

# Interim Report

## January – September 2016

### Tobii AB (publ)

## Tobii Pro shows strong sales growth. Dell and Acer launch gaming computers with Tobii eye tracking.

### July – September

- The Group's sales totaled SEK 255 million (228), an increase of 12%. Adjusted for currency effects, the increase was 12%.
- Gross margin was 73% (72%).
- The Group's operating loss amounted to SEK -11 million (-8).
- The combined operating profit from Tobii Dynavox and Tobii Pro totaled SEK 31 million (28) while investments in Tobii Tech impacted the Group's earnings by SEK -42 million (-37).
- Earnings per share was SEK -0.08 (-0.09).

### January – September

- The Group's sales totaled SEK 747 million (680), an increase of 10%. Adjusted for currency effects, the increase was 11%.
- Gross margin was 73% (74%).
- The Group's operating loss amounted to SEK -57 million (-33).
- The combined operating profit from Tobii Dynavox and Tobii Pro totaled SEK 87 million (85) while investments in Tobii Tech impacted the Group's earnings by SEK -143 million (-117).
- Earnings per share was SEK -0.55 (-0.22).

### Events during the quarter

- Alienware, Dell's premier gaming brand, announced a new gaming notebook with integrated Tobii eye tracking.
- Acer announced a new gaming notebook and three monitors with integrated Tobii eye tracking.

SEK m	Third quarter			January-September			Full year 2015
	2016	2015	Change	2016	2015	Change	
<b>Net Sales</b>							
Tobii Dynavox	187.0	181.7	3%	557.1	521.4	7%	740.3
Tobii Pro	58.4	44.3	32%	171.0	144.8	18%	209.5
Tobii Tech	21.2	12.8	66%	55.5	43.3	28%	58.6
Eliminations and other, net	-12.1	-10.7	n/m	-36.2	-29.6	n/m	-41.1
<b>Total</b>	<b>254.5</b>	<b>228.0</b>	<b>12%</b>	<b>747.4</b>	<b>679.9</b>	<b>10%</b>	<b>967.3</b>
<b>Operating profit/loss (EBIT)</b>							
Tobii Dynavox	31.2	26.1		83.2	74.2		119.0
Tobii Pro	0.1	2.2		3.3	10.4		21.2
Tobii Tech	-41.9	-36.7		-143.1	-117.1		-175.7
Other	0.0	0.0		0.0	-0.2		-0.2
<b>Total</b>	<b>-10.6</b>	<b>-8.4</b>		<b>-56.6</b>	<b>-32.7</b>		<b>-35.7</b>
<b>Earnings per share (SEK)</b>	<b>-0.08</b>	<b>-0.09</b>		<b>-0.55</b>	<b>-0.22</b>		<b>-0.30</b>

*A conference call will be held in English today at 10.00 (CET). Go to [www.tobii.com](http://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 third quarter of the year was characterized by significant investments in product development and sales in all three business units. Tobii Pro delivered another strong quarter in terms of sales. Our investments in Tobii Tech also showed results in the form of launches of gaming products from Acer and Dell. Adjusted for currency effects, the Group's net sales increased by 12% compared with the third quarter of 2015.*

### **Tobii Dynavox – communication enables inclusion**

Within Tobii Dynavox, we focus on giving more people with special needs the ability to communicate effectively. A new development during the quarter was the launch of personalized voices for people with speech impairments in partnership with VocaliD.

People with special needs are recognized in new ways in the media. The TV series *Speechless*, which features a main character with cerebral palsy, is now being shown in the US. Netflix is showing *Transfatty Lives*, in which DJ Transfatty shares his reality of living with ALS. The film *Gleason* premiered at the Sundance Festival and has received a number of nominations and awards. Of course, this is a very positive trend and the increasing awareness makes it possible for us to provide more people with communication difficulties with the tools they need to participate in society.

Adjusted for currency effects, the business unit's sales increased by 4% compared with the third quarter of 2015. Several of our touchscreen-based products are in the later stages of their product life cycles, which had a negative impact on sales. We will launch a number of new and important products – both hardware and software – in this sub-segment in 2017.

### **Tobii Pro – strong growth across the board**

Tobii Pro delivered a strong quarter, with higher sales in all product categories and geographic regions. Adjusted for currency effects, sales rose by 30% compared with the third quarter 2015.

