

Interim Report

January – June 2016

Tobii AB (publ)

Stable sales and large investments in product and market development in all three business units

April – June

- The Group's sales totaled SEK 241 million (222), an increase of 8%. Adjusted for currency effects, the increase was 12%.
- Gross margin was 73% (76%).
- The Group's operating loss amounted to SEK -29 million (-17).
- The combined operating profit from Tobii Dynavox and Tobii Pro totaled SEK 23 million (23) while investments in Tobii Tech impacted the Group's earnings by SEK -52 million (-39).
- Earnings per share was SEK -0.18 (-0.13).

January – June

- The Group's sales totaled SEK 493 million (452), an increase of 9%. Adjusted for currency effects, the increase was 11%.
- Gross margin was 73% (75%).
- The Group's operating loss amounted to SEK -46 million (-24).
- The combined operating profit from Tobii Dynavox and Tobii Pro totaled SEK 55 million (56) while investments in Tobii Tech impacted the Group's earnings by SEK -101 million (-80).
- Earnings per share was SEK -0.47 (-0.13).

Events during the quarter

- Tobii Tech started delivering the IS4 platform to Tobii Dynavox, which launched several eye-controlled products upgraded with the new platform.
- Heli Arantola and Jan Wäreby were elected as new members of the Board of Directors at the Annual General Meeting held on May 11.

SEK m (except for earnings per share)	Second quarter			First six months			Full year 2015
	2016	2015	Change	2016	2015	Change	
Net sales							
- Tobii Dynavox	181.8	172.5	5%	370.1	339.8	9%	740.3
- Tobii Pro	53.3	46.3	15%	112.5	100.5	12%	209.5
- Tobii Tech	18.3	12.8	43%	34.3	30.4	13%	58.6
- Eliminations and other, net	-12.7	-9.2	n/m	-24.1	-18.8	n/m	-41.1
Total	240.7	222.5	8%	492.9	451.9	9%	967.3
Operating profit/loss (EBIT)							
- Tobii Dynavox	25.4	21.6		52.0	48.1		119.0
- Tobii Pro	-2.7	0.9		3.2	8.2		21.2
- Tobii Tech	-51.9	-39.2		-101.2	-80.4		-175.7
- Other, net	-	0.0		-	-0.2		-0.2
Total	-29.2	-16.7		-45.9	-24.3		-35.7
Earnings per share (SEK)	-0.18	-0.13		-0.47	-0.13		-0.30

A conference call will be held in English today at 10.00 (CET). Go to www.tobii.com to follow the conference online or for the phone number you need to participate. Images from the conference will be available for download from the website.

Comments from the CEO

The second quarter of the year was characterized by investments in product and sales development in Tobii Dynavox and Tobii Pro. At the same time, we continued to invest heavily in Tobii Tech with the ambition of bringing eye tracking to new segments such as gaming and VR. The Group's year-over-year sales increased by 12% adjusted for currency effects.

Tobii Dynavox – effective communication to more people

Within Tobii Dynavox, we continued our efforts to give even more people the opportunity to communicate effectively. We launched the computer peripheral PCEye Mini and upgraded the I-Series+, the business unit's eye-controlled communication devices, with the new IS4 platform. Feedback from our users has been very positive.

To strengthen its position in the low-price segment, Tobii Dynavox is investing long-term to expand its offerings and channels for direct sales to consumers. The investments cover product development, e-commerce and marketing initiatives. By doing this we will be able to offer effective communication solutions to individuals who cannot or prefer not to use public funding through insurance systems, to schools and to geographic markets that lack funding for communication devices. During the quarter, Tobii Dynavox launched e-commerce in its first market, the UK.

The business unit's year-over-year sales increased by 9% adjusted for currency effects, due to higher sales in the US. In Europe however, we saw sales decline somewhat. This was partly due to price reductions on some products, and partly because we are in the process of building an organization for direct sales in the UK, which has resulted in a downturn in sales through resellers.

Tobii Pro – continued strong sales across the board

Tobii Pro had a particularly strong quarter and year-over-year sales increased by 16% adjusted for currency effects. Performance was positive in all product categories and geographic regions. Eye tracking is becoming a more established method for studying behavior and we see that its usage is growing through the increasing number of new and repeat customers, such as Ipsos, Unilever and Procter & Gamble.

The Glasses 2 eye-tracking glasses have become a highly successful product and we continue to gain customers in new segments. One such segment is the world of sports, where a study of Formula 1 racing driver Nico Hulkenberg received widespread international attention through [SkySports](#) and other media during the quarter.

To maintain our strong position in the market for eye-tracking studies, Tobii Pro is making important investments in product development. This includes both eye-

tracking hardware and analytics software aimed at making it easier for customers to perform both small and large-scale global surveys.

Tobii Tech – integration projects with several customers

We see a clear interest for eye tracking in several different product areas. Through increased investments in Tobii Tech, we now have focused teams dedicated to platform development, gaming, computer interaction, VR and mobile devices.

During the quarter, we intensified collaborations with several computer manufacturers aiming to integrate eye tracking in specific models of premium notebooks and monitors. The work involved many teams and covered various aspects, such as adaptations of the platform and user interface for eye tracking. We also continued to develop technology for eye tracking for mobile devices.

Interest in eye tracking within the VR segment is steadily growing, with more in-depth dialogues as a result. Benefits and applications have become more concrete, but we believe that we are still in an early stage.

