QUARTERLY REPORT

Q4/ 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 February 28, 2018 at 08:45 CET

For more information: www.anoto.com

REPORT JANUARY – DECEMBER 2017

- We are now done with cost reduction and restructuring. We wrote off additional USD 1.9 million (MSEK 16.4) non-recurring costs in Q4 again to clean up our balance sheet. This includes approximately USD 0.4 million of severance related expenses, USD 1.2 million of intangible amortization, and USD 0.2 million of bad debt write off.
- Net Sales in the period amounted to MSEK 173 (236). The net decrease is attributable to a combination of sales decreases in the Forms and Notetaking businesses and an increase in revenue at Anoto Korea (previously called Pen Generations).
- The decline in Forms revenue is primarily attributable to the delayed ordering of existing pens as customers expected a new pen (AP-701) release in Q4 of 2017. In addition, Anoto changed its pricing policy in the Forms business. Instead of selling pens at a high one-time cost, we lowered pricing on the hardware and require recurring fees. Customers now pay an annual pen license fee and software fee along with mandatory pattern purchases.
- Although we believe that this is the right pricing model in the long run, we inevitably suffered some decline in revenue for the quarter as we turned down many renewal requests based on the old pricing scheme.
- While Net Sales decreased by MSEK 63, Operating losses dramatically decreased to MSEK 37 (260) mainly attributable to improved gross margins and the cost reduction from restructuring.
- Gross margin improved to 41% (34%) due mainly to the change in product mix as Anoto is beginning to get more license fees, software usage fees, and pattern usage revenue.
- Overhead costs in the period were MSEK 108, significantly down from the prior year (MSEK 339), due to the restructuring and cost reduction efforts across all operations in spite of the burden of the final obligations associated with the cessation of active operations in 7 Anoto offices around the world.

Key ratios	**2017 Oct-Dec**	**2016 Oct-Dec**	**2017 Jan-Dec**	**2016 Jan-Dec**
Net sales, MSEK*	**26**	**68**	**173**	**236**
Gross profit/loss*	**13**	**23**	**71**	**79**
Gross margin, %	**48%**	**34%**	**41%**	**34%**
Operating profit/loss, MSEK	**-16**	**-54**	**-37**	**-260**
Operating margin, %	**Neg**	**Neg**	**Neg**	**Neg**
EBITDA, MSEK	**-5**	**-42**	**-21**	**-190**
Profit/loss for the period, MSEK*	**-13**	**-56**	**-53**	**-263**
Earnings per share before and after dilution, SEK*	**-0.16**	**-0.66**	**-0.49**	**-4.43**
Cash flow for the period, MSEK*	**11**	**-2**	**26**	**-6**
Cash at end of period, MSEK*	**32**	**6**	**32**	**6**

** Defined under IFRS*

CEO COMMENTS

The last battle with the old Anoto started in Q4, 2017. We changed our Forms pricing policy. The old pricing scheme was a complete mess because there was too much complexity and variance among agreements. Across the board, pattern was given out free of charge. In some cases, we were selling pens below manufacturing costs. One commonality was that there was no or very little recurring income and there was no company-wide pricing policy but only those which were determined by the former Anoto sales people who received commission on sales.

We have now implemented a simple pricing structure and one global price policy. We updated our customer database to determine active customers versus inactive customers. We were getting complaints about the lack of responsiveness from our sales support desk although our support desk was running at full capacity. We decided to prioritize support tickets from active customers and not be swamped with the calls from “partners” who had not given us any orders for the last five years.

Our new pricing policy is volume weighted. High-volume purchasers can now enjoy a declining price model according to their annual volume of pen purchases. All customers now pay annual pen license fees, software usage fees, and pattern usage fees. We no longer freely give away millions of pages of pattern to those who buy a few pens. We encountered some resistance, especially from heavy pattern users who are accustomed to paying nothing for the pattern.

We made a conscious decision to take a step back in order to move forward. We may be losing some old Anoto customers who used to buy a few pens at high cost and got to use pattern for nothing. But we are adding new customers who like the new AP-701 pen and the fact that they can buy it much cheaper if they order a larger volume. Cevahir Group in Turkey is such a customer. They paid 100,000 USD as an annual pattern fee already and gave us a purchase order for 70,000 AP-701 pens.

We now have the capacity to produce 20,000 AP-701 pens per month in Korea and we are setting up an additional production facility in China with a long-term manufacturing partner.

