Anoto

Digital Time Data Solutions

# 2019 Annual Report

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## DIRECTORS REPORT

The Board of Directors and CEO of Anoto Group AB (publ.), Corporate Identity No. 556532-3929, hereby submit the annual financial statements for the January 1 – December 31, 2019 financial year.

## GROUP STRUCTURE

Anoto Group AB is the parent company of the Anoto group, performing group-wide functions on behalf of its subsidiaries. The operational activities, including sales, are performed by the subsidiaries which consist of Anoto AB, Anoto Korea Corp, Anoto Ltd, Anoto Inc, Livescribe Inc, Anoto Portugal, Anoto Singapore, XMS Penvision AB, Knowledge AI Inc, Knowledge AI Ltd, and Knowledge AI Pte Ltd. Hereafter the entire business group is referred to as “Anoto”, unless the context indicates otherwise.

## OPERATION OF THE GROUP

Anoto is a global leader in digital writing and drawing solutions. Anoto develops smartpens and related software using its proprietary technology and uses its solution, pattern, optics and image-processing expertise to bridge between the analogue and digital domains through an initiative known as Enterprise Solutions business (B2B), KAIT (B2B and B2B2C). Two software solutions based on this proprietary technology have been launched.

Anoto established a new US entity, KAIT Solutions Inc. to enable rapid growth of Anoto’s education solution KAIT (Knowledge AI Technology). KAIT is AI based education software for the offline education market. KAIT uses Anoto digital pens to collect digital data and provides comprehensive diagnostics and personalized AI recommendations for each student.

Since its launch in late January 2019, KAIT has been able to attract an all-star technical team within data science and machine learning including three key scientists holding PhDs from Harvard and MIT. We have also been able to attract world distinguished scientists in robotics, artificial intelligence and data science to the advisory board.

Anoto is divided into two main business lines: Software as a Service (SaaS) and Pen manufacturing and distribution. Within SaaS, we have KAIT and Anoto Cloud for Enterprises, and within the pen manufacturing and distribution business, we have retail notetaking (Livescribe) and OEM.

2019 was a product stabilization year after the launch of the AP701 and AEGIR pens on a single consolidated platform in 2018. Quality issues with the Aegir’s hardware and software prevented us from fully realizing the potential of this entry level smartpen, leading to the decision in March 2019 to hold all inventory to avoid shipping additional defective units to customers. This impacted the overall revenue of this product line. The launch of Education and Professional edition smartpens and improved software and hardware allowed us to ‘re-launch’ and push Aegir sales in the 2nd half of 2019. Product availability also improved (100% acceptance rate for the new SKUs during the second half of the year).

In 2019, Echo pen production was moved out of China, which led to savings of 25%. Moving our manufacturing from China to South Korea also allowed for better control over the production lines by our in-house team in Korea. However, the timing and logistic issues of the move led to us not being able to fulfil the demand on our bestselling smartpen during peak season, due to lack of available inventory. This and the quality issue described above prevented us from achieving growth in 2019. Nevertheless, with these manufacturing changes in place we were able to improve manufacturing costs and show the strongest Gross Margin in five years. With improvements in quality and new products ready to be launched, we also expect revenue growth in 2020.

During 2019, Anoto carried out two directed rights issue in a total of 29,650,000 ordinary shares, amounting to approximately USD 3 million. These funds will be used for sales and marketing expenses, manufacturing and build-up of inventory, and development costs for the release of a new pen, which will replace the Echo pen. Furthermore, Anoto secured an additional investment of USD 3 million for a 16.667% stake in its education technology subsidiary Knowledge AI Inc. The investment was made at a pre-money valuation of Knowledge AI Inc of USD 15 million, implying a post-money valuation of Knowledge AI Inc of USD 18 million, equivalent to approximately SEK 173 million.

After impairment testing, a write-down of historical goodwill by MSEK -7 was done at the year end.

The Anoto share is listed on NASDAQ OMX Nordic Small Cap List in Stockholm.

## Anoto Business Units

### Enterprise Solutions and Licensing

This Business to Business Segment provides digitalization and automation of routines. The product offering contains both hardware and software which enables the customer to fill in, for example, a paper form with an Anoto pen and convert the analogue text or information directly into digital form. The customers are spread out through different industries such as healthcare, retail & logistics, financial services, and public sector. Anoto uses both direct and indirect business models for this segment depending on territory, and partners with system integrators, software developers, and IT consulting firms in specific vertical markets, all of whom offer customized solutions with Anoto technology to their customers.

The transition to a software business model by the introduction of a license fee based on dot pattern page usage is now fully implemented throughout our existing customer base. We introduced a new pricing plan and increased the minimum distributor fee to USD 50,000 per annum. The recently updated AP-701 pen, with an extended internal memory capability, has been well received by the customers and the introduction of lifetime pen licenses have been met with a positive response.

As a result of this significant change in business model in 2018, which also impacted 2019, we discontinued relationships with hundreds of smaller customers and signed new contracts with larger customers which brings significant recurring revenue. Many of our existing large customers, such as Welsh Ambulance, Deutsche Telekom, and Infomax signed one to three-year contracts. The overall impact of the mentioned transition was a 3% decrease on net sales for the year amounting to 29 (30) MSEK.

To upgrade our software platform, Anoto has developed a new enterprise solution on a cloud platform called Anoto Cloud for Enterprises (ACE). The new platform will replace the old software Anoto Live Forms, which was acquired from XMS.

The focus of Enterprise Form is to secure large customers, especially in the US, in order to expand geographically and diversify revenue sources. The successful launch of Anoto Cloud is a key event for Enterprise Forms in year 2020.

### Notetaking Business

This segment provides consumer products for digital note taking, i.e. handwritten/analogue notes and documents that are converted into digital notes, which are subsequently stored and shared via cloud services. Livescribe+ software, for both mobiles and desktops is also available to customers. Sales are mainly taking place in the US, but with a growing presence in Europe and APAC (Asia Pacific). Pen production is placed in South Korea.

Net sales decreased to MSEK 59 (62) in 2019. The decrease was a consequence of production issues. In addition, the Echo Pen production was moved from China to South Korea. The ramp-up of production took more time than expected, and as a consequence thereof some order volumes had to be cancelled. The production move was fully completed during the third quarter of 2019.

We now have a clear vision for a rationalized product portfolio and product positioning that lowers entry barriers for consumers (lowered price point), avoids confusion, and increases customer satisfaction. This vision has been guided by the voices of persons who are using and benefiting from their Livescribe products on a daily basis. We have studied who they are, what they are doing, and what they will need in the near future to continue to enjoy Livescribe products and spread a positive word of mouth.

Livescribe is concentrating on making additional hardware and software launches to improve the utility of digital note taking pens. We will be launching a Social Media notebook in April, and an MS Windows interface in the first half of 2020. There will also be additional software development to reduce the cost of maintaining four different platform apps (iOS, Android, Windows, Mac).

With the launch of new pens and the new software, we have seen increased interest in new distributorships.

Expansion into Europe and other regions are high priority projects. We have engaged in business relationships with Best Buy Canada and Lotte Hi-Mart Korea, the largest electronic retailers of the respective corresponding countries.

## OEM Business

This segment supplies pens and other hardware such as docking stations adapted to customer requirements and marketed under the customer´s own brand. The largest customer in this segment is the South Korean company Kyowon.

OEM pen revenue grew by 2% to SEK 24 million. In addition, we expect margin improvement in 2020, as we agreed to a price hike with the existing OEM relationships. Efforts to diversify the OEM segment continued in 2019 and we are currently in discussion with several candidates for new OEM sales in the second half of 2020.

The key focus of the OEM business is to diversify revenue sources.

## KAIT

In education today, students are assessed too simplistically, on absolute scores. Since students learn at different levels and different speeds, this practice is outdated, inefficient and incomplete, leaving students either unchallenged or overburdened.

To address this critical need for change in education, Anoto introduced KAIT – a new and innovative AI-powered platform focused on enabling personalized learning and improving learning efficiencies.

Our goal is to disrupt global education and improve efficiency for both teachers and students and to revolutionize the way we teach and learn.

The KAIT Smart Assessment Solution: Designed for offline education use, KAIT finds the Relative Gap to assess student understanding and improve learning efficiencies. The solution is designed to reduce the burden on students by assessing them as individuals, and providing personalized lessons based on their exact strengths and weaknesses to optimally improve their understanding.

How KAIT Works: KAIT includes a smartpen with a camera, memory chip and a real-time clock; recording data 75 times in a second. The digital pen converts written analogue data on paper to digital data and then synchronizes and aggregates it in the cloud platform's sophisticated diagnostics assessment module. This data becomes the foundation layers for the platform's AI algorithm.

The AI algorithm is used to recommend an individualized study path for students. This plan provides complete diagnosis to prescription, helping teachers understand the gaps in the learning journey, why they're happening, and how to solve the issue.

Ultimately, the platform helps the teacher instruct and guide more efficiently, while helping the student understand and perform better, faster.

In line with the ramp-up of the engineering team in the US, we established a US entity, Knowledge AI Inc. in order to increase scalability of Anoto´s education solution Knowledge AI Technology (KAIT). We have been able to recruit a number of very talented and skilled individuals, as well as a distinguished advisory board consisting of scientists in artificial intelligence and data science from MIT and Columbia University who are now linked to the company.

Since the commercial launch of the KAIT software in August 2019, we made substantial progress in securing commercial trials for subscription orders. As of end of February 2020, school districts with over 900 schools and over 730,000 students are the total contract number of students under pilot projects.

Most contracts are based in the US, but we have one fully subscribed customer in South Korea and we have a contract with the Government of Singapore (the Ministry of Education).

In 2019, Anoto secured an investment of USD 3 million for a 16.667% stake in Knowledge AI Inc. The investment was made at a pre-money valuation of Knowledge AI Inc of USD 15 million, implying a post-money valuation of Knowledge AI Inc of USD 18 million, equivalent to approximately SEK 173 million.

### Shares and Shareholders

At the end of 2019, there were 150,262,277 issued ordinary shares in Anoto. According to Euroclear Sweden AB's statistics, there were 16,801 shareholders on December 31, 2019, representing a decrease of 4.9 percent over the past 12 months.

The largest shareholder as at December 31, 2019 was HONGKONG & SHANGHAI BANKING CO LTD, W8IMY owning 8.7 per cent of the votes and capital. There is only one class of shares (ordinary shares).

## CORPORATE GOVERNANCE REPORT

The Corporate Governance Report is located in a separate section after the financial reports in these financial statements.

## EMPLOYEES

The average number of employees within the Group increased from 34 in 2018 to 46 in 2019. The Group had 49 employees (40) at the year-end.

## COMMENTS ON THE STATEMENT OF COMPREHENSIVE INCOME

Net sales in 2019 amounted to MSEK 112 (116) and operating loss in the period was MSEK 51 (132).

The slight decrease in net sales is mainly due to production issues within Livescribe that led to a significant amount of order cancellations; these issues have since been fully resolved.

Anoto's change in pricing model within the Forms business also contributed to this decrease in revenue. This pricing model transition required us to turn down numerous renewal requests based on the old pricing scheme with an unavoidable impact on the number of customers as well as on revenue. However, the group expects a substantial increase in revenue in coming quarters, as despite having fewer number of customers, we have been able to increase average deal size. Our focus will be on increasing the customer base as well as expansion sales to our current customers.

Gross margin in the period increased to 54% (32%) as a result of better margins in the Notetaking business with lower production costs and higher proportion of licensing revenue – resulting in our highest gross margin in the last 5 years.

In 2019, the group recognized a goodwill impairment of MSEK 6,7 (2018: MSEK 19).

Overhead costs in the period were MSEK 95 (85), excluding one-time write-offs MSEK 7 (84). Cost saving efforts were exercised across all operations; the overhead increase is fully attributable to the group's investment in KAIT.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) in the period amounted to MSEK -35 (-47).

The net loss after tax for the year was MSEK 33 (116).

## COMMENT ON THE STATEMENT OF FINANCIAL POSITION AND THE STATEMENT OF CASH FLOWS

The total assets increased by MSEK 22 to MSEK 306. Liabilities have decreased by MSEK 5 to MSEK 68.

Group Equity at the end of the year amounted to MSEK 238, compared to MSEK 212 in the previous year. The cash flow from operating activities was MSEK -11 (-43). Cash flow from investment activities during the year was MSEK -30 (-5). The cash flow from financing activities was 56 (22), including net proceeds from share issues of 58 MSEK (24). The cash flow for the year was MSEK 15 (-26). Closing cash at end of year was MSEK 20 (5).

## RESEARCH AND DEVELOPMENT

Anoto Group conducts research and development under the following policies to achieve growth in priority business fields and to create new business.

**Integrating Strategies for Business and R&D**

1. Robust new business development
2. Sustained growth of existing businesses through innovative new products

Research Policy Approach

1. Deepening and broadening Anoto Group's fundamental technologies
2. Creating new value by integrating multiple technologies in various fields
3. Enhancing group synergies
4. Accelerating development
5. Improving the fundamental R&D capability of each researcher and organization

Anoto’s R&D efforts are focused on meeting market needs in the three existing business areas (Forms, OEM, and notetaking) and on innovation relating to Knowledge AI. R&D expenses during the year were MSEK 34 (36), equivalent to 20 percent (21) of the total operating expenses. Pursuant to its compliance with IAS 38, the Group capitalized MSEK 25 (19) during 2019. Including capitalization, the Group´s R&D expenses totalled MSEK 45 (40) for the year.

Anoto has an extensive patent portfolio. At the end of 2019, the Group had 6 active patent applications and owned 209 registered patents.

## DISPUTES

After securing a summary judgement in 2019 against City Soft Limited and one of its directors for infringing on Anoto’s intellectual property rights, Anoto was granted declaratory and injunctive relief as well as an inquiry as to damages by the Court. Anoto has during the year 2019 filed such an inquiry as for damages with the Court. After said filing with the Court, the parties have continued the exchange of letters and tried to agree on directions for the case as to damages. The parties have not been able to agree on such directions, why the main hearing will be preceded by a Case Management Conference (CMC) in the Court, during which the directions in terms of issues to be addressed at the main hearing will be decided. The CMC is scheduled to be held on May 15, 2020.

## SUSTAINABILITY INFORMATION

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

### Employee Policies

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

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

## RISK MANAGEMENT

*Liquidity and financing risk*

Anoto´s cash and cash equivalents, as cash and bank deposits, amounted to MSEK 20 (5) at the end of 2019.

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

During 2019, the group has raised funds of MSEK 58 by way of rights issues.

Although Anoto was able to keep operating costs controlled since successfully decreasing overhead since 2016, we are still in the investment stage for KAIT.

There may be strains on the group’s liquidity under the second half of 2020. On March 11, 2020, the World Health Organization declared the rapidly spreading coronavirus outbreak a pandemic. The announcement and the subsequent spread of the virus has brought uncertainty to the market; at this time, we still cannot measure the full economic impact. In a scenario where the pandemic is not levelled out and brought under control by May 2020, it may have a negative impact the group’s liquidity during the second half of 2020.

Anoto’s Smart Pens can be perceived as the ideal tool for Teachers and Students that still will be under confinement at home for the next couple of months and the Group can benefit from this. On the other hand, logistical constrains can have impact on moving the product from production to customer and by that having a negative impact on the cash flow.

However, the management views this risk as manageable and is actively managing this liquidity risk by adapting the following policies proactively: 1) increase in quarterly sales with the launch of new products along with tactical and cost conscious marketing activities, which will lead to a higher cashflow in Q3 and Q4, and 2) the Board of Directors proposes that the AGM authorizes the Board of Directors to resolve to issue ordinary shares, warrants and/or convertible bonds of a maximum of 34,000,000 ordinary shares. Anoto has a strong interest from an investor to subscribe to 28,000,000 shares and the management is confident that the issuance successfully will be carried out in May or June 2020.

