QUARTERLY REPORT

Q3/ 2017

Anoto Group AB is a global leader in digital writing and drawing solutions, having historically used its proprietary technology to develop smartpens and the related software. These smartpens 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 is traded on the Small Cap list of Nasdaq Stockholm under ANOT.

This report was published on November 9, 2017 at 08:45 CET

For more information: www.anoto.com

REPORT JANUARY – SEPTEMBER 2017

- Net sales for the quarter amounted to 51.6 MSEK which is a 30% increase YoY and a 5% increase QoQ. These increases are mainly thanks to stable sales at Pen Generations and increasing sales at Livescribe.
- Gross margin for the quarter was 41% compared to 31% in the prior year. This margin is similar to the previous quarter (43%) and includes the effect of an escrow settlement of 375K USD and increased margins in Livescribe and Pen Generations.
- Overhead costs in the quarter were 17 MSEK. This represents a significant reduction from 112 MSEK in the same quarter last year. This quarter's costs are fairly consistent with the previous quarter (15 MSEK) in spite of the burden of the final obligations associated with the cessation of active operations in the Lund office.
- Operating profit was 4.3 MSEK making two positive quarters in a row. This result stands in strong contrast to the -103.9 MSEK reported in 2016. The turnaround is attributable to rising sales, improved gross margins, and the significant cost reduction from the restructuring, as well as the one-time impairment losses (37.7 MSEK) in the prior year.

Key ratios	**2017 Jul-Sep**	**2016 Jul-Sep**	**2017 Jan-Sep**	**2016 Jan-Sep**	**2016 Jan-Dec**
Net sales, MSEK*	**52**	**40**	**147**	**168**	**236**
Gross profit/loss*	**21**	**12**	**58**	**56**	**79**
Gross margin, %	**41%**	**31%**	**40%**	**34%**	**34%**
Operating margin, %	**8%**	**Neg**	**Neg**	**Neg**	**Neg**
Operating profit/loss, MSEK	**4**	**-104**	**-21**	**-206**	**-260**
EBITDA, MSEK	**5**	**-60**	**-16**	**-148**	**-190**
Profit/loss for the period, MSEK*	**-4**	**-106**	**-40**	**-208**	**-263**
Earnings per share before and after dilution, SEK*	**0.00**	**-0.05**	**-0.01**	**-0.13**	**-0.15**
Cash flow for the period, MSEK*	**6**	**-34**	**9**	**-4**	**-6**
Cash at end of period, MSEK*	**14**	**8**	**14**	**8**	**6**

** Defined under IFRS*

CEO COMMENTS

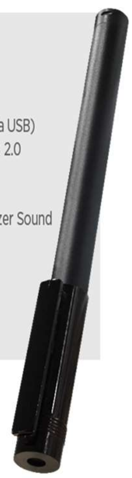
Anoto achieved operational profitability for two quarters in a row. However, significant revenue growth was not attained due primarily to reduced demand for existing pens as customers delayed ordering of pens in anticipation of a new pen arrival.

The new AP-701 pen, nicknamed the U-Pen (shortened from Ubiquitous Pen), is Anoto's new pen with production that has started in November 2017. Most of the technical specs are improved from the previous pen while reducing the fully manufactured price. Manufactured cost reduction was achieved mainly from the pen design where we made it possible to reduce MVA (manufacturing fee captured by the factory) due to its design simplicity. The U-Pen has an updated firmware which enables the pen to be used in Anoto, Livescribe or Pengen platforms. In other words, it can be used as a forms pen, note-taking pen and a streaming education pen. It has a dual-mode Bluetooth chip (Classic and LE) and longer battery life (10 hours of continuous writing) in the smallest diameter (11mm) pen we have ever produced.