The impact of the new pen platform is significant for Anoto’s new Forms pricing strategy of charging less for hardware and maximizing recurring revenue through software and pattern revenue. In order to support such a transformation, Anoto is developing a new software platform to complement the existing Anoto Live Forms (“ALF”) solution. The new Anoto Enterprise Forms (“AEF”) platform is targeted primarily at large enterprises. It increases both scalability and ease-of-integration into a customer’s own system.

Anoto previously had different platforms, different SDKs, different firmware among Livescribe, Anoto Korea, 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 pen platform, Anoto has finally achieved total convergence and integration, which will enable reductions in the annual cost of updating and maintaining firmware, mobile platform, and SDKs. Until now, we had to update three different platforms whenever there was an iOS or Android update.

Although it was a conscious decision, our revenue declined substantially in Q4. Despite such a decline in revenue, we would have made a modest operating income of $46K USD before we charged $1.9 million in one-time charges. Major components of this charge include $1.2 million of intangible assets, $223K of bad debt expenses, and $385K of departed executive severances and employee salaries.

OUTLOOK AND FUTURE STRATEGY

"The reasonable man adapts himself to the world;
The unreasonable one persists in trying to adapt the world to himself.
Therefore, all progress depends on the unreasonable man."
George Bernard Shaw

Anoto is entering a new stage of development and I am most excited by Anoto's prospects for 2018. We made substantial progress on the ADNA front. For example, we reached an agreement for the company who manufacturers the private label golf balls for one of the world's largest members-only warehouse chains to use ADNA on their packaging. In this use case ADNA will provide customers with a freshness indicator and quick ordering capabilities similar in concept to the Amazon Dash buttons. This is a first entry into this world renowned retailer and we hope to convince them to use ADNA in other areas such as food and vitamins. Similar exciting projects are in active discussions with several industry dominating customers in Asia and the USA plus various government agencies in Japan.

Biometric Pen
In Q1 of 2018 we started pre-marketing a biometric pen that incorporates a fingerprint sensor and the reception has been overwhelming. We were invited by a major Japanese company to exhibit our engineering prototype of this biometric pen in their Exposition in April. They are dedicating a booth for our Biometric pen before the commencement of commercial production in the second half of this year. It was an opportune move to launch the premarketing of the biometric pen in Japan because of the scandal at Nissan Motors which led to a recall of 1.21 million vehicles at a cost of 25 billion yen ($222 million USD). The reason for the recall was due, in Nissan's words, to "discovering final vehicle inspections were not performed by authorized technicians."

With the addition of fingerprint sensors, now our pen knows 1) what one writes, 2) when one writes, and 3) who is writing.

Anoto Cocoon
Perhaps the most interesting developments have been in the "million seller" project that I described in the last Q3 report. We now renamed this Anoto Cocoon projects. One such example is an MIT affiliated startup who uses our pen to diagnose Alzheimer's and in the early detection of dementia. It received US FDA clearance in January of 2018 to market its products. We have a revenue sharing model with this company and expect to receive royalties when they will start to roll out in 2018. It also received The Not Impossible Connectivity Award in 2018. Our Live Pen 2 is now a US FDA registered medical device.

Another Anoto Cocoon example is an online education and test platform company that has just developed an education platform using Anoto pen-based diagnostic testing. We have initiated discussions with a major US education publisher about selling them this newly developed education platform technology. Similar to the startup, this company uses analytical and temporal data derived from the pen to accurately capture and diagnose a student's problem solving and understanding skills.

A newly incubated project is focused on making the power of ADNA easily available for Augmented Reality (AR) use. ADNA can make important contributions in several areas of AR including Marker-based AR and Superimposition-based AR. We are in discussions with several AR companies to provide ADNA as a technology platform for AR applications.

Software and mobile app technology

Anoto is also in discussions with world-class software and mobile app companies regarding providing Anoto technology as a paper interface platform. Both Microsoft Surface Pro and Apple iPad Pro may have stylus pens that interact with the screen but those pens don't work on paper. Anoto is developing connectivity that can be used with OneNote, Google Keep, and other notetaking apps and software to be linked seamlessly with the software/app and paper.

People

We are now at a stage, both financially and product development wise, where capable and professional executives can join the company. We are recruiting a VP of sales for North America and one for Asia. We are also recruiting a product manager for Software and Apps. We also are trying to fill gaps in marketing and R&D. The people at Anoto are no longer talking about the present but about the future. Topics such as restructuring and instability are things of past. We are now very much looking forward to a new Anoto. Such changes in corporate culture are also a sign that we are ready to build up our team.