The growing maturity of the market is resulting in more companies and researchers using eye tracking in their research, which is driving sales of Tobii Pro in new and existing customer segments. Better, easier-to-use products that can assist customers with data collection and analysis further increase the level of use. We have significantly increased our investments in product development during the year in order to continue offering new and improved eye-tracking hardware and analytics software, to further strengthen Tobii Pro's leading position.

### **Tobii Tech – product launches in gaming segment**

The announcement of two new integration customers in Tobii Tech's primary segment of PC gaming marked an

exciting milestone in Tobii's development. Alienware launched a gaming notebook, while Acer launched a notebook and three monitors, all with built-in eye tracking. Three of the five largest hardware companies in the PC gaming segment have now launched products with Tobii eye tracking. Although these are premium products in modest volumes, they mark an important step for Tobii.

We also continued to strengthen our relationships with gaming studios. The game titles *DeusEx: Mankind Divided* and *Master of Orion* were released during the quarter, both with support for eye tracking.

VR is a rapidly growing phenomenon in consumer electronics. Eye tracking in VR headsets offers clear value, and several manufacturers are assessing the use of eye-tracking technology in second and third-generation products. This is an area with exciting future potential for us.

We have started the development of the next generation eye-tracking platform with the aim to further improve performance and reduce cost, power consumption and size. This will enable eye tracking to be integrated into an even broader spectrum of products.

### **Organization, culture and values**

We continued to maintain a high recruitment rate and devoted considerable energy to introducing our organization, culture and values to all of our new colleagues. We were honored that Tobii Dynavox was recently named one of the top workplaces in Pittsburgh by the *Pittsburgh Post-Gazette*. I am tremendously proud of our entire team of Tobiiians who are working together to ensure our success.

Danderyd, October 27, 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.

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 are 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 units, Tobii Dynavox and Tobii Pro, are market leaders and have established product portfolios in their respective niche markets. Tobii Dynavox is focused on assistive technology for communication and helps thousands of users to speak and communicate. Tobii Pro makes specialized eye-tracking solutions that add deep insights and unique objectivity to a multitude of research areas devoted to the study of behavior.

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.

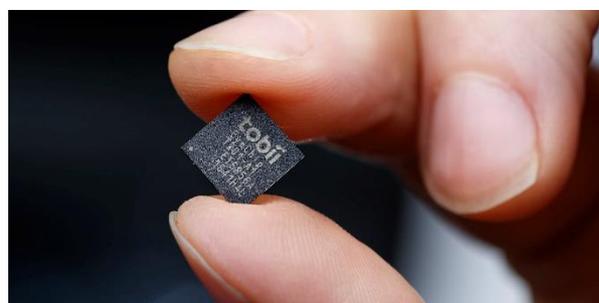
Tobii has over 700 employees and covers the global market through its own offices in Sweden, the USA, China, Japan, Norway, Germany, the UK, South Korea and Taiwan, and through a global network of resellers. Tobii is headquartered in Danderyd, Sweden, and is listed on Nasdaq Stockholm since April 2015.



*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](http://www.tobii.com)

[www.tobiidynavox.com](http://www.tobiidynavox.com)

[www.tobiipro.com](http://www.tobiipro.com)

[www.tobii.com/tech](http://www.tobii.com/tech)

## The Group: July – September

### Sales

The Group's net sales for the third quarter rose year-over-year by 12% to SEK 255 million (228). Also adjusted for currency effects, the increase was 12%. Tobii Dynavox contributed SEK 187 million, Tobii Pro SEK 58 million and Tobii Tech SEK 21 million, of which SEK 12 million was sales of eye-tracking platforms to the other two business units and SEK 9 million was external sales.

In the third quarter of 2016, the North American market accounted for 63% (65%) of the Group's sales, the European market for 22% (25%), and the rest of the world for 15% (10%). The increase in the rest of the world was driven by higher sales in Asia through Tobii Pro.

### Earnings

The Group's gross margin was 73% (72%). 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. Although these changes resulted in a lower gross margin, there was no impact on operating profit.

The operating loss for the Group was SEK -11 million (-8) and EBIT margin was -4% (-4%). The operating loss was negatively impacted by increased investments in R&D, sales and marketing in all three business units. Currency effects had a minor positive impact on the operating loss.

The combined operating profit from Tobii Dynavox and Tobii Pro was SEK 31 million (28). At the same time, the Group was impacted by Tobii Tech's operating loss of SEK -42 million (-37).