*Currency exposure and credit risk*

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

*Insurance risk*

Anoto's insurance coverage is reviewed annually with respect to traditional business insurance policies and appropriate coverage is maintained balancing the exposure of the business and the related costs.

*Patent risks, etc.*

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

**The Board and Its Rules of Procedure**

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

## GUIDELINES ON REMUNERATION FOR SENIOR EXECUTIVES

Principles for remuneration, fees and other remuneration paid to the Board of Directors, the Chairman, the CEO and other members of Group Management, other statistics and the guidelines regarding remuneration and benefits to Group Management as approved by the Annual General Meeting are specified in Note 9. Remuneration for the CEO and senior executives in 2019 is disclosed in Note 9, "Salaries and other remuneration". The Board has proposed to the Annual General Meeting that the guidelines on remuneration for senior executives remain unchanged in 2020.

## OUTLOOK FOR THE FUTURE

After the initial pen launch in 2018, in 2019 we listened to our customers to fine tune and improve the AEGIR pen. Fortunately, we were able to tackle most issues by the end of the 3rd quarter. However, focusing on product improvement led to some delays in the launch and continuous improvement of the Livescribe software (apps and desktop).

With the exception of KAIT, existing businesses of Anoto are expected to be profitable in 2020. KAIT requires substantial investment and is expected to incur losses as continued engineering and product development is still required. Furthermore, marketing and sales expenses are closely tied to the success of the business. As a SaaS company, KAIT is expected to incur large losses in the earlier stages. In fact, the better KAIT performs and the more successful the launch, the bigger the financial losses will be in the earlier stages.

Livescribe is concentrating on additional software launches to improve the utility of our digital notetaking pen. We will be launching a Social Media notebook in March, and an MS Windows interface in the first half of 2020. In addition, there will be additional software development to reduce the cost of maintaining four different platform apps (iOS, Android, Windows, Mac). With the launch of new pens and the new software, we have seen increased interest in new distributorships. Expansion into Europe and other regions are high priority projects. We have entered into business relationships with Best Buy Canada and Lotte Hi-Mart Korea, the largest electronic retailers in these respective countries.

Enterprise Forms' focus is to secure large customers, especially in the US to expand geographically and diversify revenue sources. The successful launch of Anoto Cloud is a key event for Enterprise Forms in year 2020.

The OEM business' key focus is to diversify revenue sources. We are in discussions with several potential OEM customers and expect to launch commercial pilots during the third quarter of 2020, in preparation for Black Friday events.

We will be careful to not increase OPEX, remaining cost effective and reducing cost when possible.

We expect growth in the Enterprise Forms business as well as OEM sales from Anoto Korea this year. We are hoping for a strong recovery in Livescribe's retail sales as we are now launching new pens, as well as improved software, and the new social media notebook.

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**Proposed Appropriation of Accumulated Result**

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| Proposed appropriation of accumulated result in the parent company (SEK): | SEK |
|---|---|
| Share premium reserve | 698,681,225 |
| Profit/loss brought forward | -315,662,244 |
| Profit for the year | 4,225,495 |
| **Total** | **387,244,476** |

The Board of Directors propose that the reserves of SEK 387,244,476 are carried forward. With regard to the financial position of the Group and parent company, refer to the following accounts.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| (KSEK) | Note | Group 2019 | Group 2018 |
|---|---|---|---|
| Net sales | 5 | 111,967 | 115,556 |
| Cost of goods and services sold | 11 | -51,351 | -78,097 |
| **Gross profit/loss** | | **60,616** | **37,459** |
| | | | |
| Selling expenses | 8,14,31,34 | -40,663 | -25,159 |
| Administrative expenses | 8,9,10,14,31,34 | -27,475 | -108,917 |
| Research & development costs | 8,14,34 | -33,581 | -36,149 |
| Other operating income | 12 | 0 | 14,334 |
| Other operating costs | 13 | -9,552 | -13,728 |
| **Operating earnings** | 11 | **-50,654** | **-132,160** |
| | | | |
| Financial income | 16 | 18,952 | 13,756 |
| Financial cost | 16 | -870 | -619 |
| **Earnings before taxes** | | **-32,573** | **-119,023** |
| | | | |
| Income taxes | 17 | -34 | 3,174 |
| | | | |
| **Net earnings for the year** | | **-32,607** | **-115,848** |
| | | | |
| **Total earnings for the year attributable to:** | | | |
| Shareholders of Anoto Group AB | | -32,117 | -115,884 |
| Non-controlling interest | | -490 | 35 |
| **Total profit/loss for the year** | | **-32,607** | **-115,850** |
| | | | |
| **Other comprehensive income** | | | |
| | | | |
| **Items that may be reclassified to profit/loss for the year:** | | | |
| Translation differences for the year | | 3,065 | 2,429 |
| Gain or losses at valuation to fair value of investment | | 273 | -16,577 |
| **Other comprehensive income for the year** | | **3,338** | **-14,148** |
| **Total comprehensive income for the year** | | **-29,269** | **-129,998** |
| | | | |
| **Total comprehensive income for the year attributable to:** | | | |
| Shareholders of Anoto Group AB | | -29,052 | -130,033 |
| Non-controlling interest | | -217 | 35 |
| **Total comprehensive income for the year** | | **-29,269** | **-129,998** |
| | | | |
| Earnings per share (SEK) | | -0.23 | -1.16 |
| Diluted earnings per share (SEK) | | -0.18 | -0.91 |
| Weighted average number of ordinary shares | | 128,648,079 | 112,429,281 |
| Diluted weighted average number of ordinary shares | 38 | 161,765,769 | 143,142,450 |

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| (KSEK) | Note | Group 2019 | Group 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| **Intangible fixed assets** | | | |
| Capitalized development expenditures | 18 | 68,508 | 48,962 |
| Patents | 19 | 2,076 | 416 |
| Goodwill | 22 | 142,143 | 144,854 |
| Brands | 20 | 414 | 565 |
| Other intangible assets | 21 | 5,998 | 6,070 |
| **Total intangible fixed assets** | 5 | **219,138** | **200,867** |
| **Property, plant and equipment** | | | |
| Equipment and tools | 23 | 7,067 | 3,233 |
| **Total property, plant and equipment** | 5 | **7,067** | **3,233** |
| **Financial fixed assets** | | | |
| Other long-term securities | 25 | 260 | 385 |
| Other long-term receivables | 26 | 1,418 | 1,780 |
| **Total financial fixed assets** | | **1,678** | **2,165** |
| **Total non-current assets** | | **227,883** | **206,265** |
| **Current assets** | | | |
| **Inventories** | | | |
| Finished goods and goods for sale | 27 | 22,690 | 24,561 |
| **Current receivables** | | | |
| Accounts receivable | 28 | 20,989 | 39,004 |
| Other receivables | | 7,558 | 4,200 |
| Prepaid expenses and accrued income | 29 | 6,988 | 4,855 |
| **Total current receivables** | | **35,535** | **48,059** |
| **Cash and cash equivalents** | | **20,375** | **5,458** |
| **Total current assets** | | **78,600** | **78,078** |
| **TOTAL ASSETS** | | **306,483** | **284,343** |

| (KSEK) | Note | Group 2019 | Group 2018 |
|---|---|---|---|
| **SHAREHOLDERS´ EQUITY AND LIABILITIES** | | | |
| Share capital | 38 | 90,157 | 72,367 |
| Share premium | 38 | 1,301,104 | 1,267,763 |
| Translation reserves | 38 | -12,841 | -15,906 |
| Earnings brought forward | | -1,144,197 | -1,112,096 |
| **Equity attributable to the shareholders of Anoto Group AB** | | **234,222** | **212,128** |
| **Non-controlling interest** | | 4,010 | **-548** |
| **Total Equity** | | **238,233** | **211,580** |
| **Non-current liabilities** | | | |
| Convertible debt | 42 | 0 | 2,149 |
| Deferred tax liabilities | 17 | 0 | 0 |
| Other non-current liabilities | | 5,856 | 4,072 |
| **Total non-current liabilities/provisions** | | **5,856** | **6,221** |
| **Current liabilities** | | | |
| Provisions for product warranties | 30 | 3,019 | 242 |
| Short-term interest-bearing liabilities | 33 | 8,182 | 5,685 |
| Accounts payable | | 37,704 | 28,891 |
| Advance payments from customers | | 217 | 2,719 |
| Other liabilities | | 3,816 | 4,346 |
| Accrued expenses and deferred income | 31 | 9,455 | 24,659 |
| **Total current liabilities** | | **62,394** | **66,542** |
| **TOTAL SHAREHOLDERS´ EQUITY AND LIABILITIES** | | **306,483** | **284,343** |

## CONSOLIDATED STATEMENT OF CASH FLOWS

| (KSEK) | Note | Group 2019 | Group 2018 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit after financial items | | -32,607 | -119,023 |
| **Items not affecting cash flow:** | | | |
| Depreciation, amortization and impairment of assets | 14,18-23 | 15,944 | 84,943 |
| Other items | 39 | -15,278 | -14,807 |
| **Cash flow from operating activities before change in working capital** | | **-31,940** | **-48,887** |
| **Cash flow from change in working capital** | | | |
| Change in operating receivables | | 12,524 | -8,882 |
| Change in inventories | | 1,871 | 27,205 |
| Change in operating liabilities | | 6,643 | 4,005 |
| **Total change in working capital** | | **21,038** | **22,328** |
| **Cash flow from operating activities** | | **-10,902** | **-26,559** |
| **Cash flow from investment activities** | | | |
| Capitalized development expenditures | 18 | -25,186 | -19,188 |
| Patents | 19 | -2,332 | -145 |
| Equipment and tools | 23 | -3,317 | -1,913 |
| Financial assets | 26 | 487 | -425 |
| **Cash flow from net investment activities** | | **-30,347** | **-21,671** |
| **Total cash flow before financing activities** | | **-41,250** | **-48,231** |
| **Financing activities** | | | |
| New share issue | | 57,863 | 23,577 |
| Repaid financial liabilities | | -1,696 | -1,552 |
| **Cash flow from financing activities** | | **56,167** | **22,025** |
| **Cash flow for the year** | | **14,917** | **-26,206** |
| Cash and cash equivalents at the beginning of the year | | 5,458 | 31,664 |
| **Cash and cash equivalents at the end of the year** | 39 | **20,375** | **5,458** |

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| (KSEK) | Share capital | Share premium | Translation reserve | Earnings brought forward | Shareholders' equity attributable to the shareholders of Anoto Group AB | Non-controlling interest | Total shareholders'' equity |
|---|---|---|---|---|---|---|---|
| **Shareholders´ equity 01 January 2018** | **61,240** | **1,213,013** | **-1,758** | **-996,211** | **276,284** | **-583** | **275,701** |
| Total profit/loss for the year | - | - | - | -115,884 | -115,884 | 35 | -115,850 |
| Other comprehensive income | - | - | -14,148 | - | -14,148 | - | -14,148 |
| **Total comprehensive income/cost for the year** | **-** | **-** | **-14,148** | **-115,884** | **-130,032** | **35** | **-129,998** |
| New share issue | 4,774 | 18,803 | - | - | 23,578 | - | 23,578 |
| Conversion of debt | 6,353 | 35,947 | - | - | 42,300 | - | 42,300 |
| **Shareholders´ equity 31 December 2018** | **72,367** | **1,267,763** | **-15,906** | **-1,112,096** | **212,128** | **-548** | **211,580** |
| Adjustment on initial application of IFRS16 | - | - | - | 15 | 15 | - | 15 |
| **Shareholders´ equity 01 January 2019** | **72,367** | **1,267,763** | **-15,906** | **-1,112,081** | **212,143** | **-548** | **211,595** |
| Profit/loss for the year | - | - | - | -32,117 | -32,117 | -490 | -32,607 |
| Other comprehensive income | - | - | 3,065 | - | 3,065 | 273 | 3,338 |
| **Total comprehensive income/cost for the year** | | | **3,065** | **-32,117** | **-29,052** | **-217** | **-29,269** |
| New share issue | 17,790 | 9,464 | - | - | 27,254 | - | 27,254 |
| Divestment to holdings without controlling influence | - | 23,877 | - | - | 23,877 | 4,775 | 28,652 |
| **Shareholders´ equity 31 December 2019** | **90,157** | **1,301,104** | **-12,841** | **-1,144,198** | **234,222** | **4,010** | **238,233** |

## INCOME STATEMENT – PARENT COMPANY

| (KSEK) | Note | Parent Company 2019 | Parent Company 2018 |
|---|---|---|---|
| Net sales | | 12,325 | 15,850 |
| **Gross profit/loss** | | **12,325** | **15,850** |
| Administrative expenses | 8,9,10,14,32,34 | -12,341 | -15,096 |
| Other operating income | 12 | - | 81 |
| **Operating profit/loss** | | **-16** | **835** |
| Profit/loss on shares in group companies | 15 | - | -25,885 |
| Loss from other participating interests | | - | -16,577 |
| Interest and similar income | 16 | 4,945 | 3,002 |
| Interest and similar expenses | 16 | -704 | - |
| **Profit/loss before taxes** | | **4,225** | **-38,625** |
| Taxes | 17 | - | - |
| **Profit/loss for the year** | | **4,225** | **-38,625** |

## BALANCE SHEET – PARENT COMPANY

| (KSEK) | Note | Parent Company 2019 | Parent Company 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| **Intangible fixed assets** | | | |
| Patents | 19 | 0 | 2 |
| Brands | 20 | 10 | 16 |
| Other intangible assets | 21 | 7,511 | 5,983 |
| **Total intangible fixed assets** | | **7,521** | **6,001** |
| **Financial fixed assets** | | | |
| Other long-term receivables | 26 | 87 | 0 |
| Other long-term securities | 25 | 260 | 385 |
| Shares in group companies | 24 | 46,646 | 46,646 |
| Receivables - group companies | | 518,679 | 221,895 |
| **Total financial fixed assets** | | 565,672 | 268,926 |
| **Total non-current assets** | | **573,194** | **274,927** |
| **Current assets** | | | |
| Receivables - group companies | | 47,131 | 305,876 |
| Other receivables | | 474 | 367 |
| Prepaid expenses and accrued income | 29 | 2,465 | 3221 |
| **Total current receivables** | | **50,069** | **309,464** |
| **Cash and bank balances** | | **8** | **1,055** |
| **Total current assets** | | **50,077** | **310,519** |
| **TOTAL ASSETS** | | **623,271** | **585,446** |

| (KSEK) | Note | Parent Company 2019 | Parent Company 2018 |
|---|---|---|---|
| **SHAREHOLDERS´ EQUITY AND LIABILITIES** | | | |
| **Restricted equity** | | | |
| Share capital | 38 | 90,157 | 72,367 |
| Statutory reserve | | 123,031 | 123,031 |
| **Total restricted equity** | | **213,188** | **195,398** |
| **Non restricted equity** | | | |
| Share premium | | 698,681 | 689,216 |
| Earnings brought forward | | -311,437 | -315,662 |
| **Total non-restricted equity** | | **387,244** | **373,554** |
| **Total equity** | | **600,433** | **568,952** |
| **Non-current liabilities** | | | |
| Convertible debt | 42 | - | 2,149 |
| Other long-term to group companies | | - | - |
| Other long-term liabilities | | 2,376 | 4,037 |
| Total Non-current liabilities | | 2,376 | 6,186 |
| **Current liabilities** | | | |
| Accounts payable | | 3,043 | 1,434 |
| Liabilities to group companies | | 12,998 | 6,902 |
| Other liabilities | | 2,741 | 1,446 |
| Accrued expenses and prepaid income | 31 | 1,680 | 527 |
| **Total current liabilities** | | **20,462** | **10,309** |
| **TOTAL SHAREHOLDERS´ EQUITY AND LIABILITIES** | | **623,271** | **585,446** |