During the quarter we continued our efforts together with game studios to develop immersive gaming experiences using eye tracking. Feedback from early users has provided us with an understanding of which concepts are appreciated and those that can be improved. Several new games were launched during the period.

Moving forward with a stronger team

We continue to invest in all three business units to maintain our market-leading position and to capture the many business opportunities we see for eye tracking. Over the past twelve months, the number of full-time employees has grown by 130 and we are now more than 700 Tobii-ians worldwide onboard for our exciting journey.

Danderyd, July 28, 2016

Henrik Eskilsson



The Tobii Group in brief

Tobii is the world leader in eye tracking, both in terms of market shares and technology. Tobii holds more than 50% of the global eye-tracking market and has many times higher sales than its closest competitor.

An eye-tracking sensor can determine where a person is looking with high accuracy. This provides access to information about what the user pays attention to or processes. The main values of eye tracking is that it can be used to gain unique insights into human behavior or to create natural and more intuitive user interfaces for computers and other devices.

The Tobii Group has three business units that have their own distinct markets, products and organizations. Two of these, Tobii Dynavox and Tobii Pro, are active in niche markets for assistive technology for communication and research and consumer surveys respectively. Both are market leaders and have established product portfolios. Tobii Dynavox' products help tens of thousands of users to speak and communicate, and Tobii Pro's eye-tracking solutions add deep insights and unique objectivity to a multitude of research areas.

Tobii invests in the third business unit, Tobii Tech, to reach future high-volume markets for eye tracking in primarily consumer products such as computers, gaming products, VR and mobile devices. The business model is based on delivering components, algorithms and licenses to integration customers.

Tobii invests in a high rate of development to maintain its market-leading position and advance its market penetration in all three business units.

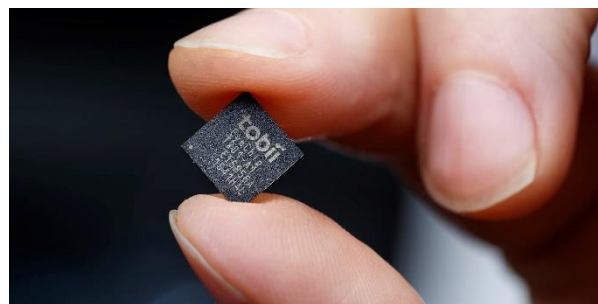
Tobii has around 700 employees and covers the global market through its own offices in Sweden, the USA, China, Japan, Norway, Germany, the UK, South Korea and Taiwan, and through a global network of resellers. Tobii is headquartered in Danderyd, Sweden, and is listed on Nasdaq Stockholm since April 2015.



Tobii Dynavox's eye-controlled communication devices give people with special needs the opportunity to communicate and live richer lives.



Tobii Pro's eye-tracking glasses offer unique opportunities to objectively study behavior in many different settings.



Tobii Tech develops compact and efficient components for eye-tracking integration into consumer products.

Read more online

www.tobii.com

www.tobiidynavox.com

www.tobiipro.com

www.tobii.com/tech

The Group: April – June

Sales

The Group's net sales for the second quarter rose year-over-year by 8% to SEK 241 million (222). Adjusted for currency effects, the increase was 12%. Tobii Dynavox contributed SEK 182 million, Tobii Pro SEK 53 million and Tobii Tech SEK 18 million, of which SEK 13 million was sales of eye-tracking platforms to the other two business units.

In the second quarter of 2016, the North American market accounted for 65% (64%) of the Group's sales, the European market for 22% (23%), and the rest of the world for 13% (13%).

Earnings

The Group's gross margin was 73% (76%). The year-over-year comparison was impacted by the reallocation of certain selling and administrative expenses to cost of goods and services sold carried out during the third quarter of 2015. As a consequence the gross margin decreased, however there was no impact on operating profit/loss.

The operating loss for the Group was SEK -29 million (-17) and operating margin was -12% (-8%). The operating loss was affected by increased investments in R&D and in sales and marketing in all three business units. Currency effects did not have a significant impact on operating profit/loss.

The combined operating profit from Tobii Dynavox and Tobii Pro was SEK 23 million (23). At the same time, the Group was impacted by Tobii Tech's operating loss of SEK -52 million (-39).

The Group's total R&D expenditures amounted to SEK 85 million (66), of which SEK 32 million (25) or 38% (38%) were capitalized in the balance sheet. At the same time, R&D amortization rose to SEK 24 million (19). Consequently, R&D expenses reported in the income statement amounted to SEK 77 million (60).

Operating profit before depreciation and amortization (EBITDA) was SEK 1 million (9), yielding an EBITDA margin of 0% (4%).

Pretax loss was SEK -18 million compared with SEK -21 million in the corresponding period in 2015. Net financial items increased by SEK 16 million amounting to SEK 12 million (-4), generated by currency effects that raised the value of the Group's dollar-based (USD) financial assets.

Net loss was SEK -16 million (-11) and earnings per share was SEK -0.18 compared with SEK -0.13 in the same period in 2015. Through the new share issue in conjunction with the listing on the stock exchange in April 2015, the average number of outstanding shares during the second quarter rose 6% year-over-year and amounted to 88 (83) million.