AP-701 "The U-Pen"

- Micro USB wired connection
- Can stream or store strokes
- Data encryption
- Real-time clock
- Time, tilt, and pressure record ed over 75 times per second
- SDK support for Windows, Mac, & Linux plus iOS, Android, & Windows mobile devices
- "It's not a pen. It's a precision instrument," Professor Randall Davis, MIT

Technical specifications		
Model name		AP-701
Memory capacity		4MB (On board type)
Writing time		Up to 10 hours in continuous writing
Standby time		Up to 10 days in waiting mode
Charging time		Up to 1 hours (when connected to a PC via USB)
Data connection		Bluetooth Dual Mode 4.2(COMBO), USB 2.0
Operating temperatures		0˚C to 40˚C / 32˚F to 104˚F
Built-in battery		Lithium polymer (rechargeable)
MMI		Green / Blue / Red LED Lamp with Buzzer Sound
IR camera		75 fps
Ink		D-1 Standard Type 1mm black ballpoint
Weight		18 grams
Dimensions	with cap	152.5mm (L) x 16.4mm (D)
	without cap	150mm (L) x 10.5mm (D)



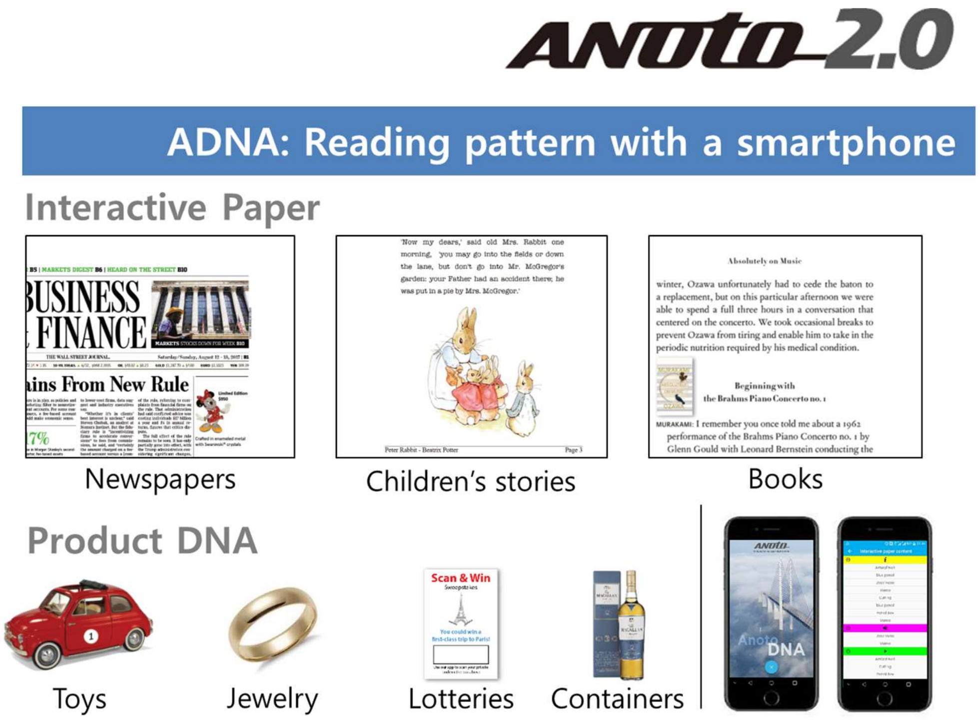
This pen is a record breaker in many aspects. It set the record for shortest development time (10 months) from start to finish. It also set the record for smallest development budget. It is the most compact pen in terms of diameter and length. It has the lowest manufacturing cost. And finally, it has the shortest manufacturing lead time. This pen fixed one crucial mistake in previous pens. Because previous pens used long lead time components, it took a long time to deliver finished products to customers. Shorter lead time on components means quicker delivery and improved service to customers.

The impact of the U-Pen is significant in Anoto's new pricing strategy of charging less for hardware and maximizing recurring revenue through software and pattern revenue. Especially, the Enterprise Forms business is undergoing a complete restructuring of its business model, where we provide a pricing structure to enable lower upfront capital expenditure and increase usage of pens. In order to support such transformation, Anoto is developing a new platform to complement the existing Anoto Live Forms ("ALF"). The new Anoto Enterprise Forms ("AEF") platform is targeted primarily at large enterprises and increases scalability and ease of integration into the customer's own system.

