## REPORT JANUARY – SEPTEMBER 2015

- Net sales in the period was MSEK 138 (95) and Net sales for the quarter were MSEK 55 (27).
- The Gross margin for the period was 46% (67%) and Gross margin for the quarter was 37% (65%) due to a combination of lower software sales in the quarter in Enterprise Solutions and larger sales of hardware to our partners in Korea within education. Gross profit for the period was MSEK 64 (64) and Gross profit for the quarter was MSEK 20 (17).
- Earnings before depreciation and amortization (EBITDA) for the period was MSEK -59 (-45) and EBITDA for the quarter was MSEK -25 (-26).
- The Result after tax for the period was MSEK -68 (-56) and the Result after tax for the quarter was MSEK -30 (-26).
- Earnings per share before and after dilution for the period was SEK -0.08 (-0.13) and for the quarter SEK -0.03 (-0.06).
- Cash flow during the period was MSEK 3 (-5) and Cash flow for the quarter was MSEK 0 (-11). Cash flow from operating activities before changes in working capital during the period was MSEK -58 (-49) and for the quarter MSEK -23 (-23). Cash flow from financing activities during the period was MSEK 92 (45) and for the quarter MSEK 64 (7).

| Key ratios  | 2015    | 2014    | 2015    | 2014    | 2014    |
|---|---------|---------|---------|---------|---------|
|   | Jul-Sep | Jul-Sep | Jan-Sep | Jan-Sep | Jan-Dec |
| Net sales, MSEK                                   | 55      | 27      | 138     | 95      | 141     |
| Gross profit/loss                                 | 20      | 17      | 64      | 64      | 94      |
| Gross margin, %                                   | 37      | 65      | 46      | 67      | 67      |
| Operating profit/loss, MSEK                       | -28     | -23     | -65     | -52     | -56     |
| Profit/loss after tax, MSEK                       | -30     | -26     | -68     | -56     | -63     |
| Earnings per share before and after dilution, SEK | -0.03   | -0.06   | -0.08   | -0.13   | -0.13   |
| Cash flow, MSEK                                   | 0       | -11     | 3       | -5      | -3      |
| Cash at end of period, MSEK                       | 7       | 2       | 7       | 2       | 4       |

### Net sales per application area



## Comments from the CEO

### **MULTI SURFACE PRECISION PEN INPUT**

Revenues in the second quarter were 55 MSEK compared to 27 MSEK in Q3 2015. Gross margin was 37% compared to 65% in Q3 2014. The lower gross margin was due to a combination of lower software sales in the quarter in Enterprise Solutions and larger sales of hardware to our partners in Korea within education. We expect the gross margin to normalize around 50% in the coming quarters. Operating expenses in the quarter were 48 MSEK compared to 35 MSEK in the same quarter last year. As previously announced the higher operating expenses in 2015 are related to product development with HP, Ink., research and testing of new micro dot thin film solutions for large displays and the development of Anoto Live™ Services. The combined result of these efforts is a broader portfolio of products that we are now preparing to ship in the coming quarters and a back-end infrastructure for the support of partners and resellers.

We are about to realize the vision of a universal platform to enable precision pen input on paper, displays and walls, -from small sticky notes to 24 foot size walls as well as small to ultra-large displays. The advantages of having a single pen technology that works on multiple surfaces are many. The ability to combine paper, displays and walls opens for totally new user experiences, more flexibility and creative freedom, as well as better control of content and data. For manufacturers it means lower overall manufacturing costs and synergies between devices but most importantly better pen performance.

We expanded the management team in Q3 with the hiring of senior managers within product management, marketing and sales and to get a stronger presence in Los Angeles and the San Francisco Bay area. Key priorities in the quarter was to work on the overall positioning of a broader product portfolio that now includes products and applications for digital signatures and document data capture, solutions for professional collaboration, brainstorming and project management, precision pen input on small and large displays, as well as hybrid solutions for the combination of digital pens, paper and mobile devices.

During the quarter we initiated contact with new potential OEM customers and signed up new distributors and resellers in the US, Germany and France. We tested out a range of new large displays and planned for segmentation of the portfolio into application areas; professional collaboration solutions, architects, design and creatives.

We finalized the development of Anoto Live™ Pen 2 Professional and prepared for mass production of 30,000 pens for the delivery to a large financial services company in Japan in Q4.

Our increased working capital need was financed through a 40 MSEK private placement of shares in the third quarter and we also closed the acquisition of XMS Penvision, an innovative Swedish software company specializing in digital writing solutions. The acquisition of XMS Penvision gives us a larger portion of the value chain, flexibility in pricing and a product suitable for sale through larger resellers, as well as a highly competent team that complements our own in-house software development.

### **OUTLOOK**

After a long period of negotiations in parallel with product and business development we finally signed a Technology Licensing Agreement with HP, Inc. on November 5<sup>th</sup>. We are very excited about this new partnership and believe HP is the ideal partner to help realize our vision about a universal digital writing platform that embraces user cases across all industries. The agreement contains certain exclusivity rights for HP within product segments for Workstations, a product segment where HP has a dominant market share. The exclusivity is subject to certain conditions including a minimum purchase of products from Anoto over a 4 year period. It is difficult to estimate the future revenue deriving from the agreement, but we expect the agreement to have a significant positive impact on Anoto's business in the coming years.

On November 5<sup>th</sup> Anoto signed a share purchase agreement to acquire Livescribe Inc., Anoto partner since 2007, with its headquarter in the San Francisco Bay area. The purchase price shall be paid in cash and is based upon an enterprise value of 15 MUSD equal to estimated sales for 2015. On closing, which is expected to take place on November 30, Livescribe will be debt free. The acquisition is another step in consolidating the Anoto ecosystem and to realize synergies in hardware and software development, supply chain and operations, as well as to give Anoto access to additional market channels for online sales and retail distribution. We are working on a new range of products to be launched in Livescribe sales channels in 2016. Livescribe employs 45 full time employees and contractors, and offers the leading personal mobile companion and application to integrate handwriting into mobile devices. Livescribe allows customers to continue using pen and paper to take both structured and unstructured notes yet instantly make them useful with their favorite applications as they digitize in real-time.