Hope and Dream

Anoto in the past thought it had such a unique technology that it should only be equated with *premium* in terms of pricing and usage. To me, *premium* symbolises a high priced but small niche market. One of my goals was to bring the price of the pen down and make it more affordable and attractive. With the arrival of the AP-701, we now have the basis to start this process. *Cheap* and *mass market* are not dirty words in my dictionary. Anoto technology can have numerous uses that stretch beyond our imaginations. Anoto pattern technology, in particular, is especially suitable for the recent advancements in AR and digital print areas. We are calling this the Anoto Technology Extension phase. We dream that one day, we will be talking about Anoto Everyday, Everywhere.

Joonhee Won
CEO, Anoto Group AB (publ)

ANOTO GROUP IN THE FOURTH QUARTER 2017

Total sales in the quarter amounted to MSEK 26 (68) and operating profit amounted to MSEK -16 (-54).

This quarter has been impacted by several non-recurring items, such as one-time costs related to the residual restructuring cost of MSEK 5.2 and catch-up amortization of MSEK 10.5 for non-operating related intangible assets. In total, these non-recurring items have a negative impact of MSEK 16.4 in the quarter.

Except for the negative impact from these non-recurring items, the Company effectively broke even in the quarter.

Restructuring and cost-reduction efforts throughout 2017 have showed positive signs in the financial results as the Company expects to manage quarterly overhead cost down to less than MSEK 20.0 going forward.

Net cash flow after financial activities was MSEK 11.3 (-2.1). Investments in fixed assets amounted to MSEK 24.5 (0.6) including capitalised expenses of MSEK 24.3 (0.0).

Net sales per product group MSEK	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Licenses and royalties	10	2	36	11
Digital Pens	16	49	132	196
Other	0	17	5	29
Total	26	68	173	236

Quarterly Summary	2017 4Q	2017 3Q	2017 2Q	2017 1Q
Net sales, MSEK*	26	49	46	68
Gross margin, %	48%	43%	35%	34%
Operating costs, MSEK	-29	-14	-48	-77
Operating profit/loss, MSEK	-16	7	-32	-33
EBITDA, MSEK	-5	7	-27	-42
Profit/loss for the period, MSEK	-13	1	-37	-56

** 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 this quarter. No further provision for impairment of Goodwill was needed in 2017. The closing balance for goodwill includes the value for Anoto Ltd of 18.6 MSEK, Anoto Korea of 37.6 MSEK, and Livescribe of 97.0 MSEK.

INVESTMENTS

In Q4 2017 Anoto invested 24.5 MSEK in additional product development costs capitalised as intangible assets. This project has as its purpose to develop new pens and deliver a common future pen platform for the Group.

FINANCING

In Q4 Anoto placed senior unsecured convertible bonds due in 2019 and received 40.3 MSEK. In this reporting quarter, Anoto also converted 11.4 MSEK of bonds issued in the previous quarters and issued 2,835,706 new shares in Anoto Group AB.

RISK FACTORS AND UNCERTAINTIES

The management and the board are of the opinion that the cash flow will support the ongoing business for the next twelve months. The company may seek additional financing in case of new strategic projects.

SEGMENT REPORTING

Throughout this year, 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 December 31, 2017 Anoto Group had a total of 35 employees as compared to 96 at year-end 2016.

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. On October 4, 2017, Anoto has carried out a reverse split (1:30). The total number of shares at the end of the period was 102,067,130.

TRANSACTIONS AND ACTIVITIES AFTER DECEMBER 31, 2017

On January 18, 2018, Anoto converted 2.0 MSEK of the convertible bonds issued in July 2017 and issued 512,820 new shares in Anoto Group AB. Following this conversion there are 42.3 MSEK of convertible bonds outstanding.

LEGAL ACTIVITIES

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 jurisdiction over Anoto. Anoto's attorneys are optimistic about Anoto's likelihood of prevailing.