## CASH FLOW STATEMENT – PARENT COMPANY

| (KSEK) | Note | Parent Company 2019 | Parent Company 2018 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit after financial items | | 4,225 | -38,625 |
| **Items not affecting cash flow:** | | | |
| Depreciation and amortization of assets | 14, 18-23 | 178 | 14 |
| Impairment of shares in group companies | 15 | - | 25,885 |
| Other items | 39 | - | 16,577 |
| **Cash flow from operating activities before change in working capital** | | **4,403** | **3,851** |
| **Cash flow from change in working capital** | | | |
| Change in operating receivables | | -37,648 | -38,676 |
| Change in operating liabilities | | 8,492 | -1,491 |
| **Total change in working capital** | | **-29,156** | **-40,167** |
| **Cash flow from operating activities** | | **-24,753** | **-36,316** |
| **Investment activities** | | | |
| Other intangible assets | 21 | -1,698 | - |
| Financial assets | | 298 | - |
| **Cash flow from investment activities** | | **-1,400** | - |
| **Total cash flow before financing activities** | | **-26,153** | **-36,316** |
| **Financing activities** | | | |
| Convertible debt issued | | -2,149 | - |
| New share issues | | 27,255 | 23,578 |
| Long term receivable group companies | | - | -118 |
| **Cash flow from financing activities** | | **-25,106** | **23,460** |
| **Cash flow for the year** | | **-1,047** | **-12,856** |
| Cash and cash equivalents at beginning of the year | | 1,055 | 13,911 |
| **Cash and cash equivalents at end of the year** | 39 | **8** | **1,055** |

## CHANGES IN SHAREHOLDERS' EQUITY – PARENT COMPANY

| (KSEK) | Share capital | Statutory reserve | Share premium | Earnings brought forward | Total Equity |
|---|---|---|---|---|---|
| **Shareholders´ equity 01 January 2018** | **61,240** | **123,031** | **634,466** | **-288,281** | **530,456** |
| Total profit/loss for the year | - | - | - | **-38,625** | **-38,625** |
| **Total comprehensive income/cost for the year** | - | - | **-** | -38,625 | **-38,625** |
| Revaluation of net investment in foreign currency | - | - | - | 11,244 | **11,244** |
| New share issue | 4,774 | - | 18,803 | - | **23,577** |
| Conversion of debt | 6,353 | - | 35,947 | - | **42,300** |
| **Shareholders´ equity 31 December 2018** | **72,367** | **123,031** | **689,216** | **-315,662** | **568,952** |
| Total profit/loss for the year | - | - | - | **4,225** | **4,225** |
| | - | - | - | | |
| **Total comprehensive income/cost for the year** | - | - | **-** | 4,225 | **4,225** |
| New share issue | 17,790 | - | 9,465 | - | **27,255** |
| **Shareholders´ equity 31 December 2019** | **90,157** | **123,031** | **698,681** | **-311,437** | **600,432** |

## NOTES TO THE FINANCIAL STATEMENTS

Anoto Group AB, the parent company of the Anoto Group, is a limited liability company with its registered office in Stockholm, Sweden. The Anoto Group is a global provider of Enterprise Solution and Licensing, Notetaking, OEM and KAIT.

### NOTE 1 – General Accounting policies

The consolidated financial statements of Anoto Group AB (publ) (Anoto) have been prepared in compliance with the Swedish Annual Accounts Act. International Financial Standards (IFRS), interpretation from IFRS Interpretations Committee as endorsed by EU and the Swedish Financial Reporting Board recommendations RFR 1 "Complementary accounting rules for corporate groups".

The Group's financial statements have been prepared under the assumption that the group operates on going concern basis.

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

The financial statements have been approved for distribution by the Board and the CEO on April 27, 2020. The Group's statement of comprehensive income and statement of financial position, and the parent company's income statement and balance sheet, will be subject to approval by the Annual General Meeting on May 18, 2020.

### NOTE 2 – Accounting policies

### THE GROUP

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

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

### Classification etc.

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

### Basis of consolidation

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

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

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

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

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

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

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

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

Consolidation of an investee shall begin from the date the investor obtains control of the investee and cease when the investor loses control of the investee.

In cases where the subsidiary's accounting policies do not comply with Group accounting policies, adjustments are made to the Group's accounting policies. Losses attributable to non-controlling interest is distributed even in cases where non-controlling interest will be negative.

### Non-controlling interest

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

### Elimination of intra-Group transactions

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

### Transactions in foreign currencies

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

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

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

## Revenue recognition

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and several revenue-related Interpretations. IFRS 15 has been applied retrospectively without restatement of previous reporting periods, with the cumulative effect of initial application recognized as an adjustment to the opening balance of retained earnings/profit brought forward at 1 January 2018.

Revenue arises mainly from the sale of digital pens and with associated software and patterns.

To determine whether to recognize revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied

The Group often enters into transactions involving several of Anoto's product and services. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognized either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.
*Contracts with multiple performance obligations*
Many of the Group's contracts comprise a variety of performance obligations including, but not limited to sales of digital pens and software license, patterns and professional services. The Group have evaluated the separability of the promised goods or services based on whether they are 'distinct'. A promised good or service is 'distinct' if both:

- the customer benefits from the item either on its own or together with other readily available resources, and
- it is 'separately identifiable' (i.e. the Group does not provide a significant service integrating, modifying or customizing it).

The Group has identified each product or service as distinct.

- Hardware pens including a pen license fee – revenue recognized at a point in time
- Software license fee – revenue recognized over time
- Pattern – revenue recognized at a point in time
- Other services – revenue recognized at a point in time
- Pens and accessories – revenue recognized at a point in time

## Financial income and expenses

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

## Intangible assets

### Goodwill

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

### Research and development

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

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

### Other intangible assets

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

### Subsequent expenses

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

### Tangible fixed assets

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

### Depreciation and amortization

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

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

The depreciation and amortization methods used, and the useful lives of assets are reassessed at the end of each financial year.

### Impairment

### Impairment of intangible and tangible fixed assets

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

The development in progress is tested for impairment annually.

### Impairment of financial assets

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

## Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

### Policy applicable from 1 January 2019

As of January 1, 2019, the Group applies the new standard IFRS 16 Leases. IFRS 16 introduces a single accounting method for leasing agreements, which means that the Group's lease agreements for offices that have previously been classified as operating leases according to IAS 17 will be reported in the balance sheet as an asset in the form of a right of use and leasing debt. The company has chosen to apply the relief rules as lesser leases and agreements that run for shorter periods than 12 months from the transition date are not included. The group has chosen to apply partial retroactivity where comparative years are not recalculated and the accumulated effect (if any) is reported as an adjustment of the opening equity at the first application date.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

### i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

– Fixed payments, including in-substance fixed payments.
– Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; – amounts expected to be payable under a residual value guarantee; and
– The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term

### Earnings per share

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

### Receivables and payables in foreign currencies

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

### Financial instruments

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

For all financial assets and liabilities at amortized cost, the carrying amount is a reasonable estimate for the fair value.

### Recognition and derecognition

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

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

### Classification and subsequent measurement of financial assets

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the category amortized cost or fair value through other comprehensive income.

The classification is determined by both:

- The group's business model for managing the financial asset
- The contractual cash flow characteristics of the financial asset.

Management holds most financial assets to hold and collect the associated cash flows. The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This includes financial assets like the Group's cash and cash equivalents, loans and receivables with fixed or determinable payments that are not quoted in an active market and are measured at amortized cost in accordance with IFRS 9.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items.

### Trade and other receivable and contract assets

The group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to Note 28 is a detailed analysis of how the impairment requirements of IFRS 9 are applied.

### Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the group's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The group's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at fair value through profit or loss, which are carried subsequently at fair value with gains or losses recognized in profit or loss

All interest-related charges are included within finance costs.

### Cash and bank balances

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

### Inventory

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

### Equity, reserves and dividend payments

Share capital represents the nominal (par) value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity include the followings:

- Translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the group's foreign entities into SEK
- Reserves for available-for-sale financial assets and cash flow hedges – comprises gains and losses relating to these types of financial instruments.

Retained earnings includes all current and prior period retained profits and share-based employee remuneration.

All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

### Employee benefits

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

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

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

### Share-based employee renumeration

### Option Program

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans are cash-settled.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values.

Where employees are rewarded using shared-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognized as an expense in profit or loss with a corresponding credit to retained earnings. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognized in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

### Income Tax

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

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

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

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

### Cash flow

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

### Provisions

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

### Product warranties

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

### Disclosures about related parties

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

### Segment reporting

The group has three operating segments: Notetaking Enterprise and OEM. In identifying these operating segments, management generally follows the Group´s service lines representing its mains products and services.

Each of these operating segments its managed separately as each requires different technologies, marketing approaches and other resources. All Inter-segments transfers are carried out at arm´s length prices based on prices charged to unrelated costumers in stand-alone sales of identical goods of services.

For the management purpose, the group uses the same measurement policies as those used in this financial statement, except for certain item not included in determining the operating profit of the operating segment, as follows:

- Post – employment benefits expenses.
- Share-based payment expenses.
- Research costs relating to new business activities.
- Revenue, costs and fair value gains from investment property.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment. This primarily applies to the Group´s headquarter and the illustrative research LAB in Korea.

### Standard that is not yet effective and have not been adopted early by the group

At the date of authorization of these financial statements, several new, but not yet effective standards and amendments to existing standards have been published by the IASB, none of these standards or amendments have been adopted early by the group.

- IFRS 17 Insurance Concepts
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Conception Framework of Financial Reporting

These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore the disclosures have not been made.

### New and revised standards that are effective for annual periods beginning on or after 1 January 2019

### IFRS 16 Leases

The Group initially applied IFRS 16 Leases from 1 January 2019.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated

– i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

### A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

### B. As a lessee

As a lessee, the Group leases many assets including property, production equipment and IT equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component

#### i. Leases classified as operating leases under IAS 17

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

– Their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application: The Group applied this approach to its largest property lease; or

– An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: The Group applied this approach to all other leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

– Did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application.

– Did not recognize right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment).

– Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and

– Used hindsight when determining the lease term.

### C. As a lessor

The Group leases out its investment property, including own property and right-of-use assets. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease.

The Group sub-leases some of its properties. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to IFRS 16, the right-of-use assets recognized from the head leases are presented in investment property and measured at fair value at that date. The Group assessed the classification of the sub-lease contracts with reference to the right of-use asset rather than the underlying asset and concluded that they are operating leases under IFRS 16.

The Group has also entered into a sub-lease during 2019, which has been classified as a finance lease.

The Group has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

### D. Impact on financial statements

#### i. Impact on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets, including investment property, and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

| TSEK | 01-January-19 |
|---|---|
| Assets | 4,515 |
| Liabilities | 4,500 |
| Equity | 15 |

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted- average rate applied is 3%.

| **TSEK** | **01 January 2019** |
|---|---|
| Operating Lease commitments disclosed at 31 December 2018 | 4,733 |
| Lease with remaining lease term of less than 12 months | -228 |
| | |
| Lease Liability before Discounting | 4,505 |
| Discounted using incremental borrowing rate | -5 |
| Operating Lease Liability | 4,500 |
| | |
| **Leases Liabilities recognized at 1 January 2019** | **4,500** |

## Other Standards

A number of other new standards are also effective from 1 January 2019, but they do not have a material effect on the Group's financial statements.

## SEGMENT REPORTING

The Group has the following three strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies

During 2019, 34,605 KSEK or 31% (31,303 KSEK or 27%) of the Group's revenues depended on two customers in the OEM and notetaking segments.

The total presented for the Group´s operating segments reconcile to the financial figures as presented in this financial statement as follows:

| (KSEK) | Group 2019 | Group 2018 |
|---|---|---|
| **Revenues** | | |
| Total Reportable Segment reporting | 141,440 | 149,806 |
| Elimination of intersegment revenues | -29,473 | -34,250 |
| **Group Revenues** | **111,967** | **115,556** |
| **Profit and Losses** | | |
| Total Reportable Segment reporting | -224,417 | -247,335 |
| Other expenses not allocated | 32,322 | -34,631 |
| Elimination of intersegment Profit | 29,473 | 34,250 |
| **Group Operating Profit** | **-50,654** | **-132,160** |
| Financial costs | -870 | -619 |
| Finance income | 18,952 | 13,756 |
| **Group Profit before taxes** | **-32,573** | **-119,023** |

| (KSEK) | Group 2019 | Group 2018 |
|---|---|---|
| **Assets** | | |
| Total Reportable Segment Assets | 161,440 | 202,007 |
| Other Assets | 145,043 | 82,336 |
| **Group Assets** | **306,483** | **284,343** |

| (KSEK) | Group 2019 | Group 2018 |
|---|---|---|
| **Liabilities** | | |
| Total Reportable Segment Liabilities | 51,007 | 63,288 |
| Other Liabilities | 17,244 | 9,475 |
| **Group Liabilities** | **68,251** | **72,763** |

An analysis of the Group revenue from external costumers for each major product and service category is as follow:

| (KSEK) | Group 2019 | Group 2018 |
|---|---|---|
| **Revenues** | | |
| Enterprise Forms | 29,023 | 30,260 |
| Notetaking | 58,803 | 61,657 |
| OEM | 24,141 | 23,639 |
| **Group Revenues** | **111,967** | **115,556** |

| For the year ended 31 December 2019 | | | | | |
|---|---|---|---|---|---|
| (KSEK) | Enterprise Forms | Notetaking | OEM | Other | Total |
| **Revenue** | | | | | |
| From external customers | 29,023 | 58,803 | 24,141 | | 111,967 |
| From other segments | 3,171 | 761 | 25,541 | | 29,473 |
| Segment Revenue | 32,194 | 59,564 | 49,682 | | 141,440 |
| Costs of Goods Sold | 5,081 | 42,380 | 33,363 | | 80,824 |
| Other Operating Expenses | 21,245 | 40,641 | 17,063 | 32,322 | 111,270 |
| Segment Operating Profit | 5,868 | -23,457 | -744 | -32,322 | -50,654 |
| Segment Assets | 67,860 | 25,772 | 67,808 | 145,043 | 306,483 |
| Segment Liabilities | 8,173 | 7,250 | 35,584 | 17,244 | 68,251 |

| For the year ended 31 December 2018 | | | | | |
|---|---|---|---|---|---|
| (KSEK) | Enterprise Forms | Notetaking | OEM | Other | Total |
| **Revenue** | | | | | |
| From external customers | 29,851 | 61,698 | 23,638 | 370 | 115,556 |
| From other segments | 5,692 | 0 | 28,558 | | 34,250 |
| Segment Revenue | 35,543 | 61,698 | 52,196 | 370 | 149,806 |
| Costs of Goods Sold | 16,401 | 39,392 | 54,772 | 11 | 110,576 |
| Other Operating Expenses | 89,154 | 19,932 | 27,684 | 34,620 | 171,390 |
| Segment Operating Profit | -70,013 | 2,374 | -30,260 | -34,261 | -132,160 |
| Segment Assets | 67,438 | 87,507 | 47,062 | 82,336 | 284,343 |
| Segment Liabilities | 23,517 | 9,843 | 29,928 | 9,474 | 72,762 |

## PARENT COMPANY

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

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

### Changes to accounting principles

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

### Classification and presentation format

The income statements and balance sheets for the parent company are prepared in accordance with the Annual Accounts Act. The differences in the parent company´s income statement and balance sheet compared with the Group´s financial statements consist mainly of the reporting of financial income and costs and the reporting of equity.