Cash flow, liquidity and financial position

The quarter's cash flow after continuous investments was SEK -32 million (7). The decrease was attributed primarily to changes in working capital that amounted to SEK 4 million compared with SEK 29 million in the corresponding period in 2015. Continuous investments amounted to SEK 38 million (33), of which SEK 32 million (25) referred to capitalization of R&D.

At the close of the quarter, the Group had SEK 348 million (383) in net cash and SEK 170 million (170) in unutilized overdraft facilities.

Employees

The number of employees at period-end, recalculated to full-time equivalents, was 701. Compared with the corresponding period last year, the number of employees rose by 130 through intensified investments in R&D and sales and marketing organizations.

2016 Annual General Meeting

Tobii's Annual General Meeting, held on May 11 in Stockholm, passed the following resolutions:

Kent Sander was re-elected Chairman of the Board and all Board members were re-elected except Anders Ösund who resigned his position on the Board of his own accord. Heli Arantola and Jan Wäreby were elected as new members of the Board.

The Annual General Meeting authorized the Board to resolve to issue new shares for no more than 10% of the number of outstanding shares to facilitate the possible acquisition of companies.

The Annual General Meeting adopted the Board's proposal to implement a new long-term incentive program for senior executives and other key employees within the Tobii Group.

The Group: January – June

Sales

The Group's net sales for the first half of 2016 rose year-over-year by 9% to SEK 493 million (452). Adjusted for currency effects, the increase was 11%. The increase in sales is attributed to growth in all business units.

During the period, the North American market accounted for 64% (60%) of the Group's sales, the European market for 23% (25%), and the rest of the world for 13% (15%).

Earnings

The Group's gross margin was 73% (75%). The change was primarily due to the aforementioned reallocation of costs and had no impact on operating profit/loss.

The operating loss for the Group was SEK -46 million (-24) and operating margin declined to -9% (-5%). The operating loss was affected by increased investments in R&D and in the sales and marketing organizations in all three business units. Currency effects did not have a significant impact on operating profit/loss.

The combined operating profit from Tobii Dynavox and Tobii Pro was SEK 55 million (56). At the same time, the Group was impacted by Tobii Tech's operating loss of SEK -101 million (-80).

The Group's total R&D expenditures rose by SEK 23 million to SEK 160 million (137), of which SEK 54 million (55) or 34% (40%) was capitalized in the balance sheet.

At the same time, R&D amortization rose by SEK 6 million to SEK 43 million (37). Consequently, R&D expenses reported in the income statement rose to SEK 149 million (119), corresponding to 30% (26%) of net sales.

Operating profit before depreciation and amortization (EBITDA) was SEK 9 million (28), yielding an EBITDA margin of 2% (6%).

Pretax loss was SEK -47 million compared with SEK -17 million in the corresponding period in 2015. Net financial items amounted to SEK -1 million (8).

Net loss was SEK -41 million (-10) and earnings per share was SEK -0.47 compared with SEK -0.13 in 2015. The average number of outstanding shares during the first half of the year was 88 million (76), and the number of shares at the close of the period was 88 million (88).

Cash flow, liquidity and financial position

Cash flow after continuous investments was SEK -30 million (-31). Operations generated a positive cash flow of SEK 6 million (24), while the change in working capital had a positive effect of SEK 28 million (14). Continuous investments decreased SEK 5 million to SEK 64 million, of which SEK 54 million refers to capitalization of R&D.

At the close of the period, the Group had SEK 348 million (383) in net cash and SEK 170 million (170) in unutilized overdraft facilities.

Tobii Dynavox

SEK m	Second quarter		First six months		Full Year
	2016	2015	2016	2015	2015
Net sales	181.8	172.5	370.1	339.8	740.3
Gross margin	70%	75%	71%	74%	73%
EBITDA	41.5	36.4	84.4	78.5	182.1
EBITDA margin	23%	21%	23%	23%	25%
Operating profit/loss (EBIT)	25.4	21.6	52.0	48.1	119.0
EBIT margin	14%	13%	14%	14%	16%

April – June

Sales

Net sales for the second quarter rose year-over-year by SEK 9 million, or 5%, to SEK 182 million (173). Adjusted for currency effects, the increase was 9%. This was driven by higher sales in the US, primarily due to one-off effects from the Steve Gleason Act. In Europe, net sales declined somewhat due to changes in the sales organization in the UK and price reductions on some products in the portfolio.

Earnings

Gross margin was 70% (75%). Year-over-year, gross margin was impacted by the reallocation of certain selling and administrative expenses to cost of goods and services sold carried out during the third quarter of 2015. Price reductions on some products of the portfolio in certain geographic markets also had an impact on the gross margin during the quarter.

Operating profit totaled SEK 25 million (22) and the operating margin was 14% (13%). The operating profit was affected by continued investments in R&D, sales and marketing. These investments included development of new products and direct channels to consumers to strengthen the business unit's position in the low-price segment, and a general expansion of the sales and marketing organizations in the UK and the US.

The total R&D expenditures rose by SEK 3 million to SEK 25 million (22), of which SEK 16 million (11) or 64% (50%) were capitalized in the balance sheet. At the same time, R&D amortization rose by SEK 2 million to SEK 11 million (9). Consequently, R&D expenses reported in the income statement amounted to SEK 20 million (20). The business unit continued to invest in product development to enhance the product portfolio of eye-controlled and touch-based communication devices and communication software.