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CALENDAR 2018

Annual Report – 31 March, 2018

Annual General Meeting – 15 May, 2018

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

FOR MORE INFORMATION

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FINANCIAL REPORTS

Condensed statement of comprehensive income

TSEK	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Net sales	26,451	67,617	173,010	235,657
Cost of goods and services sold	-13,686	-44,545	-102,088	-156,264
Gross profit	**12,765**	**23,072**	**70,922**	**79,393**
Sales, administrative and R&D costs	-26,998	-78,742	-107,312	-344,348
Other operating income/cost	-1,745	1,396	-188	4,602
Operating profit/loss	**-15,978**	**-54,273**	**-36,578**	**-260,353**
Other financial items	1,523	-2,613	-19,623	-7,317
Profit before taxes	**-14,455**	**-56,886**	**-56,201**	**-267,670**
Taxes	1,908	1,220	3,257	4,445
Profit/loss for the period	**-12,547**	**-55,666**	**-52,944**	**-263,225**
Total Profit/loss for the period attributable to:				
Shareholders of Anoto Group AB	-12,400	-52,638	-52,809	-255,625
Non controlling interest	-147	-3,029	-135	-7,600
Total Profit/loss for the period	**-12,547**	**-55,667**	**-52,944**	**-263,225**
Other comprehensive income				
Translation differences for the period	-3,458	4,854	9,316	-1,283
Other comprehensive income for the period	**-3,458**	**4,854**	**9,316**	**-1,283**
Total comprehensive income for the period	**-16,005**	**-50,812**	**-43,628**	**-264,508**
Total comprehensive income for the period attributable to:				
Shareholders of Anoto Group AB	-15,858	-48,076	-43,493	-258,182
Non controlling interest	-147	-2,737	-135	-6,326
Total comprehensive income for the period	**-16,005**	**-50,813**	**-43,628**	**-264,508**
Key ratios:				
Gross margin	48.3%	34.1%	41.0%	33.7%
Operating margin	Neg	Neg	Neg	Neg
Earnings per share before and after dilution	-0.16	-0.66	-0.49	-4.43
Average number of shares before and after dilution	101,111,621	77,466,642	89,117,341	59,757,044

Condensed consolidated balance sheet

TSEK	2017-12-31	2016-12-31
Intangible fixed assets	255,282	236,810
Tangible assets	3,404	8,414
Financial fixed assets	18,318	18,855
Total fixed assets	**277,003**	**264,079**
Inventories	**51,766**	**49,478**
Accounts receivable	27,747	34,825
Other current assets	11,429	35,356
Total short-term receivables	**39,176**	**70,181**
Liquid assets, including current investments	31,664	5,553
Total current assets	**122,606**	**125,212**
Total assets	**399,609**	**389,291**
Equity attributable to shareholders of Anoto Group AB	276,284	213,258
Non controlling interest	-583	-1,689
Total equity	**275,701**	**211,569**
Convertible debt	44,449	28,000
Long Term Provisions	3,289	6,900
Other long term liabilities	0	131
Total long-term liabilities	**47,737**	**35,031**
Short term provisions	242	1,312
Short term loans	11,309	29,018
Other current liabilities	64,621	112,361
Total current liabilities	**76,171**	**142,691**
Total liabilities and shareholders equity	**399,609**	**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					-52,809	-52,809	-135	-52,944
Other comprehensive income				9,316		9,316		9,316
Total comprehensive income	**0**	**0**	**0**	**9,316**	**-52,809**	**-43,493**	**-135**	**-43,628**
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
Conversion of debt - 31 Oct.	1,701		9,699			11,400		11,400
Closing balance 31 December 2017	**61,240**	**0**	**1,213,013**	**-1,758**	**-996,211**	**276,284**	**-583**	**275,701**

Consolidated Cash flow statement

TSEK	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Profit/loss after financial items	**-14,456**	**-56,887**	**-56,201**	**-267,670**
Depreciation, amortisation	10,856	12,627	15,835	70,736
Other items not included in cash flow	-3,383	-7,185	15,912	-12,866
Items not included in cash flow	**7,473**	**5,442**	**31,747**	**57,870**
Cash flow from operating activities before changes in working capital	**-6,983**	**-51,445**	**-24,454**	**-209,800**
Change in operating receivables	24,634	11,279	33,801	63,899
Change in inventory	-1,662	15,720	-2,288	20,298
Change in operating liabilities	-20,551	-32,460	-52,552	-38,209
Cash flow from operating activities	**-4,562**	**-56,906**	**-45,493**	**-163,812**
Intangible assets	-24,329	1,102	-38,500	-26,380
Fixed assets	-184	-472	-295	-6,817
Disposal of associated company	0	1,700	0	1,700
Financial assets	-48	-3,694	537	-16,962
Cash flow from net capital expenditures	**-24,561**	**-1,364**	**-38,258**	**-48,459**
Total cash flow before financing activities	**-29,123**	**-58,270**	**-83,751**	**-212,271**
New share issue	0	12,746	43,923	160,539
Convertible loan	40,300	28,000	74,449	28,000
Change in financial liabilities	112	15,385	-8,510	17,656
Cash flow from financing activities	**40,412**	**56,131**	**109,862**	**206,195**
Cash flow for the period	**11,289**	**-2,139**	**26,111**	**-6,076**
Liquid assets at the beginning of the period	20,375	7,692	5,553	11,629
Liquid assets at the end of the period	**31,664**	**5,553**	**31,664**	**5,553**