The Group's total R&D expenditures amounted to SEK 76 million (61), of which SEK 34 million (22) or 45% (37%) were capitalized in the balance sheet. At the same time,

R&D amortization rose to SEK 25 million (23). Consequently, R&D expenses reported in the income statement amounted to SEK 66 million (62).

Operating profit before depreciation and amortization (EBITDA) was SEK 20 million (22), yielding an EBITDA margin of 8% (10%).

Pretax loss was SEK -5 million, compared with SEK -6 million for the third quarter of 2015. Net financial items increased by SEK 3 million to SEK 5 million (2), generated by currency effects that raised the value of the Group's dollar-based (USD) financial assets.

Net loss was SEK -7 million (-8) and earnings per share amounted to SEK -0.08, compared with SEK -0.09 in the corresponding period in 2015.

### Cash flow, liquidity and financial position

The quarter's cash flow after continuous investments was SEK -21 million (-16). This change was primarily attributable to higher R&D investments compared with the same period last year. Continuous investments amounted to SEK 38 million (31), of which SEK 34 million (22) referred to capitalization of R&D.

At the close of the quarter, the Group had SEK 329 million (365) in net cash and a maximum of 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 116 through intensified investments in the R&D, sales and marketing organizations.

### Events after the end of the reporting period

Tobii announced that Esben Olesen will be leaving Tobii in March 2017 after five years as CFO.

## The Group: January – September

### Sales

The Group's net sales for the first nine months of 2016 rose year-over-year by 10% to SEK 747 million (680). Adjusted for currency effects, the increase was 11%. The increase in sales was attributable to growth in all three business units.

During the period, the North American market accounted for 63% (63) of the Group's sales, the European market for 23% (24), and the rest of the world for 14% (13).

### Earnings

The Group's gross margin was 73% (74%). This change was primarily due to price reductions on certain products and changes in the product mix.

The operating loss for the Group was SEK -57 million (-33) and EBIT margin declined to -8% (-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 the operating loss.

The combined operating profit from Tobii Dynavox and Tobii Pro was SEK 87 million (85). At the same time, the Group was impacted by Tobii Tech's operating loss of SEK -143 million (-117).

The Group's total R&D expenditures rose by SEK 38 million to SEK 235 million (197), of which SEK 88 million

(77) or 37% (39%) was capitalized in the balance sheet. At the same time, R&D amortization rose by SEK 9 million to SEK 69 million (60). Consequently, R&D expenses reported in the income statement rose to SEK 216 million (181), corresponding to 29% (27%) of net sales.

Operating profit before depreciation and amortization (EBITDA) was SEK 29 million (51), yielding an EBITDA margin of 4% (7%).

Pretax loss was SEK -52 million, compared with SEK -23 million in the corresponding period in 2015. Net financial items amounted to SEK 4 million (10).

Net loss was SEK -48 million (-17) and earnings per share amounted to SEK -0.55 compared with SEK -0.22 in the corresponding period in 2015.

### Cash flow, liquidity and financial position

Cash flow after continuous investments was SEK -52 million (-48). Operations generated a positive cash flow of SEK 27 million (49), while the change in working capital had a positive effect of SEK 24 million (4). Continuous investments amounted to SEK 102 million (100), of which SEK 88 million referred to capitalization of R&D.

At the close of the period, the Group had SEK 329 million (365) in net cash and a maximum of SEK 170 million (170) in unutilized overdraft facilities.

## Tobii Dynavox

SEK m	Third quarter		January-September		Full year 2015
	2016	2015	2016	2015	
Net sales	187.0	181.7	557.1	521.4	740.3
Gross margin	71%	70%	71%	72%	73%
EBITDA	45.5	43.0	129.9	121.6	182.1
EBITDA margin	24%	24%	23%	23%	25%
Operating profit/loss (EBIT)	31.2	26.1	83.2	74.2	119.0
EBIT margin	17%	14%	15%	14%	16%

### July – September

#### Sales

Net sales for the third quarter rose year-over-year by SEK 5 million, or 3%, to SEK 187 million (182). Adjusted for currency effects, the increase was 4%, which corresponded to positive one-off effects from the Steve Gleason Act. The number of eye-controlled devices sold increased at a good pace, however the effect of this was partly offset by price reductions on certain products in Europe. Sales were also impacted negatively by the fact that several touchscreen-based products are in the later stages of their product life cycles. Several new and important touchscreen-based products will be launched in 2017.