Operating profit before depreciation and amortization (EBITDA) was SEK 41 million (36) and the EBITDA margin was 23% (21%).

January – June

Sales

Net sales for the first half of 2016 rose year-over-year by 9% to SEK 370 million (340), primarily through higher sales in the US. Adjusted for currency effects, the increase was 11%, about half of which was due to one-off effects from the Steve Gleason Act.

Earnings

Gross margin decreased by 3 percentage points to 71% (74%) primarily through the aforementioned reallocation of expenses and price reductions on some products of the portfolio.

Total R&D expenditures rose by SEK 8 million to SEK 52 million (44), of which SEK 29 million (20) or 56% (45%) were capitalized in the balance sheet. At the same time, R&D amortization rose by SEK 6 million to SEK 23 million (17). Consequently, R&D expenses reported in the income statement amounted to SEK 45 million (41).

Operating profit rose to SEK 52 million (48) and the operating margin was 14% (14%). Operating profit before depreciation and amortization (EBITDA) rose to SEK 84 million (79) and adjusted EBITDA margin was 23% (23%).

Other events

- Launched the computer peripheral PCEye Mini that integrates the new eye-tracking platform, Tobii IS4.
- Launched Snap Scene, an app for children who are in the early stage of language development.
- A dispute with the University of Virginia related to a licensing agreement that followed the Dynavox acquisition was concluded. All previous and potential claims were resolved through settlement.

Tobii Dynavox is the world's leading supplier of assistive technology for individuals with reduced ability to speak and communicate due to conditions such as cerebral palsy, ALS, aphasia, spinal cord injuries or autism. The products include medical-grade eye-controlled and touchscreen-based communication devices and a variety of software.

Tobii Dynavox accounts for three quarters of the Group's sales. The business unit's long-term financial goal is to deliver revenue growth in excess of 10% per year, with an EBIT margin of 20%.

Tobii Pro

SEK m	Second quarter		First six months		Full Year
	2016	2015	2016	2015	2015
Net sales	53.3	46.3	112.5	100.5	209.5
Gross margin	72%	74%	73%	75%	75%
EBITDA	4.6	5.6	17.5	17.7	44.3
EBITDA margin	9%	12%	16%	18%	21%
Operating profit/loss (EBIT)	-2.7	0.9	3.2	8.2	21.2
EBIT margin	-5%	2%	3%	8%	10%

April – June

Sales

Net sales for the second quarter rose year-over-year by 15% to SEK 53 million (46) and by 16% adjusted for currency effects. As in the first quarter, the improvement was driven by higher sales of hardware and software and by the service organization Tobii Pro Insight. Sales increased in all geographic regions.

Earnings

Gross margin was 72% (74%). Year-over-year, gross margin was impacted by the reallocation of certain selling and administrative expenses to cost of goods and services sold carried out during the third quarter of 2015.

Operating loss totaled SEK -3 million (1) and operating margin was -5% (2%). The operating loss was affected by increased investments in R&D and development of new products as well as continued expansion of the sales and marketing organizations, including the service organization Tobii Pro Insight.

Total R&D expenditures amounted to SEK 16 million (10), of which SEK 8 million (5) or 53% (52%) were capitalized in the balance sheet. At the same time, R&D amortization was SEK 6 million (4). Consequently, R&D expenses reported in the income statement rose to SEK 14 million (9). Investments were made in both the further development of existing products and the development of new eye-tracking hardware and analytics software.

Operating profit before depreciation and amortization (EBITDA) amounted to SEK 5 million (6) and the EBITDA margin to 9% (12%).

January – June

Sales

Net sales for the first half of 2016 rose year-over-year by 12% to SEK 113 million (101). Also adjusted for currency effects, growth was 12%.

Earnings

Gross margin decreased by 2 percentage points to 73% (75%), primarily through the aforementioned reallocation of expenses carried out during the third quarter of 2015.

Operating profit totaled SEK 3 million (8) and operating margin was 3% (8%), which was driven by increased investments in R&D and continued expansion of the sales and marketing organizations.

For the half year, total R&D expenditures amounted to SEK 28 million (21), of which SEK 14 million (10) or 50% (50%) were capitalized in the balance sheet. At the same time, R&D amortization rose by SEK 5 million to SEK 13 million (8). Consequently, R&D expenses reported in the income statement rose to SEK 27 million (18).

Operating profit before depreciation and amortization (EBITDA) was SEK 18 million (18) and the EBITDA margin was 16% (18%).

Tobii Pro is the world's leading provider of eye-tracking hardware and analytics software used for understanding human behavior. Over 3,000 companies and 2,000 academic institutions are Tobii Pro customers, including several large corporations such as Procter & Gamble, Ipsos and Microsoft, as well as all of the world's 50 top-ranked universities.

Tobii Pro accounts for approximately one fifth of the Group's sales. The business unit's long-term financial goal is to deliver revenue growth in excess of 15% per year, with an EBIT margin in excess of 15%. In the mid-term (next 2-3 years), Tobii Pro's target is to deliver revenue growth of 10% with an EBIT margin of 10%.