Based upon a strong order back log with our partners in Korea and China and large publishing companies within education, as well as the enterprise order in Japan and the planned delivery of 29,000 pens to a large financial services

company in Japan we expect continued strong revenue growth in Q4. We expect the strong growth to continue in 2016 with the expected commercial launch of products with HP, the commercial launch of large displays, the addition of new distributors and resellers for We-Inspire, partnering with The Foundry as well as the acquisition of Livescribe. We expect gross margin to normalize around 50%.



Stein Revelsby  
CEO, Anoto Group

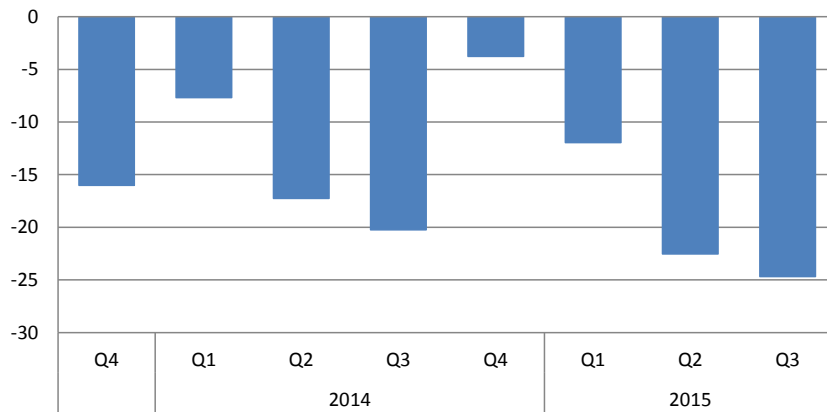
## A partner driven business model

Anoto's business is organized in three business areas: Anoto Enterprise Solutions and Technology Licensing (OEM business within education, note taking, voting, interactive touch displays). These three areas generate income in five different categories - licensing, royalty, digital pens, NRE (Non Refundable Engineering) and other.

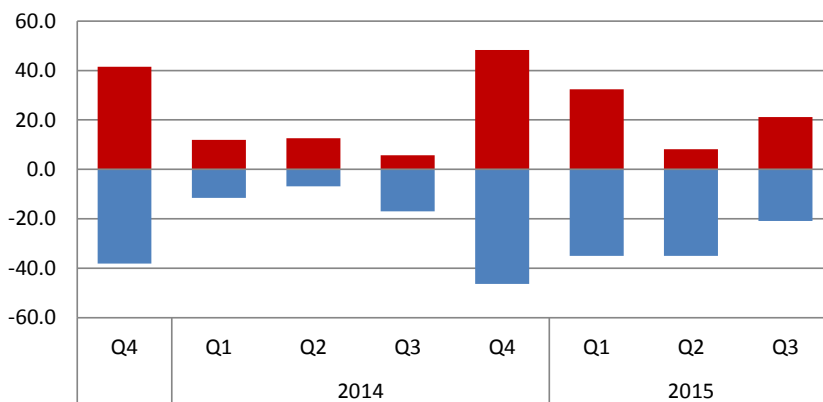
| MSEK          | 2015      | 2014      | 2015       | 2014      | 2014       |
|---------------|-----------|-----------|------------|-----------|------------|
|               | Jul-Sep   | Jul-Sep   | Jan-Sep    | Jan-Sep   | Jan-Dec    |
| Licenses      | 6         | 6         | 26         | 24        | 29         |
| Royalty       | 3         | 3         | 9          | 8         | 15         |
| Digital pens* | 46        | 14        | 94         | 50        | 82         |
| NRE           | 0         | 2         | 8          | 3         | 5          |
| Other         | 0         | 3         | 0          | 10        | 10         |
| <b>Total</b>  | <b>55</b> | <b>27</b> | <b>138</b> | <b>95</b> | <b>141</b> |

\*Digital pens include the C-Pen

### EBITDA 2013-2015 (MSEK)



### Cash flow 2013-2015 (MSEK)



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

## ANOTO ENTERPRISE SOLUTIONS

*Anoto 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 an indirect business model and markets its products through partners, such as system integrators, software developers and IT consulting firms, all of which offer customized solutions with Anoto technology to their customers.*

Sales within Enterprise Solutions were MSEK 19 in the third quarter, following 18 MSEK in the second quarter, compared to 31 MSEK in the first quarter when we closed the 11 MSEK sales to Wales Ambulance Trust in the UK. We expect a strong Q4 subject to the delivery of the 37 MSEK order to a large financial services customer in Japan in December.

The variance in revenues from quarter to quarter reflects the lack of capacity in sales and delivery and our need to strengthen the partner network. The large deals that we have won within Enterprise Solutions in the UK, Germany, Turkey and Japan lately shows clearly the value that we offer to customers and their need for solutions to close the digital transformation gap that exists. With the recent management hires in product management, sales and marketing we are working on positioning Anoto Enterprise Solutions together with the other business areas within Anoto for a better alignment with the IT industry in general and a more focused partner strategy. We want to utilize synergies and the increased awareness we get from new partnerships around a single pen for multiple surfaces and applications for enterprise, SMB and consumers to cover all areas of digital writing; digital signatures, data capture, collaboration, design and creative.

### **Anoto UK:**

Q3 was dominated by the successful roll out of 1,700 pens across the Welsh Ambulance Service Trust (WAST). This deployment was carried out across a very large geography to very tight timescales and was a testament to the professionalism and dedication of our delivery team in partnership with Welsh Ambulance IT that this was achieved on time and on budget. This has been widely publicised both within Welsh Government and across the broader UK ambulance community. Planning for expansion of the Anoto solution within WAST has already started, with Phase 2 and Phase 3 projects being scoped. Introductions to other senior people within other ambulance services is also planned.