Anoto previously had different platforms, different SDKs, different firmware among Livescribe, Pen Generations, and Anoto. Although the three different platforms all used Anoto technology, different pens could not share Anoto patterns and mobile apps. Duplication in expenses maintaining the different platforms was inevitable. With the new U-Pen, Anoto has finally achieved total convergence and integration. This is another reason why the advent of U-Pen is important to Anoto.

During the third quarter of this year, Anoto completed the first phase of development of ADNA technology, and commercially launched the ADNA Discovery app. The first phase is called "Interactive Paper" where Anoto developed nearly invisible pattern (to the naked eye) which makes books, newspapers, ads, and other paper products digitally interactive. ADNA technology is significantly different than any other existing options in terms of printability, uniqueness, and flexibility of applications. In ADNA, many different patterns can be applied to a single page, enabling different interactions with readers.

The most important aspect of this launch is that it enables easy adaptation of ADNA technology by customers. Instead of working as a service provider to few customers, ADNA is now a product rather than service. The current version of ADNA enables customers to apply ADNA to their products using the ADNA SDK and their existing app development resources.



In terms of cost, OPEX remained stable at 17 million SEK and the development cost for the U-Pen was kept to a minimum. Severance and restructuring costs for the Lund and Norrköping offices are still included in the third quarter OPEX number but expected to end in November 2017.

OUTLOOK AND FUTURE STRATEGY

I believe Anoto is now a completely different company. It has a different business model, dramatically improved, efficient cost structure and a well-defined strategy of diversification. It is my intention to create a stable revenue base for Anoto so that it is no longer dependent on large one-time deals to survive. The addition of Livescribe brings some stability as retail sales rarely fluctuate with volatility. Changing the composition of our customer base in the Enterprise Forms business from small scale SI partners to large scale directly serviced customers will also enhance stability. This is the essence of what I call, Anoto 2.0.

Anoto 2.0 is defined as an efficient and productive organization: simple product structure (one firmware base, one software platform, and one cohesive hardware portfolio), reduced dependence on hardware, more emphasis on recurring software and pattern revenue, and a diversified revenue source.

Anoto now has only four distinct business areas: ADNA, Enterprise Forms, Notetaking, and OEM. It has one unified R&D team, one manufacturing team, one integrated software and mobile app team, and one sales team. These lean teams efficiently manage the entire range of Anoto products.

Believe it or not, Anoto has completely transformed itself in one year. But we still have a ways to go. We're finishing the very final steps in reshaping the company and we have started the development of another pen in the platform which is expected to be completed by June next year. When achieved, this will be a further reduction of our development time.

Q4 marks the beginning of Anoto 3.0. Production of the new AP-701 pen has begun in November 2017. Our goal in the Forms and OEM businesses is to concentrate on a limited number of large-scale customers who buy hundreds of thousands of pens per year. Currently we are in discussions with a global pharmaceutical company for the development of a biometric pen for Digital Audit Trail. Our pen has time and date stamp but with the biometric pen, it will be able to authenticate the user as well. This pen is expected to open new markets for a large scale use. We are also working with an education company to build an online education and testing platform using our pen. Our pen is an ideal input device for test taking and online education. We expect these initiatives will result in building a stable and sufficient revenue flow.

If we have five customers who each buys 200,000 pens a year, we will have a stable million-unit business with significant recurring software revenue. This means that the large ad hoc transactions on which Anoto has historically relied will now be icing on the cake.

We are now done with cost cutting but the focus on efficiency and productivity will continue. We are now finished with unloading the baggage of the past. I believe we now have all the right pieces to finally move ahead. Increasing revenue and profits will give us ammunition to invest in our future and achieve our goal for Anoto 3.0.

Joonhee Won
CEO, Anoto Group AB (publ)

ANOTO GROUP IN THE THIRD QUARTER 2017

Total sales in the quarter amounted to 51.6 MSEK (39.8 MSEK) and operating profit amounted to 4.3 MSEK (-103.9 MSEK). These quarter-over-quarter increasing sales were produced by focusing on three existing business areas rather than the thirteen business areas that were diffusing resources in the prior year.