Tobii Tech

SEK m	Second quarter		First six months		Full Year
	2016	2015	2016	2015	2015
Net sales	18.3	12.8	34.3	30.4	58.6
Gross margin	50%	45%	46%	43%	46%
EBITDA	-45.3	-32.7	-92.8	-67.5	-145.2
EBITDA margin	n/m	n/m	n/m	n/m	n/m
Operating profit/loss (EBIT)	-51.9	-39.2	-101.2	-80.4	-175.7
EBIT margin	n/m	n/m	n/m	n/m	n/m

April – June

Sales

Net sales rose by 43% to SEK 18 million (13). The increase was due to higher internal sales of eye-tracking platforms to Tobii Dynavox and Tobii Pro as well as higher external sales. Sales of eye-tracking platforms to Tobii Dynavox and Tobii Pro amounted to SEK 13 million (9).

Earnings

Gross margin was 50%, an increase from 45% for the second quarter of 2015. The improved margin was attributed primarily to lower production costs for the IS4 platform than for its predecessor.

Operating loss amounted to SEK -52 million (-39), mainly attributable to increased investments in R&D and increased marketing initiatives to encourage the development of computer games that integrate eye tracking.

Total R&D expenditures amounted to SEK 44 million (34), of which SEK 7 million (9) or 17% (26%) were capitalized in the balance sheet. At the same time, R&D amortization was SEK 6 million (6). Consequently, R&D expenses reported in the income statement rose to SEK 43 million (31). Significant effort was devoted to working together with device manufacturers to evaluate, adapt and integrate Tobii's technology in a number of specific products including premium notebooks and monitors as well as VR and mobile devices, and to further develop the interaction interface with eye tracking for such products.

Operating loss before depreciation and amortization (EBITDA) amounted to SEK -45 million (-33).

January – June

Sales

Net sales rose year-over-year by 13% to SEK 34 million (30). Sales of eye-tracking platforms to Tobii Dynavox and Tobii Pro rose to SEK 24 million (19).

Earnings

Gross margin amounted to 46% compared to 43% for the first half of 2015.

Operating loss amounted to SEK -101 million (-80), mainly attributable to higher investments in marketing and R&D.

Total R&D expenditures amounted to SEK 80 million (72), of which SEK 10 million (24) was capitalized in the balance sheet. At the same time, R&D amortization was SEK 8 million (12). Consequently, R&D expenses reported in the income statement rose to SEK 78 million (60).

Operating loss before depreciation and amortization (EBITDA) amounted to SEK -93 million (-68).

Other events

- Started delivering the IS4 platform to Tobii Dynavox which has integrated the platform into several of its eye-controlled products.

Tobii Tech offers components and platforms for eye tracking to OEM customers who integrate Tobii's technology into their own products. The business unit invests in technology development and marketing activities in a number of segments, several of which have the potential to become very large in the future, including the gaming, computing, virtual reality, mobile devices, automotive, and medical equipment markets.

Tobii Tech is still in an early phase of commercial development and accounts for approximately 5% of the Group's sales, including internal sales to Tobii Dynavox and Tobii Pro. The business unit's long-term financial goal is to become cash flow positive by 2018.

Consolidated key ratios

	Second quarter		First six months		Full Year
	2016	2015	2016	2015	2015
Earnings per share, SEK	-0.18	-0.13	-0.47	-0.13	-0.30
Earnings per share, diluted ¹ , SEK	-0.18	-0.13	-0.47	-0.13	-0.30
Equity per share, SEK	8.7	9.2	8.7	9.2	9.1
EBITDA, SEK m	0.8	9.3	9.1	28.4	81.1
EBIT, SEK m	-29.2	-16.7	-45.9	-24.3	-35.7
Cash flow from operating activities, SEK m	5.7	40.5	34.2	37.9	79.9
Cash flow after continuous investments, SEK m	-32.2	7.3	-30.1	-31.3	-40.7
Working capital, SEK m	-0.5	3.2	-0.5	3.2	22.9
Total assets, SEK m	1,004.2	1,052.8	1,004.2	1,052.8	1,035.4
Net cash (+)/net debt (-), SEK m	347.9	382.7	347.9	382.7	370.9
Equity, SEK m	762.6	810.4	762.6	810.4	793.8
Average equity, SEK m	759.4	693.9	776.1	561.5	698.4
Equity/assets ratio, %	75.9	77.0	75.9	77.0	76.7
Net debt/equity, %	neg	neg	neg	neg	neg
Gross margin, %	72.7	76.3	72.9	75.1	74.8
EBITDA margin, %	0.3	4.2	1.9	6.3	8.4
Operating margin, %	-12.1	-7.5	-9.3	-5.4	-3.7
Return on total equity, %	-2.1	-1.6	-5.3	-1.7	-3.6
Average number of outstanding shares, million	87.6	82.9	87.6	75.9	81.8
Average number of outstanding shares after dilution, million ¹	91.1	86.1	91.0	79.2	85.1
Number of outstanding shares at period-end, million	87.6	87.6	87.6	87.6	87.6
Number of outstanding shares after dilution at period-end, million ¹	91.6	90.9	91.6	90.9	90.9
Average number of employees	681	569	657	567	582

1) The 2016 Annual General Meeting of the Company's shareholders has authorized the Board of Directors to issue 4.0 million share warrants, 4.0 million of which have been issued. On June 30, 2016, 4.0 million of the share warrants issued were still outstanding. Furthermore, the 2016 Annual General meeting also resolved to implement a long term incentive program, LTI 2016, and to issue new shares of not more than 870,000 warrants. The program comprises 2 series of warrants. Series 1 entitles the warrant holder to subscribe for one Tobii AB share at a price of SEK 73.30 per share during a fixed period in 2019/2020. There are a total of 730,000 warrants outstanding in the series. Series 2 entitles the warrant holder to subscribe for one Tobii AB share at a price of SEK 67.60 during a fixed period in 2020/2026. There are a total of 140,000 warrants outstanding in the series. The dilution effect of warrants in all of the company's incentive programs corresponds to a maximum of approximately 4.7%.