Outside of Healthcare we are ramping up activity in identifying larger commercial opportunities and have begun promising discussions with larger "eco system" partners such as OpenText and Salesforce.

### **Japan:**

In August a large financial services company in Japan granted a contract to Anoto and its consortium partners for the roll-out of 29,000 Anoto Live Pen™ 2 Pro with digital writing software. Anoto's part of the contract is 37 MSEK and is planned to be delivered in December of this year.

The customer's sales force will use Anoto digital pen and paper as an integral part of their new insurance policy sales process. The Anoto digital pens, which will be used to fill in medical and personal information as well as the personal signature, are equipped with a camera for recording personal identification of customers for regulatory compliance. By using this solution, the customer will improve internal process handling by eliminating scanning and re-keying of contracts and will minimize paper consumption.

**Sweden:** partner Phoniro further expanded their market presence in the Swedish home care market with their quarterly commitment.

In July Anoto announced the acquisition of **XMS Penvision AB**. Established in 1996, XMS Penvision is an innovative Swedish software company specializing in digital writing solutions. Its core product Formidable is marketed through a global network of partners who add value to the platform through a consultative approach with customers seeking a business solution. Formidable is the foundation for Anoto Live Forms, an Anoto Enterprise Solutions application for signatures, document and mobile data capture. The company has 10 employees and 2014 revenues were 13 MSEK. The acquisition of XMS Penvision gives Anoto a larger portion of the value chain, flexibility in pricing and a product suitable for sale through larger resellers, as well as a highly competent team that complements our own in-house software development.

**South Africa:** Lewis, expanded the use of digital pens with 1,500 additional users, based on our partner Objectif Lune's platform Planet Press Capture. Lewis is South Africa's single largest furniture brand which sells a range of household furniture, electrical appliances and home electronics.

**India:** we signed a new partnership for the education market which will result in pen and license revenue in Q4 for Anoto. Our partner Trata has started to roll-out our technology into the healthcare market and we expect larger volume roll-out in the coming 6 months.

**Korea:** our partner ISU Systems extended the partnership and have committed to expand their market presence in the Korean B2B market.

**Anoto Enterprise Solutions**

| MSEK         | 2015<br>Jul-Sep | 2014<br>Jul-Sep | 2015<br>Jan-Sep | 2014<br>Jan-Sep | 2014<br>Jan-Dec |
|--------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net sales    | 19              | 16              | 68              | 66              | 93              |
| Gross profit | 14              | 11              | 48              | 44              | 64              |



## TECHNOLOGY LICENSING (OEM SALES)

Customers within Technology Licensing develop and sell products based on our intellectual property, software, and digital pen products. For many years, Anoto has licensed its technologies to providers of interactive classroom solutions as well as learning aids for children. Productivity tools, such as for note-taking and meeting productivity, are also long-established products in our Technology Licensing segment. Recently, Anoto has established two new application areas through partners: voting solutions and digital design automation. Voting solutions are based on our traditional digital paper technology, while digital design automation solutions help animators and designers unleash the creative power of digital writing with interactive touch displays.

Net sales during the quarter were MSEK 35, which is MSEK 26 above the same period last year.

### HP

After a long period of negotiations in parallel with product and business development we finally signed a Technology Licensing Agreement with HP on November 5<sup>th</sup>. The parties have agreed not to disclose product details or product launch dates at this point in time. The agreement contains certain exclusivity rights for HP within product segments for Workstations, a product segment where HP has a global market share of approximately 50%. The exclusivity is subject to a minimum purchase of products from Anoto over a 4 year period and will, if realized, have a significant positive impact on Anoto's business in the coming years.

### Large Format Displays

Together with partner Optika Display, a subsidiary of Stratacache in the US, we announced the Collaborate 65UHD, a 65-inch large format, 4K LCD collaboration device in Q2. The product won the award for Best Personal Workspace for Creatives at InfoComm in Orlando, US among 950 exhibitors and 40,000 professionals from 100 countries. During Q3 Optika Display ([www.optikadisplay.com](http://www.optikadisplay.com)) has been working on the configuration and testing of the product and preparing for commercial roll-out in close cooperation with its partner Avnet, one of the world's largest distributors of computer products. Collaborate 65UHD combines the most advanced touch glass and active stylus technology available with world-class 4K LCD technology.

In addition to its partnership with Optika Display Anoto expanded its management team in Q3 with the hiring of senior managers within product management, marketing and sales and started to develop a go-to-market strategy including partnerships with ISV's, distributors and resellers. We expect a large market opportunity to materialize in the coming months when businesses want to replace AV projectors in corporate board rooms, meeting rooms and classrooms with large format displays as well as other initiatives like the introduction of Microsoft Surface Hub. Our initial market focus will be with customers and partners in creative industries and product design that will benefit from having precision pen input on larger surfaces. During Q3 we initiated contact with new partners and evaluated options to broaden the product portfolio with products in size range 40"-55".

### TStudy

We delivered 70,000 pens to partner Pen Generations, Inc. in Q3. Pen Generations did not manage to deliver the pens to customer TStudy China within the quarter and therefore Anoto did not book the profit margin on these pens in Q3. The profit margin, 3 MSEK, will be booked when the pens are delivered to the end customer.

In July Anoto signed an amendment to the exclusivity agreement with TStudy Cina Co Ltd. The amendment is an extension to the agreement that was signed on August 20, 2013. The exclusive distribution agreement is for 5 years subject to TStudy purchase of a minimum of 2 million pens over the exclusivity period. The exclusivity does not include applications within voting, census and people registration nor products sold by Anoto's large global OEM partners.