The numbers show that the improvements in organizational efficiency are producing the desired cost savings. As planned, the third quarter of 2017 shows a significant reduction (84%) compared to the same period in 2016.

Asia continues to provide strength and quarterly performance in North America has responded as anticipated to now put North American performance on a trajectory to come within the previously budgeted range. The global forms market shows even greater promise than anticipated but this is not reflected in this quarter's revenue due to extended sales cycles. The sales pipeline in both developed and emerging markets remains full and there are potentially large deployments that we expect to close in the last quarter of 2017 and in early 2018.

Net cash flow after financial activities was 5.8 MSEK (-33.8 MSEK). Investments in fixed assets amounted to 7.7 MSEK (8.9 MSEK) including capitalised expenses of 7.1 MSEK (6.5 MSEK).

Net sales per product group	**2017**	**2016**	**2017**	**2016**	**2016**
MSEK	**Jul-Sep**	**Jul-Sep**	**Jan-Sep**	**Jan-Sep**	**Jan-Dec**
Licenses and royalties	9	2	26	9	11
Digital Pens	40	35	116	147	196
Other	3	3	5	12	29
Total	52	40	147	168	236

Note this table has been revised to reclassify sales for YTD June

Quarterly Summary	**2017**	**2017**	**2017**	**2016**	**2016**
	3Q	**2Q**	**1Q**	**4Q**	**3Q**
Net sales, MSEK*	52	49	46	68	40
Gross margin, %	41%	43%	35%	34%	31%
Operating costs, MSEK	-17	-14	-48	-77	-116
Operating profit/loss, MSEK	4	7	-32	-33	-104
EBITDA, MSEK	5	7	-27	-42	-60
Profit/loss for the period, MSEK	-4	1	-37	-56	-106

** Defined under IFRS*

ACCOUNTING POLICIES

This interim report was prepared in accordance with IAS 34, Interim Financial Reporting and applicable parts of the Swedish Annual Accounts Act. Disclosures in accordance with IAS 34 are presented either in notes or elsewhere in the report. This interim report for the parent company was prepared in accordance with Swedish Annual Accounts Act chapter 9. For information about the accounting policies applied, refer to the 2016 annual report. The accounting policies applied and the judgments in the Interim Report are consistent with those applied in the Annual Report for 2016 except for disclosure of ESMA´s guidelines on alternative performance measures that is applied as of July 3, 2016 and implies disclosures related to financial measures not defined under IFRS.

No new or amended standards or interpretations have had an impact on the Group's financial position, results, cash flows or disclosures. 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 2018 have not yet been applied by the Group.

Goodwill arising on consolidation was reviewed for impairment in Q3 of 2016 and adjustments made to write down Goodwill. No further provision for impairment of Goodwill was considered necessary in Q4 2016 or in 2017.

INVESTMENTS

In Q3 2017 Anoto invested 7.1 MSEK in additional product development costs capitalised as intangible assets. This project has as its purpose to deliver a common future pen platform for the Group. In 2016 intangible assets were evaluated and costs previously capitalised on projects were written off where those projects were no longer proceeding.

FINANCING

In Q3 Anoto placed senior unsecured convertible bonds due in 2019 and received 32.3 MSEK. In this reporting quarter, Anoto also converted 26.0 MSEK of this convertible bonds and issued 200,000,000 new shares in Anoto Group AB.

RISK FACTORS AND UNCERTAINTIES

Anoto management continues to address a number of risks facing the company. In the recent past 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 first half of 2017. The corporate strategy has been refined through the imposition of focus and it is expected that the performance increase associated with this focus, combined with the substantial cost reductions achieved, will put Anoto in a cash-generating position in 2017.

The cost reduction programme has been substantially completed by the end of Q3 of this year. Anoto will continue to monitor cash flow forecasts to appropriately manage any stresses on working capital and liquidity that may arise from increased demand for pens and from the investments being made in product development. Anoto will source additional funding to accommodate development costs, above-plan growth, and fluctuations in operating expenses as required.