Consolidated Statement of Comprehensive Income

SEK m	Second quarter		First six months		Full Year 2015
	2016	2015	2016	2015	
Net sales	240.7	222.5	492,9	451,9	967.3
Cost of goods and services sold	-65.6	-52.7	-133,6	-112,6	-243.8
Gross profit	175.1	169.7	359,3	339,3	723.4
Selling expenses	-105.8	-94.3	-208.0	-185.4	-393.3
Research and development expenses	-77.3	-60.5	-149.4	-119.1	-265.0
Administrative expenses	-24.7	-27.6	-45.3	-56.9	-95.9
Other operating income and operating expenses ¹	3.5	-4.1	-2.5	-2.2	-5.0
Operating profit/loss	-29.2	-16.7	-45.9	-24.3	-35.7
Net financial items ²	11.7	-3.9	-1.1	7.5	8.4
Profit/loss before tax	-17.5	-20.7	-47.1	-16.8	-27.3
Tax	1.2	9.6	5.9	7.0	2.7
Net profit/loss for the period	-16.3	-11.0	-41.2	-9.8	-24.6
Other comprehensive income					
Items that may subsequently be reclassified to profit or loss for the period:					
Exchange rate differences	-1.5	-0.2	3.4	-2.9	-3.6
Other comprehensive income for the period, net after tax	-1.5	-0.2	3.4	-2.9	-3.6
Total comprehensive income for the period	-17.8	-11.3	-37.8	-12.7	-28.2
Of which depreciation and amortization	-30.0	-26.0	-55.1	-52.8	-116.7
Of which write downs of fixed assets	-	-	-	-	-0.1
Net profit/loss for the period attributable to					
Parent company shareholders	-15.9	-10.8	-41.1	-9.9	-24.7
Minority interests	-0.3	-0.2	-0.1	0.2	0.1
Net profit/loss for the period	-16.3	-11.0	-41.2	-9.8	-24.6
Total comprehensive income for the period attributable to					
Parent company shareholders	-17.4	-11.0	-37.7	-12.9	-28.4
Minority interests	-0.3	-0.2	-0.1	0.2	0.1
Total comprehensive income for the period	-17.8	-11.3	-37.8	-12.7	0.0

1) Primarily foreign currency translation differences.

2) Net financial items include foreign currency translation differences totaling SEK 12 million (-3) for the Second quarter, SEK -1 (9) for the First six months of 2016, and SEK 10 million for the Full Year 2015.

Consolidated Balance Sheet

SEK m	June 30, 2016	June 30, 2015	Dec 31, 2015
Fixed assets			
Intangible fixed assets	342.6	346.2	331.7
Tangible fixed assets	28.7	34.0	31.8
Financial fixed assets	64.1	61.1	56.5
Total fixed assets	435.4	441.3	420.1
Current assets			
Accounts receivable	140.4	146.1	168.7
Inventories	46.2	52.7	45.8
Other current financial receivables	34.2	30.1	30.0
Cash and cash equivalents	347.9	382.7	370.9
Total current assets	568.8	611.6	615.3
Total assets	1,004.2	1,052.8	1,035.4
Shareholders' equity			
Shareholders' equity, Parent Company shareholders	762.3	810.0	793.5
Minority interests	0.2	0.4	0.3
Total shareholders' equity	762.6	810.4	793.8
Liabilities			
Long-term liabilities			
Interest-bearing liabilities	-	-	-
Other long-term liabilities	20.3	16.9	20.0
Total long-term liabilities	20.3	16.9	20.0
Current liabilities			
Interest-bearing liabilities	-	-	-
Other current liabilities	221.3	225.6	221.6
Total current liabilities	221.3	225.6	221.6
Total liabilities	241.6	242.5	241.5
Total shareholders' equity and liabilities	1,004.2	1,052.8	1,035.4

Consolidated Statement of Changes in Equity

SEK m	Attributable to Parent Company shareholders					Non-controlling interests	Total equity
	Share capital	Other contributed capital	Re-serves	Retained earnings	Total		
Opening balance, Jan 1, 2015	0.3	663.1	2.7	-277.4	388.8	0.2	389.0
Comprehensive income for the period			-2.9	-9.9	-12.9	0.2	
Bonus issue	0.2	0.0			0.2		
New share issue	0.1	433.6			433.7		
Share based payments settled using equity instruments				0.3	0.3		
Closing balance, June 30, 2015	0.6	1,096.6	-0.3	-287.0	810.0	0.4	810.4
Comprehensive income for the period			-0.7	-14.8	-15.5	0.0	
New share issue	0.0	-1.4			-1.4		
Share based payments settled using equity instruments				0.5	0.5		
Closing balance, Dec 31, 2015	0.6	1,095.2	-0.9	-301.4	793.5	0.3	793.9
Comprehensive income for the period			3.4	-41.1	-37.7	-0.1	
New share issue		0.4			0.4		
Sale of warrants, incentive programs		5.7			5.7		
Share based payments settled using equity instruments				0.4	0.4		
Closing balance, June 30, 2016	0.6	1,101.3	2.5	-342.1	762.3	0.2	762.6

