



Anoto refocuses on profitability and announces 100,000 pen deal in India

Lund, November 16, 2016 –As announced on October 17, 2016, Anoto secured additional funding in the amount of USD 6 million from ABLE Investment Advisors Inc. The Company plans to use the authorization proposed at the EGM, to be held on November 25, 2016, to raise additional capital of approximately USD 5 million through the issue of a convertible bond. Following these capital market transactions and with the new focus on profitability, the Board of Directors believes that the Company will be able to sustain its business without further capital injections.

Last year Anoto invested heavily in R&D and in developing capital intensive new businesses such as large screens. Anoto had 13 areas of business focus which generated insufficient revenues and were requiring millions of dollars in investments. As a result, the company made substantial losses, and these losses were financed through share issues.

Anoto, with a new management team, has decided to focus on three main business areas, which generate revenues, and will invest in only one new business area, namely Anoto DNA (ADNA), which is based on the proprietary Anoto microdot pattern.

The three existing business areas are education (Pen Generations), enterprise forms, and note taking (Livescribe). We have a stable retail business with Livescribe-brand products and Pen Generation's education business is growing with geographic sales expansion. We are consolidating the enterprise forms business to one team in the United Kingdom and we are developing new markets such as India and Latin America.

This focus on select business areas and the pursuit of global sales expansion is paying off with large orders. Yesterday we entered into a three-year deal in India for a minimum of 100,000 Livescribe pens amounting to USD 8.4 million. The Indian transaction will also generate annual recurring revenue of USD 20 per pen and a 50% share of profit on note-taking products printed in India. The Indian partners have also agreed to develop an Android SDK free of charge with Anoto's technical assistance. Once developed, Anoto will be able to use the SDK for all of its customers. In addition, over the last two weeks, we have received purchase orders or preliminary purchase orders for 42,000 Pen Generation pens amounting to approximately 2.2 million USD. These orders relate partly to the framework agreement with TStudy China, as previously announced.

Our costly development projects, such as the pen delivery to a Japanese insurance company and the HP screen pen, are no longer putting restraints on the Company's liquidity. The Japanese project has been successfully completed and we are currently working on additional orders. Anoto has decided to put the HP project on hold and we are renegotiating the commercial side with HP at this point.

Following a careful analysis by the management, Anoto has concluded that creating an own-brand large format display business is too capital intensive considering the small margins in a very competitive market with large players such as Microsoft, Samsung, and NEC. We have therefore decided to shift our strategy to instead license our technology for large screens rather than building an expensive inventory of screens with no assurance of sales volumes.



Anoto believes that the Company must, to become profitable, adjust its cost structure to fit the revenues from existing business lines instead of adjusting its cost structure to the potential future revenues. As such, Anoto is currently in negotiations with Destiny Wireless and We-Inspire to find a better solution than completing the acquisition of the remaining shares in these companies. In addition, over the last six months, Anoto has continuously reduced head count resulting in approximately a 50% reduction in the total number of employees and consultants, compared to end of March 2016. By the end of 2016, the number of employees and consultants is expected to be less than 100 and multiple offices have been closed.

After a challenging six months of restructuring and resetting priorities, the management believes that Anoto is now small and nimble enough to profitably react to customer demands and market changes. At the same time, the new ADNA business is advancing more rapidly than anticipated as a result of substantial interest from new customers.

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About Anoto

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