Profitable growth is the objective on which management is concentrating. Market response and sales timing are obviously risks being managed in this regard. The diversified portfolio of existing businesses (Education, Forms, and Notetaking) and ADNA is an important force in minimizing this risk.

While financing remains an important concern for Anoto, it is the opinion of management and the Board that, the cash flow from the above activities, together with any additional funding to accommodate product development and above-plan growth, will provide the liquidity required by Anoto for the next 12 months. This perspective takes into account the cash-on-hand as of September 30, 2017 and the improved operating cash flow expected from cost reductions and increasing sales.

SEGMENT REPORTING

During the last few months, the Group has been reorganized to become a more unified global entity. As a consequence, the previous reported segments are no longer valid, and instead group expenses are categorized by function and applied to the Group as a whole. Consequently, there is no comparable financial information for the legacy fields of application and the Group has therefore chosen to discontinue this reporting. Anoto will prepare appropriate segmental reporting when the reorganization is complete.

EMPLOYEES

As of September 30, 2017 Anoto Group had a total of 51 employees as compared to 96 at year-end 2016. When the already announced restructuring plans have been completed a further 14 employees will no longer be on the Group payroll.

PARENT COMPANY

Anoto Group AB is a pure holding company that has a limited number of corporate functions.

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 was 2,976,942,732.

TRANSACTIONS AND ACTIVITIES AFTER SEPTEMBER 30, 2017

On October 4, 2017, Anoto has carried out a reverse split (1:30). In addition, the number of shares has increased by in total 2,835,706 new shares, after the reverse split, in connection with conversion of convertible bonds. As of October 31, 2017, the share capital of Anoto Group AB amounts to SEK 61,240,278.26, divided into 102,067,130 shares.

LEGAL ACTIVITIES

Anoto has amicably settled its dispute with LeapFrog Enterprises (and its affiliates), a U.S. (Delaware) company headquartered in Emeryville, California (“LeapFrog”), in Sweden, without any admission of liability.

LeapFrog has withdrawn, with prejudice, its requests for arbitration filed in both the Stockholm Chamber of Commerce and the International Chamber of Commerce, in Sweden, and Anoto has withdrawn its counterclaim in the SCC proceedings as well. This resolution secures for Anoto the stable supply of a proprietary integrated circuit (IC) supplied by LeapFrog known as DotPos, and the right to a perpetual, royalty-free license to the DotPos IC. In consideration of these rights and assurances by LeapFrog, Anoto will pay LeapFrog a total of US$ 750,000 in five installments over a period of four years.

Anoto has also reached a favorable settlement with a former Anoto employee who filed a civil lawsuit against the Company in Los Angeles, CA, alleging wrongful termination, unpaid wages/expenses and gender discrimination, thus avoiding the costs and risks of a federal trial. The employee’s claims against Anoto were withdrawn with prejudice, with no admission of wrongdoing on Anoto’s part.

Anoto filed a series of claims with Fortis Advisors, the escrow representative, in support of Anoto’s allegations of breaches of representations and warranties made by the selling shareholders in conjunction with Anoto’s acquisition of Livescribe Inc. in December 2015. In late August 2017 a total of $375,000 USD was paid to Anoto in satisfaction and settlement of its claims.

Anoto remains 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 motion to dismiss the case on the basis of a lack of jurisdiction, arguing that the case should be referred to the Arbitration Institute of the Stockholm Chamber of Commerce, was initially denied by the St. Malo Commercial Court in early August. Anoto's attorneys are preparing an appeal to the Commercial Court's ruling and are optimistic about Anoto's likelihood of prevailing.

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CALENDAR 2018

Q4 Report – 28 February, 2018

Please visit www.anoto.com/investors for the latest investor calendar information.

FOR MORE INFORMATION

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This information is information that Anoto Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 08:45 CET on 9 November 2017.

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, 2017 to September 30, 2017. 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 International Standard on Review Engagements ISRE 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information 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.