Consolidated Statement of Cash Flow

SEK m	Second quarter		First six months		Full Year 2015
	2016	2015	2016	2015	
Cash flow from operating activities:					
Profit/loss after financial items	-17.5	-20.7	-47.1	-16.8	-27.3
Adjustment for items not included in the cash flow	19.2	31.9	55.8	40.6	112.0
Taxes paid	-0.3	0.0	-2.4	0.1	0.3
Cash flow from operating activities before change in working capital	1.5	11.2	6.4	23.9	85.0
Cash flow from change in working capital	4.2	29.2	27.9	14.0	-5.1
Cash flow from operating activities	5.7	40.5	34.2	37.9	79.9
Investments					
Continuous investments:					
Investments in intangible, tangible and financial fixed assets	-37.9	-33.2	-64.3	-69.2	-120.6
Cash flow after continuous investments	-32.2	7.3	-30.1	-31.3	-40.7
Acquisition of subsidiary company	-	-	-	-	-
Cash flow after investments	-32.2	7.3	-30.1	-31.3	-40.7
Cash flow from financing activities	5.7	281.4	6.2	291.8	290.3
Cash flow for the period	-26.5	288.7	-23.9	260.5	249.6
Foreign currency translation, cash and cash equivalents	3.3	-2.4	1.0	2.7	1.9
Cash and cash equivalents at the beginning of the period	371.1	96.3	370.9	119.4	119.4
Cash and cash equivalents at the end of the period	347.9	382.6	347.9	382.6	370.9

Quarterly data per business unit

Net sales, SEK m	2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Tobii Dynavox	167.2	172.5	181.7	218.8	188.3	181.8		
Tobii Pro	54.2	46.3	44.3	64.6	59.3	53.3		
Tobii Tech*	17.7	12.8	12.8	15.3	16.0	18.3		
Eliminations and other	-9.6	-9.2	-10.7	-11.5	-11.4	-12.7		
The Group	229.4	222.5	228.0	287.3	252.2	240.7		
*) Of which internal sales to Tobii Dynavox and Tobii Pro	9.7	9.3	10.8	11.6	11.4	12.7		

Gross margin, %	2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Tobii Dynavox	72.6	75.2	69.5	73.9	71.2	70.3		
Tobii Pro	75.4	74.0	72.3	77.7	73.5	71.8		
Tobii Tech	42.3	44.8	47.6	49.4	41.4	49.6		
The Group	73.9	76.3	72.1	76.4	73.0	72.7		

Operating profit/loss before depreciation and amortization (EBITDA), SEK m	2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Tobii Dynavox	42.1	36.4	43.0	60.6	42.9	41.5		
Tobii Pro	12.1	5.6	7.2	19.5	12.9	4.6		
Tobii Tech	-34.8	-32.7	-27.8	-49.8	-47.5	-45.3		
Eliminations and other	-0.2	0.0	0.0	0.0	-	-		
The Group	19.2	9.3	22.4	30.3	8.4	0.8		

Operating profit/loss (EBIT), SEK m	2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Tobii Dynavox	26.5	21.6	26.1	44.8	26.6	25.4		
Tobii Pro	7.3	0.9	2.2	10.8	5.9	-2.7		
Tobii Tech	-41.2	-39.2	-36.7	-58.7	-49.3	-51.9		
Eliminations and other	-0.2	0.0	0.0	0.0	-	-		
The Group	-7.6	-16.7	-8.4	-3	-16.8	-29.2		

Operating margin, %	2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Tobii Dynavox	15.8	12.5	14.4	20.5	14.1	14.0		
Tobii Pro	13.5	1.9	4.9	16.8	10.0	-5.1		
Tobii Tech	neg	neg	neg	neg	neg	neg		
The Group	-3.3	-7.5	-3.7	-1.0	-6.6	-12.1		

The Parent Company

The Group's Parent Company, Tobii AB (publ.), which has more than 270 employees, focuses on sales, marketing, R&D, purchasing, manufacturing, technical support and IT. The Parent Company's net sales during the quarter totaled SEK 145 million (135) and the operating loss was SEK -16 million (-2). The Parent Company's net sales for the first six months totaled SEK 290 million (265) and the operating loss was SEK -35 million (-7). At the period end the Parent Company had SEK 260 million (286) in cash and cash equivalents and SEK 170 million (170) in unutilized overdraft facilities.

Parent Company income statement

SEK m	Second quarter		First six months		Full Year 2015
	2016	2015	2016	2015	
Net sales	145.0	134.8	290.4	265.0	544.5
Cost of goods and services sold	-62.6	-53.5	-125.5	-110.7	-226.2
Gross profit	82.4	81.3	164.9	154.3	318.3
Selling expenses	-29.2	-27.0	-61.6	-54.5	-106.3
Research and development expenses	-62.4	-43.8	-115.3	-87.1	-191.9
Administrative expenses	-10.6	-10.8	-22.1	-23.6	-52.2
Other operating income and operating expenses	3.5	-1.4	-0.9	3.5	5.2
Operating profit/loss	-16.4	-1.6	-35.0	-7.4	-26.9
Financial items	18.5	1.2	11.9	16.9	29.7
Profit/loss before tax	2.1	-0.4	-23.2	9.5	2.8
Tax	-0.3	6.0	6.5	5.7	6.4
Profit/loss after tax	1.8	5.6	-16.7	15.2	9.2
Depreciation and amortization, total	-17.3	-15.1	-30.3	-29.4	-69.3

The Parent Company's profit/loss after tax corresponds to the total comprehensive income.