Key ratios

TSEK	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Cash flow for the period	11,289	-2,139	26,111	-6,076
Cashflow / share before and after dilution (SEK) 1	0.11	-0.03	0.29	-0.10
Average number of shares before and after dilution	101,111,621	77,466,642	89,117,341	59,757,044

	2017-12-31	2016-12-31
Equity/assets ratio	69.1%	54.8%
Number of shares	102,067,130	78,027,737
Shareholders' equity per share (kr)	2.71	2.73

[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 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2017 Jan-Dec
Net sales	**0**	**4,965**	**0**	**13,681**
Gross profit	**0**	**4,965**	**0**	**13,681**
Administrative costs	-5,980	-5,108	-12,212	-13,184
Operating profit	**-5,980**	**-143**	**-12,212**	**497**
Profit/loss from shares in Group companies	0	-1,000	-100	-151,000
Financial items	-1,613	593	-1,055	748
Profit for the period	**-7,594**	**-550**	**-13,368**	**-149,755**

Parent company, balance sheet in summary

TSEK	2017-12-31	2016-12-31
Intangible fixed assets	6,015	47
Financial fixed assets	300,028	421,912
Total fixed assets	**306,043**	**421,959**
Other short-term receivables	270,788	231,347
Liquid assets, including current investments	13,911	303
Total current assets	**284,699**	**231,650**
Total assets	**590,742**	**653,609**
Equity	530,456	445,314
Other long term liabilities	2,353	153,549
Convertible Debt	44,449	28,000
Short term loans	0	15,138
Other current liabilities	13,484	11,608
Total liabilities and shareholders equity	**590,742**	**653,609**

Note 1 - Financial instruments

Group 31 December 2017	Loans and receivable	Available for sale financial assets	Other financial liabilities	Total book value	Total fair value
Investments				0	0
Long-term receivables	1,355			1,355	1,355
Accounts receivable	27,747			27,747	27,747
Other receivables				0	0
Cash	31,664			31,664	31,664
Long-term investments and securities		16,962		16,962	16,962
Assets	**60,767**	**16,962**	**0**	**77,729**	**77,729**
Borrowings			55,758	55,758	55,758
Accounts payable			38,857	38,857	38,857
Other liabilities			10,057	10,057	10,057
Liabilities	**0**	**0**	**104,671**	**104,671**	**104,671**

Group 31 December 2016	Loans and accounts receivable	Available for sale financial assets	Other financial liabilities	Total book value	Total fair value
Investments				0	0
Long-term receivables	1,892			1,892	1,892
Accounts receivable	34,825			34,825	34,825
Other receivables	0			0	0
Cash	5,553			5,553	5,553
Short-term investments and securities		16,962		16,962	16,962
Assets	**42,270**	**16,962**	**0**	**59,232**	**59,232**
Borrowings			57,019	57,019	57,019
Accounts payable			64,621	64,621	64,621
Other liabilities			9,769	9,769	9,769
Liabilities	**0**	**0**	**131,409**	**131,409**	**131,409**

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 measures defined under IFRS.

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

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

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

OPERATING MARGIN
Operating profit/loss 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 because it approximates the underlying operating cash flow by elimination of depreciation and amortisation. A reconciliation from group operating profit/loss is set out below.

	2017	2016	2017	2016
TSEK	**Oct-Dec**	**Oct-Dec**	**Jan-Dec**	**Jan-Dec**
Operating profit/loss	-15,978	-54,273	-36,578	-260,353
Depreciation and amortisation	10,856	12,627	15,835	70,736
EBITDA	**-5,122**	**-41,646**	**-20,743**	**-189,617**