Malmö - November 9, 2017

Grant Thornton Sweden AB

Mats Pålsson

Authorized Public Accountant

FINANCIAL REPORTS

Condensed statement of comprehensive income

TSEK	2017 Jul-Sep	2016 Jul-Sep	2017 Jan-Sep	2016 Jan-Sep	2016 Jan-Dec
Net sales	51,628	39,759	146,559	168,040	235,657
Cost of goods and services sold	-30,651	-27,263	-88,403	-111,719	-156,264
Gross profit	**20,977**	**12,496**	**58,156**	**56,322**	**79,393**
Sales, administrative and R&D costs	-17,342	-111,917	-80,313	-265,606	-344,348
Other operating income/cost	678	-4,472	1,557	3,206	4,602
Operating profit/loss	**4,313**	**-103,893**	**-20,600**	**-206,079**	**-260,353**
Other financial items	-7,599	-2,827	-21,146	-4,704	-7,317
Profit before taxes	**-3,286**	**-106,720**	**-41,745**	**-210,783**	**-267,670**
Taxes	-220	1,109	1,349	3,225	4,445
Profit/loss for the period	**-3,506**	**-105,611**	**-40,396**	**-207,558**	**-263,225**
Total Profit/loss for the period attributable to:					
Shareholders of Anoto Group AB	-3,464	-103,557	-40,408	-202,987	-255,625
Non controlling interest	-42	-2,054	12	-4,571	-7,600
Total Profit/loss for the period	**-3,506**	**-105,611**	**-40,396**	**-207,558**	**-263,225**
Other comprehensive income					
Translation differences for the period	14,556	-6,381	12,774	-6,137	-1,283
Other comprehensive income for the period	**14,556**	**-6,381**	**12,774**	**-6,137**	**-1,283**
Total comprehensive income for the period	**11,050**	**-111,992**	**-27,622**	**-213,695**	**-264,508**
Total comprehensive income for the period attributable to:					
Shareholders of Anoto Group AB	11,092	-110,013	-27,634	-210,106	-258,182
Non controlling interest	-42	-1,979	12	-3,589	-6,326
Total comprehensive income for the period	**11,050**	**-111,992**	**-27,622**	**-213,695**	**-264,508**
Key ratios:					
Gross margin	40.6%	31.4%	39.7%	33.5%	33.7%
Operating margin	8.4%	Neg	Neg	Neg	Neg
Earnings per share before and after dilution	0.00	-0.05	-0.01	-0.13	-0.15
Average number of shares before and after dilution	2,779,116,645	2,277,077,468	2,573,598,028	1,625,313,086	1,792,711,313

Condensed consolidated balance sheet

TSEK	30-09-17	30-09-16	31-12-16
Intangible fixed assets	242,272	271,398	236,810
Tangible assets	3,719	9,812	8,414
Financial fixed assets	18,270	20,824	18,855
Total fixed assets	**264,261**	**302,034**	**264,079**
Inventories	**50,104**	**65,314**	**49,478**
Accounts receivable	40,422	39,534	34,825
Other current assets	20,593	35,175	35,356
Total short-term receivables	**61,015**	**74,709**	**70,181**
Liquid assets, including current investments	20,375	7,692	5,553
Total current assets	**131,494**	**147,715**	**125,212**
Total assets	**395,755**	**449,749**	**389,291**
Equity attributable to shareholders of Anoto Group AB	280,742	255,312	213,258
Non controlling interest	-436	-14,185	-1,689
Total equity	**280,306**	**241,127**	**211,569**
Convertible debt	15,549	0	28,000
Long Term Provisions	6,898	7,967	6,900
Other long term liabilities	0	147	131
Total long-term liabilities	**22,447**	**8,114**	**35,031**
Short term provisions	242	1,413	1,312
Short term loans	11,197	38,484	29,018
Other current liabilities	81,562	160,611	112,361
Total current liabilities	**93,002**	**200,508**	**142,691**
Total liabilities and shareholders equity	**395,755**	**449,749**	**389,291**