### Kyowon

We delivered 30,000 pens to Kyowon via Anoto partners SOLiDEdu, Inc. and Pen Generations, Inc. in Korea in Q3. The application is an interactive multimedia education solution, connecting digital pen, paper workbooks and tablets, which allows for more efficient learning and better individual progress.

### We-Inspire

New distributors and resellers were engaged in the quarter in Germany, Singapore and Scandinavia. MSD (the company known as Merck & Co. Inc. in the US) expanded their We-Inspire installations to three locations, with Singapore as their latest addition, to previous Czech Republic and US. Our successful collaboration with this multinational corporation resulted in an invitation for Anoto to a large corporate event (Tech Symposium) taking place in Europe (Prague) and US (Branchburg) simultaneously. Key suppliers were invited to show their solutions in the event. MSD staff from all over the world were able to see and try out the We-Inspire solution live in both locations. Sales into higher education continued to grow with expanded use by the California State University system to now include a three projector solution at California State University, Monterey Bay.

Together with The Foundry, ([www.thefoundry.co.uk](http://www.thefoundry.co.uk)), a leading software provider for animation studios, gaming studios, artists, designers and creative professionals Anoto engaged with leading Hollywood studios and went through successful testing during Q3. The solution "FLIX Wall" is combining FLIX, The Foundry's software for collaborative visual story development with Anoto's digital tools. The solution was shown for the first time at Siggraph 2015, Los Angeles in August.

### Livescribe

On November 5<sup>th</sup> Anoto signed a share purchase agreement to acquire Livescribe Inc., Anoto partner since 2007, with its headquarter in the San Francisco Bay area. The acquisition is another step in consolidating the Anoto ecosystem and to realize synergies in hardware and software development, supply chain and operations, as well as to give Anoto access to additional market channels for online sales and retail distribution. Livescribe has invested significant amounts in marketing and product development since 2007 and has not yet been profitable. In the last 12 months they have reduced operating expenses and headcount significantly. Anoto considers the timing of the acquisition to be good and the risk related to integrating the business with Anoto to be low. We are working on a new range of products with a significant revenue potential to be launched in Livescribe sales channels in 2016.

Livescribe employs 45 full time employees and contractors, and offers the leading personal mobile companion and application to integrate handwriting into mobile devices. Livescribe allows customers to continue using pen and paper to take both structured and unstructured notes yet instantly make them useful with their favorite applications as they digitize in real-time. The product portfolio consists of the Echo Smartpen that is positioned as a PC/Mac companion and has built in audio recording and paper replay functionality and the Livescribe 3 Smartpen that is designed to be a mobile companion for smartphones and tablets. Livescribe has a global footprint and generates approximately one third of its revenue outside of the U.S.

Livescribe has partnered with providers of leading note-taking, cloud and collaboration solutions such as Microsoft's OneNote, Evernote, DropBox and Salesforce to ensure that the notes generated with Livescribe simply and easily integrate with these third-party applications. Some examples of use cases are a feature which if enabled automatically imports users' written notes into Evernote or OneNote or productivity enhancing features enabling imports into Salesforce. The technology can also "bring written words to life", enabling phone numbers to be dialed with a pen touch to paper or a written address located on mapping applications. Furthermore, APIs are available to enable development of any type of customized applications to take advantage of Livescribe's capabilities.

The Company goes to market via online retailers, traditional retailers as well as a direct-to-consumer channel. The Company has a strong online presence with Amazon and a retail footprint of approximately 2,000 stores. The retail footprint includes Best Buy, Softbank, Sprint and T-Mobile.

Currently Livescribe is compatible with iOS and Android. The LS3 was initially launched only on iOS to leverage Bluetooth LE and capture the high end US user base. Android compatibility, launched in August 2015, has significantly expanded the Company's target market and use cases while broadening the appeal across price bands.

Historically Anoto has a technology licensing agreement with Livescribe and received a royalty of approximately 6% of Net Sales Value based upon Livescribe sales. Post-acquisition Livescribe will be fully integrated with Anoto Group as a wholly owned subsidiary.

### TL

| MSEK         | 2015    | 2014    | 2015    | 2014    | 2014    |
|--------------|---------|---------|---------|---------|---------|
|              | Jul-Sep | Jul-Sep | Jan-Sep | Jan-Sep | Jan-Dec |
| Net sales    | 35      | 9       | 65      | 23      | 39      |
| Gross profit | 6       | 6       | 15      | 17      | 26      |

### C Technologies

The C Technologies business has been phased out over the last 12 months and The Company sold the net assets in Q3.

The last deliveries associated with sales by the Company are expected in Q4.

Net sales during the period were MSEK 4 which is MSEK 2 lower than the same period last year.

#### C Tech

| MSEK         | 2015<br>Jul-Sep | 2014<br>Jul-Sep | 2015<br>Jan-Sep | 2014<br>Jan-Sep | 2014<br>Jan-Dec |
|--------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net sales    | 1               | 2               | 4               | 6               | 10              |
| Gross profit | 0               | 1               | 1               | 2               | 4               |

**ANOTO GROUP AB**

As a pure holding company, Anoto Group AB has a limited number of corporate functions.

**ACCOUNTING POLICIES**

This interim report was prepared in accordance with IAS 34, Interim Financial Reporting and applicable parts of the Swedish Annual Accounts Act chapter 9. For information about the accounting policies applied, refer to the 2014 annual report. The accounting policies are unchanged from those applied in 2014.

**RISK FACTORS AND UNCERTAINTIES**

At the close of the quarter, the group's total cash amounted to MSEK 7 which is the same as at the end of Q2.

At the extraordinary general meeting in September 2015 the Board was authorized to issue an additional 158 million shares and the board intends to secure additional financing through a private placement during Q4 2015 to secure the necessary funds to acquire Livescribe as well as the operation of the business. The Company has engaged Carnegie Investment Bank to assist in the fund raising. Based upon this the Board believes that the financial statements shall be prepared applying the going concern principle.