#### Earnings

The gross margin was 71% (70%). 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 2015.

Operating profit totaled SEK 31 million (26) and the EBIT margin was 17% (14%). Adjusted for currency effects, the EBIT margin was 16%.

The R&D expenditures rose by SEK 4 million to SEK 28 million (24), of which SEK 14 million (10) or 50% (44%) were capitalized in the balance sheet. At the same time, R&D amortization amounted to SEK 10 million (10). Consequently, R&D expenses reported in the income statement amounted to SEK 24 million (24).

### January – September

#### Sales

Sales for the first nine months of 2016 rose year-over-year by 7% to SEK 557 million (521), primarily through higher sales in the US and Europe. Adjusted for currency effects, the increase was 9%, just over half of which was due to one-off effects from the Steve Gleason Act.

#### Earnings

The gross margin declined by 1 percentage point to 71% (72%) due to price reductions and changes in the product mix.

Total R&D expenditures rose by SEK 12 million to SEK 80 million (68), of which SEK 44 million (31) or 55% (45%) were capitalized in the balance sheet. At the same time, R&D amortization rose by SEK 5 million to SEK 32 million (27). Consequently, R&D expenses reported in the income statement amounted to SEK 69 million (64).

Operating profit rose to SEK 83 million (74) and the EBIT margin was 15% (14%).

### Other events

- Launched personalized voices for people with speech impairments in partnership with VocaliD.

*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 approximately 70% 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	Third quarter		January-September		Full year 2015
	2016	2015	2016	2015	
Net sales	58.4	44.3	171.0	144.8	209.5
Gross margin	72%	72%	73%	74%	75%
EBITDA	7.6	7.2	25.2	24.8	44.3
EBITDA margin	13%	16%	15%	17%	21%
Operating profit/loss (EBIT)	0.1	2.2	3.3	10.4	21.2
EBIT margin	0%	5%	2%	7%	10%

### July – September

#### Sales

Tobii Pro delivered a strong quarter and net sales for the third quarter of 2016 rose year-over-year by 32% to SEK 58 million (44) and by 30% adjusted for currency effects. As in the preceding quarter, the improvement was driven by higher hardware and software sales and by the service organization Tobii Pro Insight. Sales increased in all geographic regions.

#### Earnings

The gross margin was 72% (72%). Operating profit totaled SEK 0 million (2) and the EBIT margin was 0% (5%). Operating profit was affected by significantly increased investments in the development of new products as well as the expansion of the sales and marketing organizations, including investments in the service organization Tobii Pro Insight.

Total R&D expenditures amounted to SEK 14 million (10), of which SEK 8 million (6) or 57% (60%) were capitalized in the balance sheet. At the same time, R&D amortization was SEK 7 million (4). Consequently, R&D expenses reported in the income statement increased to SEK 12 million (9).

### January – September

#### Sales

Net sales for the first nine months of 2016 rose year-over-year by 18% to SEK 171 million (145). Adjusted for currency effects, the increase was 17%.

#### Earnings

The gross margin declined to 73% (74%).

Operating profit totaled SEK 3 million (10) and the EBIT margin was 2% (7%). This change was driven by significantly increased investments in R&D and the sales and marketing organizations.

Total R&D expenditures for the period amounted to SEK 42 million (31), of which SEK 23 million (16) or 55% (52%) were capitalized in the balance sheet. At the same time, R&D amortization rose by SEK 7 million to SEK 19 million (12). Consequently, R&D expenses reported in the income statement increased to SEK 39 million (27).

*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 20% 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	Third quarter		January-September		Full year
	2016	2015	2016	2015	2015
Net sales	21.2	12.8	55.5	43.3	58.6
Gross margin	48%	48%	47%	45%	46%
EBITDA	-32.8	-27.8	-125.5	-95.4	-145.2
EBITDA margin	n/m	n/m	n/m	n/m	n/m
Operating profit/loss (EBIT)	-41.9	-36.7	-143.1	-117.1	-175.7
EBIT margin	n/m	n/m	n/m	n/m	n/m

### July – September

#### Sales

Net sales rose by 66% to SEK 21 million (13). The increase was primarily due to increased external sales in the specialty markets and gaming segments. Eye-tracking platform sales to Tobii Dynavox and Tobii Pro amounted to SEK 12 million (11).

#### Earnings

The gross margin was 48% (48%).

Operating loss amounted to SEK -42 million (-37), mainly attributable to increased investments in R&D and marketing initiatives to encourage the development of computer games that integrate eye tracking.