Consolidated changes in shareholders equity

TSEK	Share capital	Ongoing share issue	Other capital contributed	Reserves	Profit/loss for the year	Shareholders equity	Non-controlling interest	Total equity
Opening balance 1 January 2016	**21,064**	**12**	**943,057**	**-8,517**	**-677,690**	**277,926**	**-9,730**	**268,196**
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	**0**	**0**	**0**	**-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	0
Acquisitions	2,894		35,939			38,833		38,833
Debt conversion					-6,724	-6,724	-6,460	-13,184
Loss of control							21,693	21,693
								0
Closing balance 31 December 2016	**46,817**	**24**	**1,117,530**	**-11,074**	**-940,039**	**213,258**	**-1,689**	**211,569**
Profit/loss for the year					-40,408	-40,408	12	-40,396
Other comprehensive income				12,774		12,774		12,774
Total comprehensive income	**0**	**0**	**0**	**12,774**	**-40,408**	**-27,634**	**12**	**-27,622**
Prior year adjustment					-3,364	-3,364		-3,364
Ongoing acquisition of XMS [1)]	57	-24	-1,274			-1,241	1,241	0
Conversion of debt - 8 May	4,415		25,385			29,800		29,800
Private placement - 8 May	4,250		39,673			43,923		43,923
Conversion of debt - 29 Sep.	4,000		22,000			26,000		26,000
Closing balance 30 September 2017	**59,539**	**0**	**1,203,314**	**1,700**	**-983,811**	**280,742**	**-436**	**280,306**

Consolidated Cash flow statement

	2017	2016	2017	2016	2016
TSEK	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Profit/loss after financial items	**-3,286**	**-106,720**	**-41,745**	**-210,783**	**-267,670**
Depreciation, amortisation	193	44,209	4,979	58,109	70,736
Other items not included in cash flow	7,407	-7,403	19,295	-5,681	-12,866
Items not included in cash flow	**7,600**	**36,806**	**24,274**	**52,428**	**57,870**
Cash flow from operating activities					
before changes in working capital	**4,314**	**-69,914**	**-17,471**	**-158,355**	**-209,800**
Change in operating receivables	-5,328	-2,243	9,167	52,620	63,899
Change in inventory	-4,120	3,500	-626	4,578	20,298
Change in operating liabilities	-7,416	40,526	-32,001	-5,749	-38,209
Cash flow from operating activities	**-12,550**	**-28,131**	**-40,931**	**-106,906**	**-163,812**
Intangible assets	-7,058	-6,477	-14,171	-27,482	-26,380
Fixed assets	-656	-2,418	-111	-6,345	-6,817
Disposal of associated company	0	0	0	0	1,700
Financial assets	101	-16,969	585	-13,268	-16,962
Cash flow from net capital expenditures	**-7,613**	**-25,864**	**-13,697**	**-47,095**	**-48,459**
Total cash flow before financing activities	**-20,163**	**-53,995**	**-54,628**	**-154,001**	**-212,271**
New share issue	0	-847	43,923	147,793	160,539
Convertible loan	32,349	0	34,149	0	28,000
Change in financial liabilities	-368	21,011	-8,622	2,271	17,656
Cash flow from financing activities	**31,981**	**20,164**	**69,450**	**150,064**	**206,195**
Cash flow for the period	**11,818**	**-33,831**	**14,822**	**-3,937**	**-6,076**
Liquid assets at the beginning of the period	8,557	41,523	5,553	11,629	11,629
Liquid assets at the end of the period	**20,375**	**7,692**	**20,375**	**7,692**	**5,553**

Key ratios

	2017	2016	2017	2016	2016
TSEK	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Cash flow for the period	5,801	-33,831	8,805	-3,937	-6,076
Cashflow / share before and after dilution (SEK) [1]	0.00	-0.01	0.00	0.00	0.00
Average number of shares before and after dilution	2,779,116,645	2,277,077,468	2,573,598,028	1,625,313,086	1,792,711,313

	30-09-17	30-09-16	31-12-16
Equity/assets ratio	70.9%	56.8%	54.8%
Number of shares	2,976,942,732	2,277,077,468	2,340,832,108
Shareholders equity per share (kr)	0.09	0.11	0.09