The report over changes in shareholders’ equity is prepared in the same format as for the group but with columns as required by the statements of the Annual Accounts Act.

### Leases

The parent company's finance and operating leases are charged to the income statement on a straight line basis.

### Financial instruments

All finance assets and liabilities are measured on costs basis

Financial instruments are measured, initially as well as subsequently, at amortized cost which normally is equal to the fair value at initial recognition but with transaction costs added.

### Holdings in subsidiaries

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

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

### Assessments and applications in the financial statements

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

### Critical assessments when applying the group's accounting policies

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

### Key sources of uncertainty in the estimates

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

### Impairment testing of goodwill

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

As a part of the annual closing process, Anoto tested the value of the Group goodwill and found that there is evidence of impairment regarding Group goodwill for the current period. The group will continue to review the carrying amounts of goodwill against the progress made in the business and specifically in the cash generating units to which goodwill have been allocated and further adjust goodwill as appropriate.

The reported value for goodwill is SEK 142 million as of the balance sheet date. For additional information, refer to Note 22.

### Impairment testing of capitalized development expenditures and other intangible assets

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

Anoto

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

The value in use is based upon the estimated future cash flows that the technology and products are expected to generate. For additional information, see notes 18 and 21.
When testing for impairment losses, the value in use is calculated for the technology and products developed by the group. The group will continue to review the carrying values of capitalized development expenditures and other intangible assets against the progress made in the business and will further adjust the carrying value of other intangible assets including capitalized development expenditures as appropriate.

### Inventories

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

### Legal proceedings

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

## NOTE 4 – Risk management by the group

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

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

The areas of the financial policy that most affect Anoto's management of financial risks are liquidity and currency.
The group management of Anoto identify liquidity and currency risk in preparing budgets, forecasts, and when reviewing the performance of the business. Management maintains strategies to minimize the impact of these risks.

### Risk definitions

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

### Liquidity policy

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

### Liquidity and financing risk

Anoto´s cash and cash equivalents, as cash and bank deposits, amounted at the end of 2019 to MSEK 20 (5).

There is a credit facility amounting to 15 MSEK that can be executed if necessary. Apart from that there is no liquidity reserve, such as overdraft facilities. The only other financial liabilities, apart from the interest on the loans, that will affect cash flow are accounts payable and other current liabilities. All these liabilities fall due within 3 months.

Maturity structure financial liabilities (KSEK):

**2019:**

| | 0-3 months | 4-6 months | 7-12 months | 1-5 years |
|---|---|---|---|---|
| Borrowings | 0 | 0 | 3,480 | 0 |
| Long Term Liabilities | | | | 5,856 |
| Accounts payable | 37,704 | 0 | 0 | 0 |
| Other current liabilities | 3,816 | 0 | 0 | 0 |

**2018:**

| | 0-3 months | 4-6 months | 7-12 months | 1-5 years |
|---|---|---|---|---|
| Borrowings | 0 | 0 | 2,149 | 0 |
| Long Term Liabilities | | | | 6,221 |
| Accounts payable | 30,633 | 0 | 0 | 0 |
| Other current liabilities | 6,928 | 0 | 0 | 0 |

### Currency exposure and currency policy
### Transaction exposure

Transaction exposure arises when income and expenses are in other currencies. Anoto has significant currency flows in USD, EUR, GBP, and KRW because most of its invoicing are denominated in those currencies. Anoto's Group's currency policy does not provide for hedging, mainly due to the difficulty producing the needed cash flow in the relevant currencies.

The net exposure in EUR results from the Group invoicing mostly in EUR in the European market and local expenses Anoto Portugal.

The net exposure in USD is attributable to revenue and expenses through Livescribe, Inc and Knowledge Ai Inc. The expenses in USD are a combination of the purchasing of components and finished goods along with current expenses incurred in the US based subsidiaries.

The net sales in GBP relate to invoicing to customers in the UK by our UK based subsidiary and the costs in GBP are related to the running of the UK business.

The net exposure in KRW arises due to sales invoiced in Korea by Anoto Korea Inc. These sales exposures are offset by local costs.

The net exposure in SGD arises due to local costs by Anoto Singapore.

### Sensitivity analysis exposure

Sensitivity Analysis (Net Income impact of 5% points change of operating currencies against SEK)

| | |
|---|---|
| USD | (+/-) 1.3 MSEK |
| EUR | (+/-) 0.1 MSEK |
| GBP | (+/-) 0.2 MSEK |
| KRW | (+/-) 0.6 MSEK |
| SGD | (+/-) 0.0 MSEK |

### Translation exposure

Translation Exposure (Translation Reserve (equity) impact of 5% points change of operating currencies against SEK)

| | |
|---|---|
| USD | (+/-) 8.0 MSEK |
| EUR | (+/-) 0.1 MSEK |
| GBP | (+/-) 4.4 MSEK |
| KRW | (+/-) 2.8 MSEK |
| SGD | (+/-) 0.1 MSEK |

### Interest risk

Interest rates are currently low and not expected to increase in the near future. The Group also has a low level of interest bearing loans and borrowings and management therefore does not consider interest risk a significant exposure. Convertible Debt is not interest bearing; details of interest bearing liabilities are set out in note 33.

### Other Price risk

The Group carries other long term investments at historical cost, less any allowance for impairment. At December 31, 2019, no allowance for impairment was considered necessary. There is a risk that the market value of these investments may fall. Management monitors the market price of these investments and assesses the need for any impairment provision.

### Credit risk

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

For additional information about credit risk in accounts receivable, see Note 28. Expected loss rates are based on the payment profile for sales over the past 24 months before 31 December 2019, as well as the corresponding historical credit loss during that period. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period. The financial credit risk is managed as part of the Group's finance policy. For other financial instruments, it is assessed that no significant credit risks exist.

## NOTE 5 – Net sales and assets

### Group sales per market and per product group

| (KSEK) | Enterprise Forms | Notetaking | OEM | Total |
|---|---|---|---|---|
| Sweden | 147 | 1,067 | 0 | 1,214 |
| EMEA | 14,578 | 10,910 | 0 | 25,489 |
| Americas | 8,196 | 45,069 | 0 | 53,265 |
| APAC | 6,101 | 1,757 | 24,141 | 31,999 |
| **31 December 2019 Total** | **29,023** | **58,803** | **24,141** | **111,967** |

| (KSEK) | Enterprise Forms | Notetaking | OEM | Total |
|---|---|---|---|---|
| Sweden | 174 | 905 | 0 | 1,079 |
| EMEA | 22,549 | 10,354 | 0 | 32,903 |
| Americas | 2,047 | 45,279 | 0 | 47,326 |
| APAC | 5,490 | 5,119 | 23,638 | 34,247 |
| **31 December 2018 Total** | **30,260** | **61,657** | **23,639** | **115,556** |

In presenting the geography information segment net sales has been based on the geography location of costumers and grouped into three regions plus the Sweden Country, changing the geographies presented in the previous year.

### Group assets per market

| (KSEK) | Intangible assets | | Tangible assets | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Sweden | 171,290 | 173,639 | - | - |
| US | 4,267 | - | 218 | 600 |
| UK | 8,768 | 7,988 | 583 | 728 |
| Korea | 34,813 | 19,240 | 2,569 | 1905 |
| Singapore | - | - | 66 | - |
| Portugal | - | - | 3,631 | - |
| **Total** | **219,138** | **200,867** | **7,067** | **3,233** |

## NOTE 6 – Average number of employees

| | 2019 No. of Ee's | 2019 Of which are Men | 2018 No. of Ee's | 2018 Of which are Men |
|---|---|---|---|---|
| Group companies: | | | | |
| Sweden | - | - | - | - |
| US | 6 | 4 | 1 | - |
| Korea | 30 | 24 | 20 | 14 |
| UK | 4 | 3 | 11 | 7 |
| Singapore | 2 | 1 | 1 | - |
| Portugal | 4 | 2 | 1 | 1 |
| **Total** | **46** | **34** | **34** | **22** |

The parent company has no employees.

## NOTE 7 – Board of Directors and management split by gender

| | 2019 No. of Ee's | 2019 Of which are Men | 2018 No. of Ee's | 2018 Of which are Men |
|---|---|---|---|---|
| Board of Directors Parent company | 4 | 4 | 3 | 3 |
| Board of Directors Group companies | 2 | 2 | 1 | 1 |
| **Total Board** | **6** | **6** | **4** | **4** |
| | | | | |
| Management Group companies | 3 | 3 | 3 | 3 |
| **Total Management** | **3** | **3** | **3** | **3** |

## NOTE 8 – Salaries and remuneration

| (KSEK) | Group 2019 | Group 2018 | Parent Company 2019 | Parent Company 2018 |
|---|---|---|---|---|
| **Salaries** | | | | |
| Board of Directors and CEO | 6,293 | 4,816 | 1,337 | 4,994 |
| Other senior executives | 1,214 | 4,109 | - | - |
| Other employees Sweden | 3,653 | 1,906 | - | - |
| Other employees US | 7,797 | 737 | - | - |
| Other employees UK | 3,472 | 5,974 | - | - |
| Other employees Korea | 3,298 | 1,604 | - | - |
| Other employees Portugal | 2,217 | 18 | - | - |
| Other employees Singapore | 815 | 791 | - | - |
| **Total salaries** | **28,759** | **19,955** | **1,337** | **4,994** |
| | | | | |
| **Payroll overhead** | | | | |
| Board of Directors and CEO | 111 | 1,645 | 25 | - |
| Other senior executives | 114 | 239 | - | - |
| Other employees Sweden | - | 81 | - | - |
| Other employees US | 1,268 | 531 | - | - |
| Other employees UK | 365 | 628 | - | - |
| Other employees Korea | 1,632 | 1,070 | - | - |
| Other employees Portugal | 724 | 83 | - | - |
| Other employees Singapore | 111 | 112 | - | - |
| **Total payroll overhead** | **4,324** | **4,389** | **25** | **0** |
| | | | | |
| **Pension expenses** | | | | |
| Board of Directors and CEO | - | - | - | - |
| Other senior executives | - | - | - | - |
| Other employees Sweden | - | - | - | - |
| Other employees US | - | 153 | - | - |
| Other employees UK | 15 | 205 | - | - |
| Other employees Korea | 345 | 268 | - | - |
| Other employees Portugal | - | - | - | - |
| Other employees Singapore | - | - | - | - |
| **Total pension expenses** | **359** | **626** | **-** | **-** |
| | | | | |
| **Total salaries and remunerations** | **33,443** | **24,970** | **1,362** | **4,994** |
| | | | | |
| **Whereof:** | | | | |
| Sweden | 5,015 | 7,980 | 1,362 | 4,994 |
| US | 9,065 | 1,421 | - | - |
| UK | 3,852 | 6,807 | - | - |
| Korea | 6,603 | 2,942 | - | - |
| Portugal | 2,941 | 101 | - | - |
| Singapore | 5,967 | 5,719 | - | - |
| **Total** | **33,443** | **24,970** | **1,362** | **4,994** |

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

| (KSEK) | Group 2019 | Group 2018 | Parent Company 2019 | Parent Company 2018 |
|---|---|---|---|---|
| Selling expenses | 13,609 | 7,112 | - | - |
| R&D expenses | 10,873 | 6,994 | - | - |
| Administrative expenses | 8,962 | 10,864 | 1,362 | 4,994 |
| **Total** | **33,443** | **24,970** | **1,362** | **4,994** |

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

| **Board and CEO 2019** | (KSEK) | **Salary/ Remuneration** | **Bonus** | **Pension** | **Other Remuneration** | **Total** |
|---|---|---|---|---|---|---|
| Joonhee Won | - CEO | 4,956 | - | - | - | 4,956 |
| Jörgen Durban | - Chairman of the Board | 670 | - | - | - | 670 |
| Young Soo Ha | - Board Member | 335 | - | - | - | 335 |
| Anders Sjögren | - Board Member | 166 | - | - | - | 166 |
| Henrik Hammarskiöld | - Board Member | 166 | - | - | - | 166 |
| **Total [1]** | | **6,293** | **-** | **-** | **-** | **6,293** |

| **Board and CEO 2018** | (KSEK) | **Salary/ Remuneration** | **Bonus** | **Pension** | **Other Remuneration** | **Total** |
|---|---|---|---|---|---|---|
| Joonhee Won | - CEO | 3,385 | - | - | - | 3,385 |
| Jörgen Durban | - Chairman of the Board | 785 | - | - | - | 785 |
| Young Soo Ha | - Board Member | 318 | - | - | - | 318 |
| Mariel Clemensen | - Board Member | 150 | - | - | - | 150 |
| Jeffrey Weedman | - Board Member | 150 | - | - | - | 150 |
| Will Reeb | - Board Member | 28 | - | - | - | 28 |
| **Total [1]** | | **4,816** | **-** | **-** | **-** | **4,816** |

| **Management 2019** (KSEK) | **Salary / Remuneration** | **Bonus** | **Pension** | **Other Remuneration** | **Total** |
|---|---|---|---|---|---|
| Group management [2] | 1,214 | - | - | - | 1,214 |
| **Total** | **1,214** | **-** | **-** | **-** | **1,214** |

| **Management 2018** (KSEK) | **Salary / Remuneration** | **Bonus** | **Pension** | **Other Remuneration** | **Total** |
|---|---|---|---|---|---|
| Group management [2] | 4,109 | - | - | - | 4,109 |
| **Total** | **4,109** | **-** | **-** | **-** | **4,109** |

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

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

*Guidelines for compensation to the Executives of the Company (Annual General meeting 2019)*

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

The variable compensation varies for each executive and shall primarily be related to Anoto´s budget and may not exceed fifty per cent of the fixed salary. The retirement plan shall be competitive. Other benefits, like health plans, housing allowances and company cars, shall be competitive.

As a main rule, all Executives shall have a mutual notice period of three months.

Stock related incentive plans are to be determined by the AGM. Issues and transfers of securities determined by the AGM according to the rules of Chapter 16 in the Swedish Companies Act are not comprised by these guidelines in case the AGM has or will make such decisions.

Board members of the Company, elected by the AGM, may in special cases receive a fee for services performed within their respective areas of expertise, separately from their board duties and for a limited period of time. Compensation for these services shall be paid at market terms.

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

## NOTE 10 – Audit Fees

| (KSEK) | Group 2019 | Group 2018 | Parent company 2019 | Parent company 2018 |
|---|---|---|---|---|
| **Grant Thornton** | | | | |
| Audit assignment, Grant Thornton | 1,547 | 2,850 | 1,547 | 2,032 |
| Audit activities other than audit assignment | 781 | - | 781 | - |
| Tax advisory services | 1,239 | 372 | 17 | 5 |
| Other services | 103 | 445 | 103 | 421 |
| **Total** | **3,670** | **3,667** | **2,448** | **2,458** |
| **Other auditors** | | | | |
| Audit assignment, other auditors | 245 | 172 | - | 60 |
| Tax advisory services | 547 | 121 | 190 | 85 |
| **Total** | **792** | **293** | **190** | **145** |
| **Total** | **4,462** | **3,960** | **2,638** | **2,603** |

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

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

Tax advisory involves the provision of advisory services related to taxes, VAT and fees.

Other services relate mainly to co

nsultancy services, such as services related to prospectuses.