No significant additional risks are deemed to have arisen beyond those described in the 2014 annual report for the Anoto Group. (Please see Note 4 in the Annual report 2014 for a detailed presentation of the company's risk exposure and management.)

**RELATED PARTY TRANSACTIONS**

One of the largest shareholders of Anoto, Aurora Investment Ltd (owned by TStone), has been represented on the board of directors since the Annual Meeting in May 2010. Transactions with companies within the TStone group amounts to MSEK 15 during 2015. All transactions have been made on normal commercial conditions.

Antonio Mugica, representing the second largest shareholder (Goldeigen Kapital), is also the CEO of Anotos partner Smartmatic, has been a member of the Board since the AGM 2014. Transactions with companies Smartmatic amounts to MSEK 3.75 during 2015. All transactions have been made on normal commercial conditions.

**TRANSACTIONS AND ACTIVITIES AFTER SEPTEMBER 30, 2015**

After a long period of negotiations in parallel with product and business development we signed a Technology Licensing Agreement with HP on November 5th. The agreement contains certain exclusivity rights for HP within product segments for Workstations, a product segment where HP has a dominant market share. The exclusivity is subject to certain conditions including a minimum purchase of products from Anoto over a 4 year period. We expect the agreement to have a significant positive impact on Anoto's business in the coming years.

On November 5, 2015 Anoto signed a share purchase agreement to acquire Livescribe Inc., Anoto partner since 2007, with its headquarter in the San Francisco Bay area. The purchase price shall be paid in cash and is based upon an enterprise value of 15 MUSD equal to estimated sales for 2015. The acquisition is another step in consolidating the Anoto ecosystem and to realize synergies in hardware and software development, supply chain and operations, as well as to give Anoto access to additional market channels for online sales and retail distribution.

In order to finance the acquisition of Livescribe and to provide Anoto with the necessary working capital to execute on the expanded business plan, Anoto has signed a placement agreement with Carnegie Investment Bank AB ("Carnegie") for the issuance of up to 158 million shares in Anoto, corresponding to a dilution of up to approximately 15 percent after dilution, through an accelerated book building process, block trades and/or sales of shares in the market.

Anoto has also entered into a short term loan facility agreement with a Swedish bank to borrow up to 25 MSEK.

On October 8, 2015 Company Voluntary Arrangement proposal ("CVA") initiated by Destiny Wireless Limited ("Destiny") was approved by its unsecured creditors. The CVA resulted in an immediate write back to the Destiny's profit and loss account of approximately £580k with the remaining liability of circa £513k to be paid over a period of 4 years in line with the CVA proposal. Destiny is now preparing the legal documentation for the second phase of the restructure which comprises; i) Anoto issuing the Option Exercise Notice subject to the conversion of the loans being successful; ii) the conversion of a total of £1.7m of loans to Redeemable Preference Shares; iii) rights issue amounting to up to £170k; and iv) amendments to Destiny's Articles to enable an effective drag of remaining shares should the Company exercise its right to acquire all of the shares of Destiny. The above requires shareholder approval which is being obtained through a written resolution.

**SHARE DATA**

The Anoto share is listed on the NASDAQ OMX Nordic Small Cap List in Stockholm. The total number of shares at the end of the period amounts to 895,193,827.

The private placement of 30,000,000 shares on July 24, place through a book building process, was completed at a price of 1.35 SEK, equal to eleven (11) percent discount to the closing price on July 23, 2015. The total capital injection amounted to 40.5 MSEK before expenses.

**OPTION PROGRAM**

4.6 million share-options have been granted to 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.

The Company's Board of Directors has authorized the issuance of a 2.3 million share-options grant to CFO Karl Wiersholm under the Anoto Incentive Scheme 2014/17 at a subscription price of 0.61 SEK. The share-options will mature during 2017. The Company is in the process of granting the said options.

The Company's Board of Directors has authorized the issuance of up to 4.1 million share-options grant to the Company's expanded management team, other than Stein Revelsby and Karl Wiersholm, under the Anoto Employee Incentive Programme 2015 at a subscription price of 0.90 SEK. The share-options will mature during 2018. The Company is in the process of granting the said options.

The Company's Board of Directors has also authorized the generation of a bonus program for all other employees that is tied to the increase in value of 4.1 million shares in the Company as of the valuation date in 2018. Employees that are currently employed by the Company and that remain employed by the Company as of the valuation date in 2018 are eligible to participate in the bonus program. The total bonus available to employees, if any, will be equal to the total value of the said 4.1 million shares as of the valuation date less 0.90 SEK per share. Each of the participating employees will receive a pro-rata share of the total available bonus.

The Company's Board of Directors has also authorized the issuance of a 9.0 million share-options grant to CEO Stein Revelsby at a subscription price of 1.43 SEK. The share-options will mature during 2018. The Company is in the process of granting the said options.

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. The share-options will mature during 2018. The Company is in the process of granting the said options.

Stein Revelsby, CEO

Anoto Group AB may be required to disclose the information provided herein pursuant to the Securities Markets Act. The information was submitted for publication at 07.20 on November 6, 2015.

A webcast of the Q3 report will be available from 9.00pm on November 6, and a Q&A session via audiocast will be held at 11.00am the same day. For more information, see [www.anoto.com/investors](http://www.anoto.com/investors).

**CALENDAR 2015**

Q4 report

February 2016

**FOR MORE INFORMATION**

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## Report on review of interim financial statements

To the Board of Directors of Anoto Group AB (publ) org. nr 556532-3929

### *Introduction*

We have reviewed the summary interim financial information (interim report) of Anoto Group AB (publ) for the period January 1, 2015 to September 30, 2015. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### *Scope of Review*

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

### *Disclosure of particular importance*

Without affecting our opinions above, we want to draw attention to the wording of the interim report under the heading of risk factors and uncertainties, indicating that the Board intends to secure additional financing through a private placement during Q4 2015 to secure the necessary funds to acquire Livescribe as well as the operation of the business. These circumstances suggest, along with the other factors mentioned under the heading of risk factors and uncertainties, that there is a significant uncertainty that may lead to significant doubt about the company's ability to continue as going concern.