Parent Company balance sheet

SEK m	June 30,	June 30,	Dec 31,
	2016	2015	2015
Fixed assets			
Intangible fixed assets	173.4	181.7	168.7
Tangible fixed assets	6.9	8.7	7.4
Financial fixed assets	518.5	477.6	493.1
Long-term financial receivables	0.0	0.0	0.0
Total fixed assets	698.8	667.9	669.2
Current assets			
Accounts receivable	77.1	67.9	74.3
Inventories	26.6	25.7	24.7
Other current financial receivables	81.5	108.9	98.0
Cash and bank balances	260.4	285.7	283.9
Total current assets	445.6	488.2	480.8
Total assets	1,144.5	1,156.1	1,150.0
Shareholders' equity	1,017.9	1,032.1	1,028.1
Long-term liabilities			
Interest-bearing liabilities	-	-	-
Other long-term liabilities	5.0	6.2	5.1
Total long-term liabilities	5.0	6.2	5.1
Current liabilities			
Interest-bearing liabilities	-	-	-
Other current liabilities	121.6	117.8	116.8
Total current liabilities	121.6	117.8	116.8
Total liabilities	126.5	124.0	121.9
Total equity and liabilities	1,144.5	1,156.1	1,150.0

Definitions of alternative performance measures (APM) not defined by IFRS

Alternative Performance Measures, (APMs), are financial measures of financial performance, financial position, or cash flows, other than those defined in the applicable financial reporting framework (IFRS). These are considered to be important supplemental measures of the company's performance. These measures may not be comparable to measures used by other companies, due to the fact that not all companies calculate financial measures in the same way.

Gross margin

Gross profit relative to the operations' net sales.

Operating profit/loss (EBIT)

Operating profit/loss before financial income and expenses, and taxes. Also known as EBIT – Earnings before interest and taxes.

Operating margin

Operating profit relative to the operations' net sales.

EBITDA (Earnings before interest, taxes, depreciation and amortization)

Operating profit/loss before depreciation, amortization and write-downs.

EBITDA margin

Operating profit/loss before depreciation, amortization and write-downs relative to the operations' net sales.

Cash flow after continuous investments

Cash flow from operating activities minus investments in intangible, tangible and financial fixed assets.

Working capital

Inventories, accounts receivable, and other current receivables minus accounts payable and other non-interest-bearing current liabilities.

Net cash/net debt

Cash and cash equivalents minus interest-bearing liabilities.

Equity/assets ratio

Shareholders' equity as a percentage of the Balance Sheet total.

Debt/equity ratio

Interest-bearing liabilities divided by shareholders' equity.

Return on equity

Profit after tax, relative to the average shareholders' equity during the period.

Equity per share

Shareholders' equity at the period end attributable to the Parent Company's shareholders, divided by the number of shares at the period end.

Average number of employees

Average number of full time employees during the period, including part-time employees recalculated as full-time positions.

n/m = not meaningful

Other information

Accounting principles

The consolidated interim report has been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU. The Interim Report complies with the provisions of IAS 34, and the report for the Parent Company has been prepared pursuant to the provisions of the Swedish Annual Accounts Act and RFR 2. The accounting principles of the Parent Company and the Group, and the calculation principles used in the report, are unchanged from those used in the most recently published Annual Report. No new or amended IFRS regulations have had any material impact on the Group.

ESMA's (European Securities and Markets Authority) guidelines on "Alternative Performance Measures" have been applied from July 3, 2016, requiring disclosure regarding financial measures that are not defined in accordance with IFRS.

Risks and uncertainty factors

Tobii's business risks include the economic climate, the competitive situation, currency risks, credit risks in relation to customers, financing risks, the risk of impairment write-downs of capitalized R&D and other intangible assets, and regulatory risks (Tobii Dynavox in the U.S. is under the supervisory control of the U.S. Food and Drug Administration (FDA)). The Group's risks and risk management are described in greater detail in the Directors' Report section of Tobii's 2015 Annual Report and Tobii is of the opinion that this risk description remains correct.

Transactions with related parties

No transactions have occurred between Tobii and related parties that have materially affected the company's position and earnings.

This interim report has not been audited.

The Board of Directors and the CEO certify that this financial statement provides a fair view of the operations, position and earnings of the Parent Company and the Group, and that it describes the significant risks and uncertainty factors faced by the Company and the companies that make up the Group.

Danderyd, July 28, 2016

Tobii AB (publ)

Kent Sander
Chairman

Heli Arantola

Nils Bernhard

John Elvesjö

Martin Gren

Åsa Hedin

Jan Wäreby

Henrik Eskilsson
President & CEO

This is a translation of the original Swedish interim report. In the event of a discrepancy between this translation and the Swedish original, the Swedish interim report takes precedence.

This information is information that Tobii AB (publ) is obliged to make public, pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out below, on July 28, 2016 at 08.00 (CET).

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Financial calendar

Interim report Q3, 2016 October 27, 2016

Year-end report, 2016 February 15, 2017