## NOTE 11 – Operating costs by type

| (KSEK) | Note | Group 2019 | Group 2018 | Parent 2019 | Parent 2018 |
|---|---|---|---|---|---|
| Cost of goods sold | | -51,351 | -51,903 | - | - |
| Change in Inventories | | - | -26,194 | - | - |
| Personnel cost | 8 | -33,443 | -24,970 | -1,362 | -3,583 |
| External services | | -23,607 | -41,118 | -7,026 | -8,825 |
| Rent | | -1,632 | -8,942 | - | - |
| Travel expenses | | -6,206 | -6,668 | -2,469 | -2,521 |
| Marketing and PR | | -8,804 | -3,592 | -73 | -153 |
| Depreciation and amortisation | 14 | -9,246 | -13,382 | -178 | -14 |
| Impairment | 14 | -6,698 | -71,552 | - | - |
| Other operating costs | 13 | -12,083 | -13,729 | -1,232 | - |
| **Total** | | **-153,069** | **-262,050** | **-12,341** | **-15,096** |

## NOTE 12 – Other operating income

| (KSEK) | Group 2019 | Group 2018 | Parent company 2019 | Parent company 2018 |
|---|---|---|---|---|
| Exchange gains | - | 13,342 | - | 81 |
| Other operating income | - | 992 | - | - |
| **Total** | **-** | **14,334** | **-** | **81** |

## NOTE 13 – Other operating costs

| (KSEK) | Group 2019 | Group 2018 | Parent company 2019 | Parent company 2018 |
|---|---|---|---|---|
| Other operating expenses | -9,552 | -534 | - | - |
| Loss on Sales of Fixed Assets | - | -1,359 | - | - |
| Exchange losses | - | -11,835 | - | - |
| **Total** | **-9,552** | **-13,728** | **-** | **-** |

## NOTE 14 – Depreciation, amortization and impairment

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

| (KSEK) | Group 2019 | Group 2018 | Parent company 2019 | Parent company 2018 |
|---|---|---|---|---|
| **Amortization intangible fixed assets** | | | | |
| Administrative expenses | -6,682 | -12,657 | -178 | -14 |
| **Total amortization intangible fixed assets** | **-6,682** | **-12,657** | **-178** | **-14** |
| **Depreciation tangible fixed assets** | | | | |
| Administrative expenses | -2,565 | -725 | - | - |
| **Total depreciation tangible fixed assets** | **-2,565** | **-725** | **-** | **-** |
| **Impairment intangible fixed assets** | | | | |
| Administrative expenses | -6,698 | -71,552 | - | - |
| **Total impairment intangible fixed assets** | **-6,698** | **-71,552** | **-** | **-** |
| **Total amortization, depreciation and impairment** | **-15,944** | **-84,934** | **-178** | **-14** |

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

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

| (KSEK) | Parent company 2019 | Parent company 2018 |
|---|---|---|
| Impairment of shares [1)] | - | 25,885 |
| **Total** | **-** | **25,885** |

[1)] *Refers to write-off in 2018 related to write down of the shares in XMS Penvision AB.*

## NOTE 16 – Financial income and expenses

| (KSEK) | Group 2019 | Group 2018 | Parent company 2019 | Parent company 2018 |
|---|---|---|---|---|
| **Financial income** | | | | |
| Other interest income | 20 | 6 | - | - |
| Other financial income | 7,630 | 230 | - | - |
| Interest from Group companies | - | - | 66 | - |
| Exchange gains | 11,302 | 13,520 | 4,880 | 3,002 |
| **Total financial income** | **18,952** | **13,756** | **4,945** | **3,002** |
| **Financial expenses** | | | | |
| Interest expenses on loans | -739 | - | -570 | - |
| Other interest expenses | -125 | -572 | -125 | - |
| Other financial expenses | - | -47 | - | - |
| Exchange losses | -6 | - | -9 | - |
| **Total financial cost** | **-870** | **-619** | **-704** | **-** |
| **Total financial net income/(expense)** | **18,081** | **13,137** | **4,241** | **3,002** |

## NOTE 17 – Income taxes

| (KSEK) | Group 2019 | Group 2018 | Parent company 2019 | Parent company 2018 |
|---|---|---|---|---|
| Deferred tax | -34 | 3,174 | - | - |
| **Total** | **-34** | **3,174** | **-** | **-** |

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

| (KSEK) | Group 2019 | Group 2018 | Parent company 2019 | Parent company 2018 |
|---|---|---|---|---|
| Reported profit/(loss) before tax | -32,573 | -119,023 | 4,225 | -22,048 |
| Tax in accordance with current tax rate of 21,4% (22%) | 6,971 | 26,185 | 904 | 4,851 |
| Other | - | - | - | - |
| Tax impact of non-deductible expenses | -3,353 | -23,275 | - | -5,748 |
| Tax impact of non-taxable income | - | 3,349 | - | - |
| Increase/decrease of tax deficits without corresponding capitalization | -3,651 | -3,085 | -904 | 897 |
| **Tax reported** | **-33** | **3,174** | **0** | **0** |

**Tax deficit**

| (KSEK) | Group 2019 | Group 2018 | Parent company 2019 | Parent company 2018 |
|---|---|---|---|---|
| Opening balance Swedish companies | -899,117 | -877,857 | -31,134 | -35,212 |
| Opening balance foreign companies | -1,300,882 | -1,281,751 | - | - |
| Opening balance adjust from prior year | - | -18,760 | - | - |
| Tax deficit of the year Swedish companies | 20,879 | -2,500 | 4,225 | 4,078 |
| Tax deficit of the year foreign companies | -38,247 | -19,131 | - | - |
| **Closing tax deficit** | **-2,217,367** | **-2,199,999** | **-26,909** | **-31,134** |
| | | | | |
| **Nominal amount, tax asset 20.6% Swedish companies** | **456,778** | **453,200** | **5,543** | **6,414** |

Due to the fact that the Group still reports a loss, the value of deferred tax assets is not recognised in the balance sheet. Some of the amounts above can be subject to limitations in the future.

The deferred tax charge and deferred tax liabilities in the Group relate to intangible fixed assets.

## NOTE 18 – Capitalised development expenditures

| (KSEK) | Group 2019 | Group 2018 | Parent Company 2019 | Parent Company 2018 |
|---|---|---|---|---|
| **Accumulated historical cost** | | | | |
| Opening accumulated historical cost | 121,723 | 102,535 | - | - |
| Capitalization for the year [1)] | 25,200 | 19,188 | - | - |
| **Closing accumulated historical cost** | **146,923** | **121,723** | **-** | **-** |
| | | | | |
| **Accumulated amortization** | | | | |
| Opening accumulated amortization | -19,787 | -17,054 | - | - |
| Amortization for the year according to plan | -5,653 | -2,733 | - | - |
| **Closing accumulated amortization** | **-25,440** | **-19,787** | **-** | **-** |
| | | | | |
| **Accumulated impairment losses** | | | | |
| Opening accumulated impairment losses | **-52,975** | **-** | **-** | **-** |
| Impairment losses for the year | **-** | **-52,975** | **-** | **-** |
| **Closing accumulated impairment losses** | **-52,975** | **-52,975** | **-** | **-** |
| | | | | |
| **Closing residual value** | **68,508** | **48,961** | **-** | **-** |

[1)] *Internally developed*

Capitalised development expenditures comprise costs incurred on the development of products and technology.

Remaining amortization period of significant assets:

AP-701 Series – 27,325KSEK – 3.5 years remaining

Remaining portion 41 183 KSEK is made up of non-significant projects

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

Amortization by function is shown in note 14.

In-progress technology was tested for impairment during the fourth quarter of fiscal year 2019 and did not require impairment. We also reviewed amortization estimates, methods and the amortization periods for our intangible assets and noted no indicators that warranted a change in amortization.

## NOTE 19 – Patents

| (KSEK) | Group 2019 | Group 2018 | Parent Company 2019 | Parent Company 2018 |
|---|---|---|---|---|
| **Accumulated historical cost** | | | | |
| Opening accumulated historical cost | 75,225 | 75,080 | 13,996 | 13,996 |
| Acquisitions | 2,332 | 145 | - | - |
| **Closing accumulated historical cost** | **77,557** | **75,225** | **13,996** | **13,996** |
| **Accumulated amortization** | | | | |
| Opening accumulated amortization | -74,809 | -74,803 | -13,994 | -13,985 |
| Amortization for the year according to plan | -671 | -6 | -2 | -9 |
| **Closing amortization** | **-75,480** | **-74,809** | **-13,996** | **-13,994** |
| **Closing residual value** | **2,077** | **416** | **0** | **2** |

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

Amortization by function is shown in note 14.

## NOTE 20 – Brands

| (KSEK) | Group 2019 | Group 2018 | Parent Company 2019 | Parent Company 2018 |
|---|---|---|---|---|
| **Accumulated historical cost** | | | | |
| Opening accumulated historical cost | 2,290 | 2,290 | 104 | 104 |
| Acquisitions | 27 | | | |
| **Closing accumulated historical cost** | **2,317** | **2,290** | **104** | **104** |
| **Accumulated amortization and impairment losses** | | | | |
| Opening accumulated amortization | -1,725 | -1,549 | -88 | -83 |
| Amortization for the year according to plan | -179 | -176 | -5.76 | -5 |
| **Closing amortization and impairment losses** | **-1,904** | **-1,725** | **-94** | **-88** |
| **Closing residual value** | **414** | **565** | **10** | **16** |

Amortization by function is shown in note 14.

## NOTE 21 – Other intangible assets

| (KSEK) | Group 2019 | Group 2018 | Parent Company 2019 | Parent Company 2018 |
|---|---|---|---|---|
| **Accumulated historical cost** | | | | |
| Opening accumulated historical cost | 57,996 | 57,996 | 5,983 | 5,983 |
| Acquisition of License | - | - | 1,528 | - |
| Translation difference | - | - | - | - |
| **Closing accumulated historical cost** | **57,996** | **57,996** | **7,511** | **5,983** |
| | | | | |
| **Accumulated amortization and impairment losses** | | | | |
| Opening accumulated amortization | -51,926 | -42,419 | - | - |
| Amortization for the year according to plan | | -9,751 | - | - |
| Translation difference | -72 | 244 | - | - |
| **Closing amortization and impairment losses** | **-51,998** | **-51,926** | **-** | **-** |
| | | | | |
| **Closing residual value** | **5,998** | **6,070** | **7,511** | **5,983** |

Amortization by function is shown in note 14.

For the 2019 period, the closing residual value of the other intangible assets include a perpetual and royalty-free technology license acquired in 2019 at a cost of KSEK 1,528 and in 2017 at a cost of KSEK 5,983.

## NOTE 22 – Goodwill

| (KSEK) **2019** | Livescribe | Anoto Korea | Total |
|---|---|---|---|
| **Accumulated historical cost 2019** | | | |
| Opening accumulated historical cost | **97,008** | 37,621 | 134,629 |
| Translation differences | **12,828** | 1,384 | 14,212 |
| **Closing accumulated historical cost 2019** | **109,836** | **39,005** | **148,841** |
| | | | |
| Opening accumulated impairment losses | **-** | - | - |
| Impairment losses for the year | **-6,698** | - | **-6,698** |
| **Closing accumulated impairment losses 2019** | **-6,698** | **-** | **-6,698** |
| **Closing net balance 2019** | **103,138** | **39,005** | **142,143** |

| (KSEK) **2018** | Anoto AB | Anoto Ltd | XMS | Livescribe | Anoto Korea | Total |
|---|---|---|---|---|---|---|
| **Accumulated historical cost 2018** | | | | | | |
| Opening accumulated historical cost | 298,674 | 35,899 | 18,294 | **97,008** | 37,621 | 487,496 |
| Translation differences | - | - | - | **8,706** | 1,519 | 10,225 |
| **Closing accumulated historical cost 2018** | **298,674** | **35,899** | **18,294** | **105,714** | **39,140** | **497,721** |
| | | | | | | |
| Opening accumulated impairment losses | -298,674 | -17,322 | -18,294 | **-** | - | -334,290 |
| Impairment losses for the year | - | -18,577 | - | **-** | - | -18,577 |
| **Closing accumulated impairment losses 2018** | **-298,674** | **-35,899** | **-18,294** | **-** | **-** | **-352,867** |
| **Closing net balance 2018** | **-** | **-** | **-** | **105,714** | **39,140** | **144,854** |

### Impairment testing

The goodwill balance consists of goodwill of two acquisitions.

In the beginning of 2012 Anoto acquired the UK based company Ubiquitous Systems Ltd, creating an additional goodwill of 13,6 MSEK. In relation to Shanwell Holding Ltd, 18,5 MSEK was added to the total goodwill balance. During 2014 Ubiquitous Systems Ltd was transferred to Shanwell Holding Ltd which became Anoto Ltd.

During the fourth quarter of 2015 the Group acquired the US based company Livescribe, Inc., creating an additional goodwill of 102,5 MSEK.

On 31 May 2016 Anoto Group AB acquired the remaining 81% of the shares and votes in the company Anoto Korea Inc. for MSEK 38,9. Anoto Korea Inc. has been a longstanding Anoto Partner.

The two remaining cash generating units were tested for impairment and additional 6,7MSEK impairment loss was identified and done for Livescribe as Anoto Korea remained unchanged.

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

When assessing the value of the cash generating units, a discount factor of 22.31% (22.42%) and a perpetual growth rate after 5 years of 2.0% (2.0%) have been used.

Five year forecasts and cash flow estimations have been prepared by management using a 20 to 35% growth on sales for Livescribe and management’s estimates of sales and margins in relation to new sources of revenue that are now being developed that lead to -12% to 66% Sales growth on Sales for Anoto Korea.

Forecasts are done in line with the company strategy for the next years, using the most up to date knowledge about the business and the market. Nevertheless, actuals may not follow as expected, and in the past Anoto faced some one time issues that had negative material impact on the Revenues such as: production disturbances from technical issues to changing manufacturing supplier with ramp-up period higher than expected. Delay on R&D deliverables that lead to delay on hardware enhancements and slow software deployment.

### Important variables

| | |
|---|---|
| Market Growth | Group management expects long-term positive development in the markets where Anoto´s products are used. The growth forecasts are built on underlying forecasts and discussions with partners and customers together with expected long-term growth and take into account of past experience and other external sources of information. |
| Discount Rate | The discount rate is determined with regards to the market conditions and the required return of the Group. Considering Anoto´s current tax position where the Group companies will not pay any tax over the foreseeable future, the difference between discount rate before and after tax will be minimal. |
| Gross Profit | The long-term forecasted gross profit is calculated with caution. Gross margins have been reviewed for each cash generating entity based on the past performance and management’s expectation for the future and take into account margin improvement initiatives that have been negotiated with customers and suppliers. Assumed values for gross margins have been updated compared to the prior year following changes and reallocations between parts of the business, changes in forecasts and changes in sales mix affecting the gross margin in the respective cash generating unit. |
| Cost Increase | The group believes it is reasonable to forecast using a general cost increase that is in line with inflation. A value of 2.0% has been used for this inflationary influence on costs. |
| Perpetual growth rate | The company believes that a reasonable perpetual growth rate would be around the average historical inflation rate. Also, consideration is taken to the annual inflation rate target from the Swedish Central bank which is 2.0%. |

Anoto Korea, Inc. and Livescribe, Inc. were acquired in 2016 and 2015 respectively. Management believes that the key assumptions on which recoverable amounts are based are unlikely to change in a way that causes the carrying values for the companies to exceed their respective recoverable amounts.

Goodwill in relation to Anoto Limited was written down to zero in 2018. The Group has been developing a new technology and platform, which will replace the old one that Anoto Limited owns and is supposed to end its life in 2020.