Malmö, November 6, 2015

Deloitte AB

Per-Arne Pettersson

Authorized Public Accountant

## FINANCIAL REPORTS

**Condensed statement of comprehensive income**

| TSEK  | 2015<br>Jul-Sep | 2014<br>Jul-Sep | 2015<br>Jan-Sep | 2014<br>Jan-Sep | 2014<br>Jan-Dec |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net sales   | 55,372          | 27,090          | 138,033         | 95,461          | 141,465         |
| Cost of goods and services sold                                   | -34,974         | -9,605          | -74,233         | -31,466         | -47,196         |
| <b>Gross profit</b>   | <b>20,398</b>   | <b>17,485</b>   | <b>63,800</b>   | <b>63,995</b>   | <b>94,269</b>   |
| Sales, administrative and R&D costs                               | -48,865         | -40,213         | -129,887        | -121,473        | -160,845        |
| Other operating income/cost                                       | 852             | -507            | 1,057           | 5,584           | 10,327          |
| <b>Operating profit/loss</b>                                      | <b>-27,615</b>  | <b>-23,235</b>  | <b>-65,030</b>  | <b>-51,894</b>  | <b>-56,249</b>  |
| Other financial items   | -2,180          | -2,619          | -3,214          | -4,444          | -7,241          |
| <b>Profit before taxes</b>  | <b>-29,795</b>  | <b>-25,854</b>  | <b>-68,244</b>  | <b>-56,338</b>  | <b>-63,490</b>  |
| Taxes   | 229             | -1              | 221             | -27             | 639             |
| <b>Profit/loss for the period</b>                                 | <b>-29,566</b>  | <b>-25,855</b>  | <b>-68,023</b>  | <b>-56,365</b>  | <b>-62,851</b>  |
| <b>Other comprehensive income</b>                                 |                 |                 |                 |                 |                 |
| Translation differences for the period                            | -4,684          | -4,371          | -1,893          | -5,919          | -8,841          |
| <b>Other comprehensive income for the period</b>                  | <b>-4,684</b>   | <b>-4,371</b>   | <b>-1,893</b>   | <b>-5,919</b>   | <b>-8,841</b>   |
| <b>Total comprehensive income for the period</b>                  | <b>-34,250</b>  | <b>-30,226</b>  | <b>-69,916</b>  | <b>-62,284</b>  | <b>-71,692</b>  |
| <b>Total Profit/loss for the period attributable to:</b>          |                 |                 |                 |                 |                 |
| Shareholders of Anoto Group AB                                    | -30,992         | -26,116         | -65,409         | -56,073         | -62,038         |
| Non controlling interest  | 1,426           | 261             | -2,614          | -292            | -813            |
| <b>Total Profit/loss for the period</b>                           | <b>-29,566</b>  | <b>-25,855</b>  | <b>-68,023</b>  | <b>-56,365</b>  | <b>-62,851</b>  |
| <b>Total comprehensive income for the period attributable to:</b> |                 |                 |                 |                 |                 |
| Shareholders of Anoto Group AB                                    | -36,215         | -29,651         | -66,591         | -60,678         | -69,337         |
| Non controlling interest  | 1,965           | -575            | -3,325          | -1,606          | -2,355          |
| <b>Total comprehensive income for the period</b>                  | <b>-34,250</b>  | <b>-30,226</b>  | <b>-69,916</b>  | <b>-62,284</b>  | <b>-71,692</b>  |
| <b>Key ratios:</b>  |                 |                 |                 |                 |                 |
| Gross margin  | 36.8%           | 64.5%           | 46.2%           | 67.0%           | 66.6%           |
| Operating margin  | Neg             | Neg             | Neg             | Neg             | Neg             |
| Earnings per share before and after dilution                      | -0.03           | -0.06           | -0.08           | -0.13           | -0.13           |
| Average number of shares before and after dilution                | 880,977,176     | 453,353,534     | 813,441,604     | 444,918,014     | 473,688,069     |



## Consolidated balance sheet in summary

| TSEK  | 9/30/2015      | 9/30/2014      | 12/31/2014     |
|---|----------------|----------------|----------------|
| Intangible fixed assets *                               | 130,985        | 73,114         | 78,972         |
| Tangible assets   | 4,943          | 2,169          | 2,046          |
| Financial fixed assets                                  | 5,286          | 3,719          | 4,482          |
| <b>Total fixed assets</b>                               | <b>141,214</b> | <b>79,002</b>  | <b>85,500</b>  |
| <b>Inventories</b>                                      | <b>16,916</b>  | <b>22,449</b>  | <b>20,553</b>  |
| Accounts receivable                                     | 44,707         | 14,328         | 36,979         |
| Other current assets                                    | 43,217         | 18,741         | 19,916         |
| <b>Total short-term receivables</b>                     | <b>87,924</b>  | <b>33,069</b>  | <b>56,895</b>  |
| Liquid assets, including current investments            | 6,899          | 1,883          | 3,909          |
| <b>Total current assets</b>                             | <b>111,739</b> | <b>57,401</b>  | <b>81,357</b>  |
| <b>Total assets</b>                                     | <b>252,953</b> | <b>136,403</b> | <b>166,857</b> |
| Equity attributable to shareholders of Anoto Group AB * | 141,579        | 38,036         | 78,242         |
| Non controlling interest *                              | -16,614        | -18,376        | -16,198        |
| <b>Total equity</b>                                     | <b>124,965</b> | <b>19,660</b>  | <b>62,044</b>  |
| Loans   | 0              | 0              | 0              |
| Other long term liabilities                             | 0              | 0              | 2,124          |
| <b>Total long-term liabilities</b>                      | <b>0</b>       | <b>0</b>       | <b>2,124</b>   |
| Provisions *  | 4,571          | 312            | 497            |
| Loans   | 18,566         | 37,887         | 35,875         |
| Other current liabilities                               | 104,851        | 78,544         | 66,317         |
| <b>Total current liabilities</b>                        | <b>127,988</b> | <b>116,743</b> | <b>102,689</b> |
| <b>Total liabilities and shareholders equity</b>        | <b>252,953</b> | <b>136,403</b> | <b>166,857</b> |