[1] *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	2017 Jul-Sep	2016 Jul-Sep	2017 Jan-Sep	2016 Jan-Sep	2016 Jan-Dec
Net sales	**0**	**2,547**	**0**	**8,716**	**13,681**
Gross profit	**0**	**2,547**	**0**	**8,716**	**13,681**
Administrative costs	-2,703	-2,743	-6,232	-8,076	-13,184
Operating profit	**-2,703**	**-196**	**-6,232**	**640**	**497**
Profit/loss from shares in Group companies	0	-150,000	-100	-150,000	-151,000
Financial items	-1,156	730	558	156	748
Profit for the period	**-3,859**	**-149,466**	**-5,774**	**-149,204**	**-149,755**

Parent company, balance sheet in summary

TSEK	30-09-17	30-09-16	31-12-16
Intangible fixed assets	37	54	47
Financial fixed assets	301,924	448,087	421,912
Total fixed assets	**301,961**	**448,141**	**421,959**
Other short-term receivables	243,306	730	231,347
Liquid assets, including current investments	8,607	1,898	303
Total current assets	**251,913**	**2,628**	**231,650**
Total assets	**553,874**	**450,769**	**653,609**
Equity	526,650	425,606	445,314
Other long term liabilities	2,353	2,353	153,549
Convertible Debt	15,549	14,982	28,000
Short term loans	0	0	15,138
Other current liabilities	9,322	7,828	11,608
Total liabilities and shareholders equity	**553,874**	**450,769**	**653,609**

Note 1 - Financial instruments

Group 30 September 2017	Loans and receivable	Available for sale financial assets	Other financial liabilities	Total book value	Total fair value
Investments				0	0
Long-term receivables	1,308			1,308	1,308
Accounts receivable	40,422			40,422	40,422
Other receivables				0	0
Cash	20,375			20,375	20,375
Long-term investments and securities		16,962		16,962	16,962
Assets	**62,105**	**16,962**	**0**	**79,067**	**79,067**
Borrowings			26,746	26,746	26,746
Accounts payable			54,062	54,062	54,062
Other liabilities			10,141	10,141	10,141
Liabilities	**0**	**0**	**90,949**	**90,949**	**90,949**

Group 30 September 2016	Loans and accounts receivable	Available for sale financial assets	Other financial liabilities	Total book value	Total fair value
Investments				2,251	2,251
Long-term receivables	1,611			1,611	1,611
Accounts receivable	39,534			39,534	39,534
Other receivables				0	0
Cash	7,962			7,962	7,962
Short-term investments and securities		16,962		16,962	16,962
Assets	**49,107**	**16,962**	**0**	**68,320**	**68,320**
Borrowings			38,484	38,484	38,484
Accounts payable			65,289	65,289	65,289
Other liabilities			13,291	13,291	13,291
Liabilities	**0**	**0**	**117,064**	**117,064**	**117,064**

Disclosures on fair value classification

Level 1: According to listed prices on an active market for similar instruments

Level 2: According to directly or indirectly observable market data not included in level 1

Level 3: According to indata not observable on the market

Estimation of fair value

Accounts receivable and accounts payable

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

Financial assets that can be sold

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

Borrowings

Borrowings are measured at amortized cost.

Alternative performance measures

Anoto Group presents certain financial measures in this interim report that are not defined under IFRS. Anoto Group belives 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 measu defined under IFRS.

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

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

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

OPERATING MARGIN
Operating profit/loss as a percentage of net sales.

CASH FLOW PER SHARE
Cash flow for the year divided by the weighted average number of shares during the year.

EQUITY /ASSETS RATIO
Equity attributable to shareholders of Anoto Group AB as a percentage of total assets

EBITDA
Operating profit/loss before depreciation and amortisation.

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

	2017	2016	2017	2016	2016
TSEK	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Operating profit/loss	4,313	-103,893	-20,600	-206,079	-260,353
Depreciation and amortisation	193	44,209	4,979	58,109	70,736
EBITDA	**4,506**	**-59,684**	**-15,621**	**-147,970**	**-189,617**