The table below sets out the variables used in the calculation of future value in use to estimate cash flow and the changed values which, when adjusted together, would result in a recoverable value equal to the carrying value. Also, the table shows changes in assumptions that could lead to impairment, but these are considered unlikely.

| (KSEK) | Livescribe Assumed Value | Livescribe Changed Value | Anoto Korea Assumed Value | Anoto Korea Changed Value |
|---|---|---|---|---|
| **2019** | | | | |
| Perpetual growth rate | 2.0% | 2.0% | 2.0% | -1.5% |
| Discount rate before tax | 22.31% | 22.31% | 22.31% | 23.98% |
| Gross Profit | 36.2%-50.8% | 36.2%-50.8% | 30.4%-35.8% | 29.1%-33.4% |
| Cost increase | 10.8%-20.4% | 10.8%- 20.4% | 1.5% | 6.35% |

| (KSEK) | Livescribe Assumed Value | Livescribe Changed Value | Anoto Korea Assumed Value | Anoto Korea Changed Value |
|---|---|---|---|---|
| **2018** | | | | |
| Perpetual growth rate | 2.0% | 1.5% | 2.0% | -1.5% |
| Discount rate before tax | 22.42% | 23.5% | 22.42% | 23.5% |
| Gross Profit | 48.0%-55.3% | 48.0%-50.7% | 38.6%-46.5% | 38.6%-41.9% |
| Cost increase | 2.0% | 2.5% | 2.0% | 2.5% |

## NOTE 23 – Equipment and tools

| (KSEK) | Group 2019 | Group 2018 | Parent Company 2019 | Parent Company 2018 |
|---|---|---|---|---|
| **Accumulated historical cost** | | | | |
| Opening accumulated historical cost | 49,851 | 47,938 | - | - |
| Additions for the year | 6,399 | 1,913 | - | - |
| **Closing accumulated historical cost** | **56,250** | **49,851** | **-** | **-** |
| | | | | |
| **Accumulated depreciation and impairment** | | | | |
| Opening accumulated depreciation | -46,618 | -44,534 | - | - |
| Depreciation for the year according to plan | -2,565 | -725 | - | - |
| Sales of Fixed Assets | - | -1,359 | - | - |
| **Closing depreciation and impairment losses** | **-49,183** | **-46,618** | **-** | **-** |
| | | | | |
| **Closing residual value** | **7,067** | **3,233** | **-** | **-** |

## NOTE 24 – Participation in Group companies

| (KSEK) | Parent Company 2019 | Parent Company 2018 |
|---|---|---|
| Opening balance acquisition cost | 46,646 | 72,531 |
| Impairment loss for the year | - | -25,885 |
| **Total** | **46,646** | **46,646** |

| Entity Name | Reg no. | Domicile | Total no. of participation | % of capital and votes | Shareholders' equity | Carrying amount |
|---|---|---|---|---|---|---|
| Anoto AB | 556320-2646 | Stockholm | 5,000 | 100% | 12,341 | 1,332 |
| XMS Penvision AB | 556708-4685 | Stockholm | 611,731 | 93.2% | -1,163 | - |
| Anoto Korea Inc. [1)] | 129-86-60962 | Seongnam | 20,000,000 | 100% | -56,962 | 45,314 |
| | | | | | | **46,646** |

[1)]Ordinary shares 18,860,000 and preferred shares 1,140,000

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

| Entity name | Domicile | Country | Operational | Parent Company | Equity |
|---|---|---|---|---|---|
| Anoto Inc. | San Francisco | USA | Operational | Anoto AB | 100% |
| Anoto Portugal | Lisbon | Portugal | Operational | Anoto AB | 100% |
| Anoto Singapore | Singapore | Singapore | Operational | Anoto AB | 100% |
| Anoto Ltd. | London | UK | Operational | Anoto AB | 100% |
| C Technologies AB | Stockholm | Sweden | Operational | Anoto AB | 100% |
| Livescribe, Inc. | San Francisco | USA | Operational | Anoto Inc | 100% |
| KAIT US | Boston | USA | Operational | Anoto AB | 100% |
| KAIT Singapore | Singapore | Singapore | Operational | KAIT US | 100% |

## NOTE 25 – Other long-term securities

| (KSEK) | Group 2019 | Group 2018 | Parent 2019 | Parent 2018 |
|---|---|---|---|---|
| Opening balance | 385 | 16,962 | 385 | 16,962 |
| Losses at valuation to fair value of investment [1)] | -125 | -16,577 | -125 | -16,577 |
| **Total** | **260** | **385** | **260** | **385** |

1) The long-term investment in SMARK Limited has been valued at fair market price in active markets.

## NOTE 26 – Other long-term Receivables

| (KSEK) | Group 2019 | Group 2018 | Parent 2019 | Parent 2018 |
|---|---|---|---|---|
| Opening balance | 1,781 | 1,355 | - | - |
| Additions | 87 | 542 | 87 | - |
| Settlements | -450 | -116 | - | - |
| **Total** | **1,418** | **1,781** | **87** | **-** |

## NOTE 27 – Inventory

| (KSEK) | Group 2019 | Group 2018 | Parent Company 2019 | Parent Company 2018 |
|---|---|---|---|---|
| Raw material (components) | 12,187 | 3,839 | - | - |
| Finished goods | 10,503 | 20,722 | - | - |
| **Total** | **22,690** | **24,561** | **-** | **-** |

In 2019, a total of COGS 51,351 KSEK (2018: COGS 78,097 KSEK) of inventory was included in profit and losses as an expense. This includes an amount of 0,00 KSEK (2018: 26,194 KSEK) resulting from the damage goods.

## NOTE 28 – Accounts receivable

| (KSEK) | 2019 Gross | 2019 Net | 2018 Gross | 2018 Net |
|---|---|---|---|---|
| Not due | 12,993 | 12,993 | 25,833 | 25,833 |
| Due 1 - 30 days | 4,316 | 4,316 | 3,064 | 3,064 |
| Due 31 - 60 days | 257 | 257 | 1,814 | 1,814 |
| Due 61 - 90 days | 965 | 965 | 973 | 973 |
| Due more than 90 days | 13,364 | 2,458 | 18,226 | 7,320 |
| **Total** | 31,895 | 20,989 | 49,910 | 39,004 |

The possibility that the Group's customers will not fulfil their payment obligations is a credit risk. The Group´s customers undergo credit checks and information about their financial positions are obtained from various credit reporting agencies. The Group has a policy that guides the extension of credit to customers.

The provision for doubtful receivables amounts to KSEK 10,906 (10,319).
Changes in the allowance for doubtful accounts during the fiscal years ended December 31, 2019 and 2018 were as follows:

| (KSEK) | 2019 | 2018 |
|---|---|---|
| Loss allowance as at 1 January calculated under IAS 39 | 10,319 | 11,497 |
| Amounts restated trough opening retained earnings | - | - |
| Opening loss allowance as at January 2019 | 10,319 | 11,497 |
| Loss Allowance recognised during the year | 1,645 | 234 |
| Receivables written off during the year | -1,058 | -1,412 |
| **Loss allowance as at 31 December** | 10,906 | 10,319 |

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

No security related to accounts receivable are held by Anoto.

No individual receivable exceeds 10% of total accounts receivable.

The gross amount in the table above represent the maximum credit exposure.

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| **Concentration of credit risk** | **Number of customers** | **% Total number of customers** | **% Share of value** | **Number of customers** | **% Total number of customers** | **% Share of value** |
| Exposure < 1 MSEK | 104 | 95% | 40% | 154 | 94% | 12% |
| Exposure 1-10 MSEK | 6 | 5% | 60% | 10 | 6% | 88% |
| Exposure > 10 MSEK | 0 | 0% | 0% | 0 | 0% | 0% |
| **Total** | **110** | **100%** | **100%** | **164** | **100%** | **100%** |

## NOTE 29 – Prepaid expenses and accrued income

| (KSEK) | Group 2019 | Group 2018 | Parent Company 2019 | Parent Company 2018 |
|---|---|---|---|---|
| Prepaid rent | 134 | 251 | - | - |
| Prepaid insurance | 564 | 404 | 464 | 239 |
| Prepaid software licenses | 498 | 83 | - | - |
| Prepaid legal fees | 3,514 | 76 | - | 30 |
| Prepaid contractor fee | 1,985 | 2,276 | 1,985 | 2,251 |
| Other | 294 | 1,765 | 16 | 701 |
| **Total** | **6,988** | **4,854** | **2,465** | **3,221** |

## NOTE 30 – Provisions for product warranty commitments

| (KSEK) | Group 2019 | Group 2018 | Parent Company 2019 | Parent Company 2018 |
|---|---|---|---|---|
| Opening balance | 242 | 242 | - | - |
| New provisions | 3,019 | - | - | - |
| Unutilized amount returned | -242 | | | |
| **Total** | **3,019** | **242** | **-** | **-** |

Provisions for product warranty commitments relate essentially to the sale of pens during 2019 and 2018. The provisions are based on calculations made on historical data for warranties related to the sale of pens. The whole amount is expected to be paid within 12 months.

## NOTE 31 – Accrued expenses and deferred income

| (KSEK) | Group 2019 | Group 2018 | Parent Company 2019 | Parent Company 2018 |
|---|---|---|---|---|
| Accrued employee benefit expenses | 1,969 | 3,718 | - | 83 |
| Deferred income | 2,608 | 10,372 | - | - |
| Legal fees | - | 114 | - | 114 |
| Other services and goods | 4,879 | 7,296 | 1,680 | - |
| Other | - | 3,159 | - | 328 |
| **Total** | **9,455** | **24,659** | **1,680** | **525** |

Revenue recognized in 2019 that was included in contract liability (deferred income) balance at the beginning of the period KSEK 8,691.

## NOTE 32 – Share-based payments to employees

### Option Program

As of December 31, 2019, Anoto Group has the following valid option programs that will be settled in shares:

The Company's Board of Directors authorized the issuance of a 100 thousand stock options grant to a Board member, Henric Ankarcrona, at a subscription price of SEK 7.8. The stock options will mature during 2019.

In Q4, 2016, an incentive scheme for senior executives was adopted that comprises a maximum of 1,7 million stock options at a subscription price of SEK 7.8. The maximum number of stock options to be allocated to each senior executive is 500,000. The share options will mature on December 31, 2019. As of December 31, 2017, there were 106,667 options outstanding.

In Q2, 2017, an incentive scheme for senior executives was adopted that comprises a maximum of 3,5 million stock options at a subscription price of SEK 8.7. The maximum number of stock options to be allocated to the CEO is 2 million and to each of the other senior executive is 666,667. The share options will mature during 2021. In addition, an incentive scheme for the Board of Directors was adopted that comprises a maximum of 600,000 stock options at a subscription price of SEK 8.7. The maximum number of stock options to be allocated to the Chairman of the Board of Directors is 333,333 and to each of the other board members is 66,667 thousand. The share options will mature during 2020. As of December 31, 2018, there were 3,333,333 options outstanding.

In Q2, 2018, an incentive scheme for senior executives was adopted that comprises a maximum of 21,458,085 stock options at a subscription price of SEK 4.08. The maximum number of stock options to be allocated to the CEO is 13,411,303 and to the other senior executive is 8,046 782. In addition, an incentive scheme for the Board of Directors was issued that comprises a maximum of 2,299,080 stock options at a subscription price of SEK 4.08. The maximum number of stock options to be allocated to the Chairman of the Board of Directors is 1,149,540 and to each of the other board members is 574,770. The share options will mature during 2022. As of December 31, 2019, there were 21,620,383 options outstanding.

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

The value of outstanding options calculated using the Black & Scholes valuation model, as per 31st of December 2019 amounts to KSEK 5,078. A total of KSEK 3,653 has been charged as personnel costs in the income statement. This amount does not include social security cost.

## NOTE 33 – Interest bearing liabilities

| (KSEK) | Nominal interest | Maturity | 2019 Nom. Value | 2019 Book value | 2018 Nom. Value | 2018 Book value |
|---|---|---|---|---|---|---|
| Bank loans | 6.9-10.0% | **2019** | 8,182 | 8,182 | 5,685 | 5,685 |
| **Total interest bearing liabilities** | | | **8,182** | **8,182** | **5,685** | **5,685** |

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

## NOTE 34 – Leasing

The leasing cost of assets under operating leases amounted to KSEK 1,381 (7,892) and are derived primarily from rented premises. Future payments for non-cancellable operating leasing contracts fall due as follows:

| (KSEK) | Group 2019 | Group 2018 |
|---|---|---|
| Less than one year | 1,237 | 1,444 |
| Between one and five years | 1,403 | 3,289 |
| More than five years | - | - |
| | **2,639** | **4,733** |

The type of the Group Leasing recognised in the balance sheet is related to Office Building.

| Asset | No of Asset | Range of remaining term | No Leases with extension option | No Leases with Purchase option |
|---|---|---|---|---|
| Office Building | 2 | 1-4 Years | 2 | 0 |

Additional information on the right-of-use assets by class of assets is as follows:

| Asset | Carrying Amount | Depreciation Expense | Impairment |
|---|---|---|---|
| Office Building | 3,082 | 1,878 | - |

Future minimum lease payments at 31 December 2019 are as follows:

| | Minimum Lease Payments Due | | | |
|---|---|---|---|---|
| | **Within 1 Year** | **1-2 Years** | **2-3 Years** | **Total** |
| **31 December 2019** | | | | |
| Lease Payments | 1,317 | 829 | 664 | 2,810 |
| Finance Charges | -80 | -57 | -33 | -171 |
| **Net Present Value** | **1,237** | **772** | **631** | **2,639** |

### Lease payments not recognized as a liability

The group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months of less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is as follows:

| | 31 December 2019 |
|---|---|
| Short-term lease | 854 |
| Leases of low value assets | 15 |
| Variable lease payments | 398 |
| | **1,267** |

## NOTE 35 – Reconciliation of liabilities arising from financing activities

The changes in the group's liabilities arising from financing activities can be classified as follows:

| (KSEK) | Long-term borrowings | Short-term Borrowings | Lease liabilities | Total |
|---|---|---|---|---|
| **2019-01-01** | **2,149** | **5,685** | **-** | **7,834** |
| Cash flows: | | | | |
| - Repayments | -2,149 | - | - | -2,149 |
| - Proceeds | 2,071 | 1,260 | - | 3,331 |
| Non-cash | | | | |
| - Reclassification | 1,409 | 1,237 | - | 2,646 |
| **2019-12-31** | **3,480** | **8,182** | **-** | **11,662** |

| (KSEK) | Long-term borrowings | Short-term borrowings | Lease liabilities | Total |
|---|---|---|---|---|
| **2018-01-01** | **44,449** | **11,309** | **-** | **55,758** |
| Cash flows: | | | | |
| - Repayments | - | -5,624 | - | -5,624 |
| Non-cash | | | - | - |
| - Reclassification | -42,300 | - | - | -42,300 |
| **2018-12-31** | **2,149** | **5,685** | **-** | **7,834** |

## NOTE 36 – Financial instruments

| **Group 2019** | Amortised Cost | FVTPL | FVOCI | Derivatives used for hedging (FV) | Total |
|---|---|---|---|---|---|
| Accounts receivable and other short- and long-term receivables | 22,406 | - | - | - | 22,406 |
| Liquid assets, incl. current investment | 20,375 | - | - | - | 20,375 |
| Long-term investments[1)] | - | - | 260 | - | 260 |
| **Assets** | **42,781** | **-** | **260** | **-** | **43,041** |
| | | | | | |
| Convertible debt and short-term loans | 11,662 | - | - | - | 11,662 |
| Accounts payable | 37,704 | - | - | - | 37,704 |
| Other liabilities | 9,429 | - | - | - | 9,429 |
| **Liabilities** | **58,795** | **-** | **-** | **-** | **58,795** |

| **Group 2018** | Amortised Cost | FVTPL | FVOCI | Derivatives used for hedging (FV) | Total |
|---|---|---|---|---|---|
| Accounts receivable and other short- and long-term receivables | 40,784 | - | - | - | 40,784 |
| Liquid assets, incl. current investment | 5,458 | - | - | - | 5,458 |
| Long-term investments | - | - | 385 | - | 385 |
| **Assets** | **46,242** | **-** | **385** | **-** | **46,627** |

| | | | | | |
|---|---|---|---|---|---|
| Convertible debt and short-term loans | 7,834 | - | - | - | 7,834 |
| Accounts payable | 28,891 | - | - | - | 28,891 |
| Other liabilities | 11,381 | - | - | - | 11,381 |
| **Liabilities** | **48,106** | **-** | **-** | **-** | **48,106** |

1) The company holds long-term assets that are fair valued. The investments refer to long-term investments in SMARK Co., Ltd for long-term partnership. The investment has been fair valued at a quoted price in active markets for identical assets within Level 1 in the fair value hierarchy. There have been no transfers between other levels within the hierarchy of financial assets measured at fair value.