\* Effect on balance sheet from acquisitions, see Note 1

## Changes in shareholders equity

| TSEK  | Share capital | Ongoing share issue | Other capital contributed | Reserves      | Profit/loss for the year | Shareholders equity | Non-controlling interest | Total equity   |
|---|---------------|---------------------|---------------------------|---------------|--------------------------|---------------------|--------------------------|----------------|
| Opening balance 1 January 2014                              | 7,797         | 884                 | 578,661                   | 7,480         | -512,165                 | 82,657              | -16,770                  | 65,887         |
| Profit/loss for the year                                    |               |                     |                           |               | -62,038                  | -62,038             | -813                     | -62,851        |
| Other comprehensive income                                  |               |                     |                           | -7,299        |                          | -7,299              | -1,542                   | -8,841         |
| <b>Total comprehensive income</b>                           | <b>0</b>      | <b>0</b>            | <b>0</b>                  | <b>-7,299</b> | <b>-62,038</b>           | <b>-69,337</b>      | <b>-2,355</b>            | <b>-71,692</b> |
| Convertible bonds   |               |                     |                           |               | 542                      | 542                 |                          | 542            |
| Acquisition   |               |                     |                           | -2,927        |                          | -2,927              | 2,927                    | 0              |
| New share issue   | 6,170         | -884                | 62,021                    | 0             | 0                        | 67,307              | 0                        | 67,307         |
| <b>Closing balance 31 December 2014</b>                     | <b>13,967</b> | <b>0</b>            | <b>640,682</b>            | <b>-2,746</b> | <b>-573,661</b>          | <b>78,242</b>       | <b>-16,198</b>           | <b>62,044</b>  |
| None controlling interest arising from business combination |               |                     |                           |               |                          |                     | 2,752                    | 2,752          |
| Profit/loss for the year                                    |               |                     |                           |               | -65,409                  | -65,409             | -2,614                   | -68,023        |
| Other comprehensive income                                  |               |                     |                           | -1,182        |                          | -1,182              | -711                     | -1,893         |
| <b>Total comprehensive income</b>                           | <b>0</b>      | <b>0</b>            | <b>0</b>                  | <b>-1,182</b> | <b>-65,409</b>           | <b>-66,591</b>      | <b>-3,325</b>            | <b>-69,916</b> |
| Acquisition   |               |                     |                           |               |                          | 0                   |                          | 0              |
| Convertible bonds - conversion                              | 983           |                     | 16,396                    |               |                          | 17,379              |                          | 17,379         |
| Private placement 27 march                                  | 1,593         |                     | 31,800                    |               |                          | 33,392              |                          | 33,392         |
| Private placement 15 june                                   | 400           |                     | 14,229                    |               |                          | 14,629              |                          | 14,629         |
| Private placement 24 july                                   | 600           |                     | 38,491                    |               |                          | 39,091              |                          | 39,091         |
| Acquisition of XMS - 8 august                               | 361           |                     | 25,077                    |               |                          | 25,438              | 157                      | 25,595         |
| <b>Closing balance 31 December 2015</b>                     | <b>17,904</b> | <b>0</b>            | <b>766,674</b>            | <b>-3,928</b> | <b>-639,070</b>          | <b>141,579</b>      | <b>-16,614</b>           | <b>124,965</b> |

## Consolidated Cash flow statement in summary

| TSEK   | 2015           | 2014           | 2015           | 2014           | 2014           |
|--|----------------|----------------|----------------|----------------|----------------|
|  | Jul-Sep        | Jul-Sep        | Jan-Sep        | Jan-Sep        | Jan-Dec        |
| Profit/loss after financial items                  | -29,795        | -25,854        | -68,244        | -56,338        | -63,490        |
| Depreciation, amortisation                         | 2,923          | 2,992          | 5,823          | 6,694          | 7,283          |
| Other items not included in cash flow              | 2,401          | -52            | 13,413         | -181           | 961            |
| Items not included in cash flow                    | 5,324          | 2,940          | 19,236         | 6,513          | 8,244          |
| <b>Cash flow from operating activities</b>         |                |                |                |                |                |
| before changes in working capital                  | -24,471        | -22,914        | -49,008        | -49,825        | -55,246        |
| Change in operating receivables                    | -30,060        | 10,224         | -29,425        | 14,734         | -9,086         |
| Change in inventory                                | -7,506         | -2,651         | 2,032          | 5,536          | 7,432          |
| Change in operating liabilities                    | 41,143         | -1,987         | 41,875         | -19,397        | -35,242        |
| <b>Cash flow from operating activities</b>         | <b>-20,894</b> | <b>-17,328</b> | <b>-34,526</b> | <b>-48,952</b> | <b>-92,142</b> |
| Intangible assets                                  | -39,577        |                | -50,035        |                | -5,054         |
| Fixed assets                                       | -3,366         |                | -4,828         |                | -904           |
| Cash flow from net capital expenditures            | -42,943        | -1,063         | -54,863        | -1,681         | -5,958         |
| <b>Total cash flow before financing activities</b> | <b>-63,837</b> | <b>-18,391</b> | <b>-89,389</b> | <b>-50,633</b> | <b>-98,100</b> |
| New share issue                                    | 64,529         | 0              | 112,550        | 25,145         | 76,515         |
| Change in financial liabilities                    | -369           | 7,036          | -20,171        | 20,363         | 18,486         |
| <b>Cash flow from financing activities</b>         | <b>64,160</b>  | <b>7,036</b>   | <b>92,379</b>  | <b>45,508</b>  | <b>95,001</b>  |
| <b>Cash flow for the period</b>                    | <b>323</b>     | <b>-11,355</b> | <b>2,990</b>   | <b>-5,125</b>  | <b>-3,099</b>  |
| Liquid assets at the beginning of the period       | 6,576          | 13,238         | 3,909          | 7,008          | 7,008          |
| Liquid assets at the end of the period             | 6,899          | 1,883          | 6,899          | 1,883          | 3,909          |