## NOTE 37 – Related parties

### Summary of related party transactions

**Parent company:**

| Related parties (KSEK) | | Selling of goods and services | Purchasing of goods and services | Other | Receivable from related party on 31 December | Liability to related party on 31 December |
|---|---|---|---|---|---|---|
| Group company | 2019 | 12,325 | - | - | 565,810 | -12,998 |
| Group company | 2018 | - | - | - | 527,771 | -6,902 |

**Group:** none

## NOTE 38 – Equity

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

| Share issues – Number of shares | 2019 | 2018 |
|---|---|---|
| **Registered opening balance** | **120,612,257** | **102,067,130** |
| Conversion of debt, January 2018 1) | | 512,820 |
| Conversion of debt, March 2018 2) | | 10,075,000 |
| Rights Issue, October 2018 3) | | 7,957,307 |
| Rights Issue, 16 September 2019 4) | 9,612,855 | |
| Rights Issue, 17 September 2019 5) | 6,941,175 | |
| Rights Issue, 7 November 2019 6) | 1,095,970 | |
| Rights Issue, 15 November 2019 7) | 12,000,000 | |
| **Registered closing balance** | **150,262,257** | **120,612,257** |
| | | |
| **Par value (SEK)** | **0.6** | **0.6** |

*1) Conversion of convertible bonds, converted at SEK 3.9*
*2) Conversion of convertible bonds, converted at SEK 4.0*
*3) Rights Issue, price SEK 3.0*
*4) Rights Issue, price SEK 0.85*
*5) Rights Issue, price SEK 0.85*
*6) Rights Issue, price SEK 0.85*
*7) Rights Issue, price SEK 1.184*

**Equity**

| (KSEK) | Group 2019 | Group 2018 |
|---|---|---|
| **Translation reserve** | | |
| Accumulated exchange rate differences at beginning of the year | -1,758 | -1,758 |
| Gain/losses at valuation to fair value | -16,577 | -16,577 |
| Exchange rate differences for the year | 5,494 | 2,429 |
| **Accumulated exchange rate differences at year end** | **-12,841** | **-15,906** |

## Capital management

Since its founding in 1999, Anoto Group has developed electronic pens that turn what is written on paper into digital form. Development costs have been significant and since 1999 approximately MSEK 2,409 have been invested as capital by the shareholders. The group's ambition is to achieve profitable growth and in the future be able to pay dividends on invested capital.

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

Anoto Group has so far not paid any dividend and will suggest to the Annual General Meeting of 2020 that no dividend is paid out.

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

## NOTE 39 – Specification to Statement of Cash Flows

| (KSEK) | Group 2019 | Group 2018 | Parent Company 2019 | Parent Company 2018 |
|---|---|---|---|---|
| Cash and bank balances | 20,375 | 5,458 | 8 | 1,055 |
| **Total** | 20,375 | **5,458** | 8 | **1,055** |

### Other Items not affecting cash flow

| | | | | |
|---|---|---|---|---|
| Exchange gains and losses | -11,302 | -15,029 | - | - |
| Gain/losses at valuation to fair value | 125 | - | - | 16,577 |
| Other | -4,102 | 222 | - | - |
| **Total** | **-15,278** | **-14,807** | - | **16,577** |

## NOTE 40 – Events after December 31, 2019

After having analysed all the events occurring following the fiscal year end until the date of the publishing of the annual report, the Board of Directors reached the conclusion that the following two events required disclosure:

1. On March 16, 2020 – Anoto Group carried out a directed rights issue of 20,000,000 new ordinary shares at a premium to the market price, through which the company raised MUSD 2.2; The New Issue has a dilution effect of approximately 13 percent of the share capital after dilution.

2. On March 11, 2020, the World Health Organization declared the rapidly spreading coronavirus outbreak a pandemic. The announcement and the subsequent spread of the virus has brought uncertainty to the market; at this time, we still cannot measure the full economic impact. In a scenario where the pandemic is not levelled out and brought under control by May 2020, there may be a liquidity concern during the second half of 2020. Anoto's Smart Pens can be perceived as the ideal tool for Teachers and Students that will still be under confinement at home for the next couple of months and the Group can benefit from this. On the other hand logistical constrains can have impact on moving the

product from production to customer and by that having a negative impact on the cash flow. However, the management views this risk as manageable and is actively managing this liquidity risk by adapting the following policies proactively: 1) increase in quarterly sales with the launch of new products along with tactical and cost conscious marketing activities, which will lead to a higher cashflow in Q3 and Q4, and 2) the Board of Directors proposes that the AGM authorizes the Board of Directors to resolve to issue ordinary shares, warrants and/or convertible bonds of a maximum of 34,000,000 ordinary shares. Anoto has a strong interest from an investor to subscribe to 28,000,000 shares and the management is confident that the issuance successfully will be carried out in May or June 2020.

### NOTE 41 – Parent Company details

Anoto Group is a Swedish limited company with its registered office in Stockholm. The shares of the parent company are listed on the NASDAQ OMX Stockholm Stock exchange. The address of the head office is Flaggan 1165, SE 116 74, Stockholm. The consolidated financial statements for 2019 relate to the parent company and its subsidiaries, jointly referred to as the Group.

### NOTE 42 – Convertible debt

During the period of 2019 the company paid all convertible debt. As of the end of 2019 the convertible debt in the company is 0.

## SIGNATURES FOR THE ANNUAL REPORT

The Annual Report and consolidated financial statements were approved by the Board on April 27, 2020. The consolidated statement of comprehensive income and the statement of financial position, as well as the Parent Company's income statement and balance sheet will be presented to the Annual General Meeting in May 2020 for adoption.

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

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

Stockholm, April 27, 2020

**Jörgen Durban**
Chairman of the Board

**Joonhee Won**
Board member and CEO

**Perry (Young Soo) Ha**
Board Member

**Seokyu Kim**
Board member

**Henrik Hammarskiöld**
Board Member

**Anders Sjögren**
Board member

Our auditor´s report was submitted on April 27, 2020.

Grant Thornton Sweden AB

**Mats Pålsson**
Authorized Public Accountant

## AUDITOR'S REPORT

To the general meeting of the shareholders of Anoto Group AB
Corporate identity number 556532-3929

### Report on the annual accounts and consolidated accounts

#### Opinions

We have audited the annual accounts and consolidated accounts of Anoto Group AB for the financial year 2019 except for the corporate governance statement on pages 67-70.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2019 and its financial performance for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinion does not cover the corporate governance statement on pages 67-70. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this review of the annual accounts and consolidated accounts is in accordance with the contents in the supplementary report that has been submitted to the Board of Directors in the parent company in accordance with the auditor's regulation (537/2014/EU) article 11.

#### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes, based on our best knowledge and belief, that no forbidden services referred in the auditor's regulation (537/2014/EU) article 5.1 has been provided the audited entity or if applicable, the controlling entity within EU.

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

#### Sigificant uncertainy factor regarding the assumption of going concern

We would like to draw attention to the administration report and note 40 in the annual report, which indicate that the company cannot exclude that liquidity development can become an uncertainty factor for the company´s going concern assumption and that the company may be dependent on liquidity contributions within the next 12 months. These conditions, together with the other circumstances mentioned in the administration report and note 40 in the annual report, indicate that there is a significant uncertainty factor that can lead to significant doubts about the company's ability as a going concern.

#### Key Audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period, and includes for instance the most important assessed risks for material misstatements. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts, but we do not provide a separate opinion these matters.

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

As at December 31, 2019 the liquidity position of the company is such that the going concern assumption has to take into consideration future improvements in the revenues not yet confirmed requiring significant judgments and estimates by management and the Board of Directors. If the going concern basis of accounting is not appropriate this could have significant impact on the financial statements.

Management and the Board of Directors assessment of going concern and risks related to liquidity and financing risks is described in the Administration Report on pages 7-8.

Our audit procedures of the managements assumption of going concern included the following audit procedures:

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

### Recognition of revenue

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

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

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

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

Our audit procedures included the following audit procedures:

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

### Valuation of intangible assets

The company has significant investments in tangible assets, MSEK 219 as of 31 December 2019, primarily related to capitalized development expenditures, goodwill and customer relationships. The company has prepared an impairment assessment that is based on a value in use calculation where each acquired entity constitute a separate cash generating unit for investments in goodwill and customer relationships and for investments related to the development projects under which the company operates.

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

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

Our audit, which has been conducted with support by an evaluation expert, included the following audit procedures:

- Reviewing of the reasonableness in the forecasted cash flow, discount rates and methodologies used by management,
- Evaluating the adequacy of disclosures related to those assumptions to which the outcome of the impairment test is most sensitive including and
- Assessing the sufficiency of the sensitivity analysis prepared by management and performed sensitivity analysis primarily focused on changes in operating cash flow.

### Other information than the annual accounts and the consolidated accounts

This document also contains other information than the annual accounts and the consolidated accounts and is located on pages 65-66 and 72-78. The Board of Directors and CEO are responsible for the other information.

Our opinion concerning the annual accounts and the consolidated accounts do not comprise this information and we do not express an opinion with assurance regarding the other information.

In connection with our audit of the annual accounts and the consolidated accounts it is our responsibility to read the information identified above and consider whether the information is in all materiality incompatible with the annual accounts and the consolidated accounts. In this review we take in consideration the knowledge we obtained during the audit and evaluate whether the information contains any material misstatements.

If we, based on the review that has been performed regarding this information, conclude that the other information contains a material misstatement, we are obligated to report this. We do not have anything to report in this matter.

### Responsibilities of the Board of Directors

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

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

### Auditor's responsibility

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

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

• Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

• Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

From the matters communicated with the Board of Directors, we determine whose matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

## Report on other legal and regulatory requirements

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors of Anoto Group AB for the financial year 2019 and the proposed appropriations of the company's profit or loss.

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

### Basis for Opinions

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

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

### Responsibilities of the Board of Directors

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

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

### Auditor's responsibility

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

• has undertaken any action or been guilty of any omission which can give rise to liability to the company, or

• in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

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

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

Grant Thornton Sweden AB was assigned as Anoto Group ABs auditor by the general meetings of shareholders on June 30, 2017 and has been the company's auditors since that day.

Malmö April 27th, 2020

Grant Thornton Sweden AB

Mats Pålsson

Authorized Public Accountant

## Alternative performance measures

Anoto Group presents certain financial measures in this interim report that are not defined under IFRS. Anoto Group believes that these measures provide useful supplemental information to investors and the group´s management as they allow evaluation of the company´s performance. Because not all companies calculate these financial measures similarly, these are not always comparable to measures used by other companies.

These financial measures should not be considered a substitute for measures defined under IFRS.
Definitions of alternative measures used by Anoto Group that are not defined under IFRS are presented below.

### Operating profit/loss

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

| (KSEK) | Group 2019 | Group 2018 |
|---|---|---|
| **Gross profit** | **60,616** | **37,459** |
| Selling expenses | -40,663 | -25,159 |
| Administrative expenses | -27,475 | -108,917 |
| Research & development expenses | -33,581 | -36,149 |
| Other operating income | 0 | 14,334 |
| Other operating cost | -9,552 | -13,728 |
| **Operating profit/loss** | **-50,654** | **-132,160** |

### Operating margin

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

| (KSEK) | Group 2019 | Group 2018 |
|---|---|---|
| Operating profit/loss | -50,654 | -132,160 |
| **Operating margin** | **-45.24%** | **114,4%** |

### Cash flow per share for the year

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

| (KSEK) | Group 2019 | Group 2018 |
|---|---|---|
| Cash flow | 14,917 | -26,206 |
| Weighted average number of ordinary shares | 128,648,079 | 112,429,281 |
| **SEK** | **0.14** | **-0.23** |

### Equity/Asset ratio

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

| (KSEK) | Group 2019 | Group 2018 |
|---|---|---|
| Total assets | 306,483 | 284,343 |
| Equity attributable to the shareholders of Anoto Group AB | 234,222 | 212,128 |
| | **76.42%** | **74.60%** |

## EBITDA

Operating profit/loss before depreciation, amortisation and impairment.

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

| (KSEK) | Group 2019 | Group 2018 |
|---|---|---|
| Operating profit/loss | -50,654 | -132,160 |
| Depreciation and amortisation | 15,944 | 84,943 |
| **EBITDA** | **-34,710** | **-47,217** |

## Shareholders' equity per share

Provides shareholders the ability to compare book value with market value. Shareholders' equity divided by the number of shares at the year end.

| (KSEK) | 2019 | 2018 |
|---|---|---|
| Equity attributable to the shareholders of Anoto Group AB | 234,222 | 212,128 |
| Number of ordinary shares | 150,262,277 | 120,612,257 |
| **SEK** | **1.56** | **1.76** |

## Net debt

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

| (KSEK) | Group 2019 | Group 2018 |
|---|---|---|
| Interest-bearing liabilities | 8,182 | 5,685 |
| Liquid assets | -20,375 | -5,458 |
| **Net debt** | **-12,193** | **227** |

## Capital employed

Illustrates total capital tied to operations. Total assets less non-interest bearing provisions and liabilities (including deferred tax liabilities), less short term interest bearing liabilities.

| (KSEK) | Group 2019 | Group 2018 |
|---|---|---|
| Total assets | 306,483 | 284,343 |
| Non-interest bearing provisions | -3,019 | -242 |
| Non-interest bearing liabilities | -51,193 | -60,615 |
| Short term interest bearing liabilities | -8,182 | -5,685 |
| **Capital employed** | **244,089** | **217,801** |

## CORPORATE GOVERNANCE REPORT

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

### Corporate Governance Structure

Anoto is governed by several bodies.

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

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

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

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

### Annual General Meeting

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

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

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

### Annual General Meeting 2019

The Annual General Meeting (AGM) in 2019 took place in Stockholm on May 17. Jörgen Durban and Joonhee Won was present from the Board of Directors. Present were also Anoto's external auditors.

The Annual General Meeting made the following decisions:

- The annual report was presented, and the consolidated income statements and balance sheets were adopted. The Board Members and CEO were discharged from liability. It was resolved that no dividends were to be paid to the shareholders.
- Board Members Jörgen Durban, Joonhee Won and Perry (Young Soo) Ha were re-elected as Board Members until the end of the next Annual General Meeting,.
- Jörgen Durban was re-elected Chairman of the Board.

### Anoto's Annual General Meeting 2020

Anoto's Annual General Meeting 2020 will take place on May 18 in Stockholm.

## Extraordinary General Meetings

Extraordinary General Meetings were held on two occasion during 2019.

On March 28, 2019, an Extraordinary General Meeting was held in Stockholm. The meeting resolved to amend Article 5 of the company's Articles of Association to introduce a new series of shares (Series C shares).

On July 3, 2019, an Extraordinary General Meeting was held in Stockholm. The Meeting resolved that the Board of Directors shall consist of six Board Members elected by the general meeting. The meeting also resolved the election of Steve Kim, Anders Sjögren and Henrik Hammarskiöld as new member of the Board of Directors of Anoto Group AB until the end of the next Annual General Meeting.

On January 13, 2020, an Extraordinary General Meeting was held in Stockholm. The Meeting resolved to adopt an incentive scheme for employees and officers of, and consultants and advisors to, Knowledge AI Inc, a subsidiary of Anoto Group AB.

## The Board of Directors

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

At the Annual General Meeting, Jörgen Durban, who is the Chairman of the Board, Joonhee Won and Perry (Young Soo) Ha were re-elected as members of the Board of Directors until the next Annual General Meeting.

At an Extraordinary General Meeting, held on July 3, 2019, Steve Kim, Anders Sjögren and Henrik Hammarskiöld were elected as new members of the Board of Directors until the next Annual General Meeting.

For information about the Board Members and their remuneration, please refer to [Note 9]. The members of the Board, save for Joonhee Won and Steve Kim, are independent of the management of the company.

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

Work of the Board of Directors 2018
When appropriate, employees of the company participate in reporting capacities concerning their particular areas of expertise.

The Board continuously evaluated the performance of Anoto, the CEO and Anoto's management team. The Board held 13 recorded meetings during 2019.

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

| **Board Member:** | **Number of board meetings:** |
|---|---|
| Jörgen Durban | 13 / 13 |
| Young Soo Ha | 11 / 13 |
| Joonhee Won | 13 / 13 |
| Steve Kim* | 8 / 8 |
| Anders Sjögren** | 8 / 8 |
| Henrik Hammarskiöld*** | 8 / 8 |

* Board member since July 3, 2019
** Board member since July 3, 2019
*** Board member since July 3, 2019

The board has not decided to delegate any responsibilities to any sub-committees such as Audit committee and Compensation committee. Hence the board in its entirety has the full responsibility for such matters.

### CEO and Management

The Management Team consists of 3 people, with the CEO in charge. The CEO and Management Team manage and control Anoto's daily operations.

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

None of the shareholders had, on the 31st of December 2019, a direct or indirect ownership of more than one tenth of the votes for all shares.

### Anoto's Articles of Association

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

### Internal Control

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

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

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

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

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

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

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

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

### Monitoring

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

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

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

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

## AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

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

### Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the financial year 2019 on pages 67-70 and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

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

### Opinions

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

Malmö – April 27, 2020

Grant Thornton Sweden AB

Mats Pålsson

Authorized Public Accountant

GROUP INFORMATION

## Jörgen Durban

*Chairman of the Board, Independent*

Born 1956
Board member since 2010
Other positions: Chairman of the Board of DDM Holding AG, Chairman of the Board of Nordiska kreditmarknadsaktiebolaget (publ), Chairman of the Board of Haldex AB (publ)
Shareholding: 932,493 shares and 1.4 million share options in Anoto Group AB
Education: LL.M, Stockholm University, Sweden

## Joonhee Won

*Chief Executive Officer*

Born 1965
Board member since 2014
Shareholding: 15,4 million share options in Anoto Group AB
Education: MBA, Harvard Graduate School, USA

## Perry (Young Soo) Ha

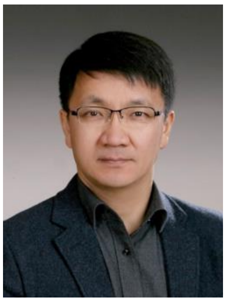
*Independent Board Member*

Born 1962
Board member since 2017
Other positions: Founder and Managing Director of Draper Athena
Shareholding: 641 thousand share options in Anoto Group AB
Education: MBA, Harvard Business School, USA

## Steve Kim

*Chief Technology Officer*

Born 1968
Board member since 2019
Shareholding: 1,7 million share options in Anoto Group AB
Education: BA Control and Instrument Engineering, Seoul National University, Republic of Korea



## Anders Sjögren

*Independent Board Member*

Born 1974
Board member since 2019
Shareholding: 500 thousand share options in Anoto Group AB
Education: PhD in Physics, Lund University, Sweden

## Henrik Hammarskiöld

*Independent Board Member*

Born 1959
Board member since 2019
Shareholding: 500 thousand share options in Anoto Group AB
Education: MBA (Sw.civilekonom), Handelshögskolan i Stockholm, Sweden

## Senior Management

**Joonhee Won**
Chief Executive Officer
Born 1965
Employed since 2016
Shareholding: 15,4 million share options in Anoto Group AB
Education: MBA, Harvard Graduate School, USA

**Steve Kim**
Chief Technology Officer
Born 1968
Board Member since 2019
Shareholding: 1,7 million share options in Anoto Group AB
Education: BA Control and Instrument Engineering, Seoul National University, Republic of Korea

**Nuno Allen**
Interim Chief Financial Officer
Born 1977
Employed since 2019
Shareholding: -
Education: Management Degree, Business Administration and Management, Lisbon University, Portugal

## The Anoto Share

Anoto Group AB (publ.) has been listed on the NASDAQ OMX Stockholm Stock Exchange (ticker: ANOT) since June 16, 2000. Today the share is listed on the Small Cap list of the NASDAQ OMX Nordic Exchange Stockholm. The share was previously traded on the New Market starting on March 15, 2000. Anoto Group's share capital of SEK 90,156,658 as per Dec 31, 2019 is allocated among 150,262,277 shares.

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

### Share price performance

The price of the Anoto Group share decreased by 46 percent from SEK 2.34 to 1.37 during the year. During the same period, the NASDAQ OMX Stockholm PI increased by 8 percent. Anoto Group's market capitalization was MSEK 206 on December 31, 2019.

### Shareholders

At the end of 2019, Anoto Group had 16,801 shareholders. Foreign shareholders controlled 33.7% and the ten largest shareholders controlled 20.9%.

### Dividend policy

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

### Option programmes

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

### Analysts

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

## Per share data 2019

| | |
|---|---|
| Number of shares 2019-12-31 | 150,262,277 |
| Number of outstanding options 2019-12-31 | 25,160,383 |
| Average number of shares | 128,648,079 |
| Earnings per share (SEK) | -0,23 |
| Fully Diluted Earnings per share (SEK) | -0.18 |
| Cash flow per share (SEK) | 0.12 |
| Fully Diluted Cash flow per share (SEK) | 0,09 |
| Shareholder´s equity per share (SEK) | 1.56 |
| Shareholder´s equity per share incl. options (SEK) | 1.56 |

## Largest shareholders on December 31, 2019

| | | | |
|---|---|---|---|
| 1 | HONGKONG & SHANGHAI BANKING CO LTD, W8IMY | 8.70% | 13,109,894 |
| 2 | SIX SIS AG, W8IMY | 7.30% | 10,903,853 |
| 3 | FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION | 4.90% | 7,370,765 |
| 4 | UBS SWITZERLAND AG, W8IMY | 2,30% | 3,498,299 |
| 5 | ANOTO GROUP AB | 2,20% | 3,330,585 |
| 6 | BNY MELLON SA/NV (FORMER BNY), W8IMY | 2,10% | 3,229,870 |
| 7 | JPM CHASE NA | 1,30% | 2,016,380 |
| 8 | SEB Investment Management | 1,10% | 1,709,415 |
| 9 | NORDNET PENSIONSFÖRSÄKRING AB | 1,00% | 1,543,129 |
| 10 | NORDEA BANK ABP, NORDEA BANK AB (PUBL) | 0,90% | 1,427,450 |
| | **Total** | **20.90%** | **32,579,267** |

## Shareholders by size on December 31, 2019

| Shares held | Total number of shareholders | % total number of shareholders |
|---|---|---|
| 1 – 500 | 9,327 | 55.6% |
| 501 – 1,000 | 1,749 | 10.4% |
| 1,001 – 5,000 | 3,183 | 18.9% |
| 5,001 – 10,000 | 951 | 5.7% |
| 10,001 – 15,000 | 401 | 2.4% |
| 15,001 – 20,000 | 241 | 1.4% |
| 20,001 - | 949 | 5.7% |
| | **16,801** | **100.00%** |

## FIVE-YEAR SUMMARY

### Summary of comprehensive income statements

| (KSEK) | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| | | | | | |
| Net sales | 192 838 | 235 657 | 173 010 | 115,556 | 111,967 |
| Other income | - | - | - | - | - |
| Gross profit | 85 556 | 79 393 | 70 922 | 37 459 | 60,616 |
| Amortisation and impairment of intangible fixed assets | -5 412 | -66 018 | -11 492 | -84 210 | -13,379 |
| Depreciation - property, plant and equipment | -1 909 | -4 718 | -4 344 | -725 | -2,565 |
| Operating profit/loss | -106 249 | -260 353 | -36 578 | -132 160 | -50,654 |
| Other financial items | -3 710 | -7 317 | -19 623 | 13 137 | 18,081 |
| Profit/loss after financial items | -109 959 | -267 670 | -56 201 | -119 023 | -32,573 |
| Tax | 1604 | 4 445 | 3 257 | 3 174 | -34 |
| **Profit/loss after tax** | **-108 355** | **-263 225** | **-52 944** | **-115 850** | **-32,607** |

### Summary of balance sheets

| Assets | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Intangible fixed assets | 263 065 | 236 810 | 255 282 | 200 867 | 219,138 |
| Tangible fixed assets | 5 944 | 8 414 | 3 404 | 3 233 | 7,067 |
| Financial fixed assets | 7 280 | 18 855 | 18 317 | 2 165 | 1,678 |
| Total non-current assets | 276 289 | 264 079 | 277 003 | 206 265 | 227,883 |
| Inventory | 44 589 | 49 478 | 51 766 | 24 561 | 22,690 |
| Accounts receivable | 65 443 | 34 825 | 27 747 | 39 004 | 20,989 |
| Other current assets | 51 378 | 35 356 | 11 429 | 9 055 | 14,546 |
| Cash and cash equivalents | 11 628 | 5 553 | 31 664 | 5 458 | 20,375 |
| Total current assets | 173 039 | 125 212 | 122 606 | 78 078 | 78,600 |
| **Total assets** | **449 328** | **389 291** | **399 609** | **284 343** | **306,483** |

| Liabilities and shareholders' equity | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Shareholders´ equity | 277 926 | 213 258 | 276 284 | 212 1287 | 234,222 |
| Minority interests | -9 730 | -1 689 | -583 | -548 | 4,010 |
| Long-term liabilities | | | | | |
| Non-interest-bearing | 25 793 | 7 031 | 3 289 | 4 072 | 2,376 |
| Interest bearing | 8 145 | 28 000 | 44 449 | 2 149 | 3,480 |
| Current liabilities | | | | | |
| Non-interest-bearing | 147 194 | 113 673 | 64 862 | 60 857 | 54,213 |
| Interest-bearing | 0 | 29 018 | 11 309 | 5 685 | 8,182 |
| Total liabilities | 181 132 | 142 691 | 123 908 | 72 763 | 68,251 |
| **Total liabilities and shareholders´ equity** | **449 328** | **389 291** | **399 609** | **284 343** | **306,483** |

## Summary of cash flow statements

| (KSEK) | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Profit/loss after financial items | -109 959 | -267,670 | -56 201 | -119 023 | -32,607 |
| Items that do not affect liquidity | 9 948 | 57870 | 30 030 | 70 136 | 666 |
| Change in working capital | 15 229 | 45 988 | -19 024 | 22 327 | 21,038 |
| Cash flow from operating activities | -84 782 | -163 812 | -45 194 | -26 559 | -10,902 |
| Cash flow from investment activities | -175 533 | -48 459 | -38 427 | -21 671 | -30,347 |
| Total cash flow before financing activities | -260 315 | -212 271 | -83 621 | -48 231 | -41,250 |
| Cash flow from financing activities | 268 035 | 206 195 | 109 732 | 22 025 | 56,167 |
| **Cash flow for the year** | **7 720** | **-6 076** | **26 111** | **-26 206** | **14,917** |

## Key ratios

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Sales growth, % | 36 | 22 | -27 | -33 | -3% |
| Gross margin, % | 44 | 34 | 41 | 32 | 54% |
| Capital employed (KSEK) | 268 196 | 239 657 | 320 149 | 217 801 | 244,089 |
| Equity/assets ratio, % | 60 | 54 | 69 | 75 | 76 |
| Net debt (KSEK) | -3 484 | 51 465 | 20 365 | 227 | -12,193 |
| Earnings per share (SEK) | -0,13 | -0,15 | -0,49 | -1,16 | -0.23 |
| Earnings per share after dilution (SEK) | -0,13 | -0,15 | -0,46 | -0.91 | -0.18 |
| Cash flow per share for the year (SEK) | 0,01 | -0,00 | 0,29 | -0,23 | 0,12 |
| Cash flow per share after dilution (SEK) | 0,01 | -0,00 | 0,28 | -0,18 | 0,09 |
| Shareholder´s equity per share (SEK) | 0,26 | 0,09 | 2,71 | 1,76 | 1.56 |
| Shareholder's equity per share after dilution (SEK) | 0,26 | 0,09 | 2,71 | 1,76 | 1.56 |
| Average no. of employees | 117 | 156 | 61 | 34 | 46 |
| Sales per employee (KSEK) | 1 648 | 1 510 | 2 836 | 3 399 | 2,434 |
| Payroll expenses incl. social security contribution (KSEK) | 102 576 | 140 859 | 35 561 | 24 970 | 32,106 |
| (of which pension premiums were) | 6 006 | 5 617 | 2 184 | 626 | 359 |

## Definitions

**GROSS MARGIN**

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

**SHAREHOLDERS' EQUITY PER SHARE**

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

**AVERAGE NUMBER OF EMPLOYEES**

Average number of employees during the year.

**NET DEBT**

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

**SALES PER EMPLOYEE**

Net sales divided by the average number of employees.

**SALES GROWTH**

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

**EARNINGS PER SHARE**

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

**OPERATING MARGIN**

Operating profit/loss as a percentage of net sales.

**CAPITAL EMPLOYED**

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

**EQUITY/ASSETS RATIO**

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

**CASH FLOW PER SHARE FOR THE YEAR**

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

**EBITDA**

Operating profit before depreciation and amortisation

**OPERATING PROFIT/LOSS**

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

## Annual General Meeting

Anoto's Annual General Meeting will be held on May 18, 2020 at 10.00 a.m. at the premises of Setterwalls Advokatbyrå, Sturegatan 10, 114 36 Stockholm, Sweden.

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

- E-mail to AGM@anoto.com
- In writing to Anoto Group AB, Flaggan 1165, 116 74 Stockholm, Sweden

The notification must reach the company by 12:00 noon on Tuesday, May 14, 2020. To be entitled to participate, the shareholder must also be entered in the Euroclear Sweden AB share register by May 12, 2020. Any shareholder who has registered his or her shares under a trustee must temporarily register them in his or her own name with Euroclear Sweden AB by Tuesday, May 12, 2020. When submitting the notification, shareholders are requested to provide name, identity number, address, phone number, and number of registered shares. Shareholders participating by proxy must submit the authorisation to the company prior to the meeting.

## Financial reporting

Anoto Group's financial reports are released in Swedish and English. The easiest way to obtain the reports is by downloading them from www.anoto.com.

Following is the schedule of Anoto Group's financial reports for its 2020 financial year:

Q1 report, May 29th, 2020

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