## Key ratios

| TSEK  | 2015    | 2014    | 2015             | 2014             | 2014              |
|---|---------|---------|------------------|------------------|-------------------|
|   | Jul-Sep | Jul-Sep | Jan-Sep          | Jan-Sep          | Jan-Dec           |
| Cash flow for the period                                      | 323     | -11,355 | 2,990            | -5,125           | -3,099            |
| Cashflow / share before and after dilution (SEK) <sup>1</sup> | 0.00    | -0.03   | 0.00             | -0.01            | -0.01             |
|   |         |         | <b>9/30/2015</b> | <b>9/30/2014</b> | <b>12/31/2014</b> |
| Equity/assets ratio   |         |         | 56.4%            | 27.9%            | 46.9%             |
| Number of shares  |         |         | 895,193,827      | 444,918,014      | 698,353,534       |
| Shareholders equity per share (kr)                            |         |         | 0.16             | 0.09             | 0.11              |

<sup>1</sup> Based on the weighted average number of shares and outstanding warrants for each period. Only warrants for which the present value of the issue price is lower than the fair value of the ordinary share are included in the calculation.

### Parent company, summary of income statement

| TSEK                                       | 2015    | 2014    | 2015    | 2014    | 2014    |
|--|---------|---------|---------|---------|---------|
|  | Jul-Sep | Jul-Sep | Jan-Sep | Jan-Sep | Jan-Dec |
| Net sales                                  | 1,244   | 2,696   | 5,857   | 5,875   | 9,556   |
| Gross profit                               | 1,244   | 2,696   | 5,857   | 5,875   | 9,556   |
| Administrative costs                       | -1,356  | -1,564  | -4,676  | -4,447  | -6,728  |
| Operating profit                           | -112    | 1,132   | 1,181   | 1,428   | 2,828   |
| Profit/loss from shares in Group companies |         |         |         |         | -37,000 |
| Financial items                            | -95     | -962    | -741    | -969    | -2,576  |
| Profit for the period                      | -207    | 170     | 440     | 459     | -36,748 |

### Parent company, balance sheet in summary

| TSEK   | 9/30/2015      | 9/30/2014      | 12/31/2014     |
|--|----------------|----------------|----------------|
| Intangible fixed assets                          | 95             | 166            | 149            |
| Financial fixed assets                           | 139,833        | 114,385        | 114,385        |
| <b>Total fixed assets</b>                        | <b>139,928</b> | <b>114,551</b> | <b>114,534</b> |
| Other short-term receivables                     | 156,821        | 56,123         | 71,996         |
| Liquid assets, including current investments     | 71             | 0              | 120            |
| <b>Total current assets</b>                      | <b>156,892</b> | <b>56,123</b>  | <b>72,116</b>  |
| <b>Total assets</b>                              | <b>296,820</b> | <b>170,674</b> | <b>186,650</b> |
| Equity   | 293,287        | 147,520        | 162,828        |
| Loans  | 0              | 17,700         | 17,700         |
| Other current liabilities                        | 3,533          | 5,454          | 6,122          |
| <b>Total liabilities and shareholders equity</b> | <b>296,820</b> | <b>170,674</b> | <b>186,650</b> |

## Note 1 - Acquisitions 2015

### XMS Penvision AB

On August 1, 2015 the Group acquired 90.24% of the shares in the Sweden based unlisted company XMS Penvision AB for MSEK 25.4. XMS Penvision AB which is active within Anoto Enterprise Solutions has been a long standing Anoto partner. Anoto has consolidated the acquired entity as from August 1, 2015.

Through this acquisition Anoto enhances its software product portfolio.

### Effects from acquisitions

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

| <b>(KSEK)</b>                                  |               |
|--|---------------|
| Intangible assets                              | 15,000        |
| Inventory                                      | 39            |
| Current assets                                 | 1,233         |
| Liquid assets                                  | 1,093         |
| Deferred Tax Liabilities                       | -3,300        |
| Current liabilities                            | -4,159        |
| <b>Net identifiable assets and liabilities</b> | <b>9,906</b>  |
| Non-controlling interest                       | -2,752        |
| Group goodwill                                 | 18,294        |
| <b>Consideration</b>                           | <b>25,448</b> |

### Goodwill

The goodwill value includes additional sales resources and an enhances its software product portfolio.

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

### Acquisition related expenses

Expenses related to the acquisition amounts to 10 KSEK and includes legal fees in relation to the transaction.

These expenses have been accounted as operating expenses in the Condensed statement of comprehensive income.

### Consideration

| <b>(KSEK)</b>              |               |
|----------------------------|---------------|
| Issued shares              | 25,448        |
| <b>Total consideration</b> | <b>25,448</b> |

Fair value of the 18,048,338 shares issued as part of the total consideration paid for the shares in XMS Penvision AB is based on the price for the Anoto share on the day of the transaction.

From August 1, 2015 to September 30, 2015, XMS had revenues of 2.3 MSEK and a net loss of 0.2 MSEK.

For the period from January 1, 2015 to September 30, 2015, XMS had revenues of 7.8 MSEK and a net loss of 1.8 MSEK.