Total R&D expenditures amounted to SEK 33 million (27), of which SEK 12 million (6) or 36% (22%) were capitalized in the balance sheet. At the same time, R&D amortization was SEK 9 million (9). Consequently, R&D expenses reported in the income statement increased to SEK 30 million (29). Significant effort was devoted to integration projects and the further development of Tobii's eye-tracking technology, both for the computer segment and for future applications in VR and mobile devices. Development of the next generation of eye-tracking platforms was initiated and the project is estimated to take at least two years.

### January – September

#### Sales

Net sales for the first nine months of 2016 rose year-over-year by 28% to SEK 56 million (43). Sales of eye-tracking platforms to Tobii Dynavox and Tobii Pro rose to SEK 36 million (29).

#### Earnings

The gross margin was 47%, compared with 45% in the first nine months of 2015.

Operating loss amounted to SEK -143 million (-117), mainly due to increased investments in marketing and R&D.

Total R&D expenditures amounted to SEK 113 million (99), of which SEK 22 million (30) was capitalized in the balance sheet. At the same time, R&D amortization was SEK 17 million (21). Consequently, R&D expenses reported in the income statement increased to SEK 108 million (90).

#### Other events

- Alienware, Dell's premier gaming brand, announced a new gaming notebook with integrated Tobii eye tracking. Deliveries of eye-tracking sensors began late in the third quarter.
- Acer announced a new gaming notebook and three monitors with integrated Tobii eye tracking.
- Square Enix launched *Deus Ex: Mankind Divided* with eyetracking and Ubisoft announced that the AAA game *Watch Dogs 2* will support eye-tracking.
- Launched Tobii Eye Tracker 4C, a computer peripheral based on the IS4 platform replacing the Tobii EyeX Controller, in October.

*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 10% 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

	Third quarter		January-September		Full year
	2016	2015	2016	2015	2015
Earnings per share, SEK	-0.08	-0.09	-0.55	-0.22	-0.30
Earnings per share, diluted <sup>1</sup> , SEK	-0.08	-0.09	-0.55	-0.22	-0.30
Equity per share, SEK	8.6	9.1	8.6	9.1	9.1
EBITDA, SEK m	20.4	22.4	29.5	50.8	81.1
EBIT, SEK m	-10.6	-8.4	-56.6	-32.7	-35.7
Cash flow from operating activities, SEK m	16.7	15.0	50.9	52.9	79.9
Cash flow after continuous investments, SEK m	-21.5	-16.3	-51.5	-47.6	-40.7
Working capital, SEK m	2.3	14.0	2.3	14.0	22.9
Total assets, SEK m	1,011.4	1039.9	1,011.4	1,039.9	1,035.4
Net cash (+)/net debt (-), SEK m	329.2	365.2	329.2	365.2	370.9
Equity, SEK m	757.1	801.3	757.1	801.3	793.8
Equity/assets ratio, %	74.9	77.1	74.9	77.1	76.7
Net debt/equity, %	neg	neg	neg	neg	neg
Gross margin, %	72.8	72.1	72.9	74.1	74.8
EBITDA margin, %	8.0	9.8	3.9	7.5	8.4
Operating margin, %	-4.2	-3.7	-7.6	-4.8	-3.7
Return on total equity, %	-1.0	-0.9	-6.3	-2.7	-3.6
Average number of outstanding shares, million	87.7	87.6	87.6	79.9	81.8
Average number of outstanding shares after dilution, million	91.7	90.9	91.2	83.1	85.1
Number of outstanding shares at period-end, million	87.7	87.6	87.7	87.6	87.6
Number of outstanding shares after dilution at period-end, million	91.7	90.9	91.7	90.9	90.9
Average number of employees	700	580	671	569	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 September 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	Third quarter		January-September		Full year 2015
	2016	2015	2016	2015	
<b>Net sales</b>	<b>254.5</b>	<b>228.0</b>	<b>747.4</b>	<b>679.9</b>	<b>967.3</b>
Cost of goods and services sold	-69.2	-63.5	-202.8	-176.1	-243.8
<b>Gross profit</b>	<b>185.3</b>	<b>164.5</b>	<b>544.6</b>	<b>503.8</b>	<b>723.4</b>
Selling expenses	-108.0	-95.1	-316.0	-280.5	-393.3
Research and development expenses	-66.5	-61.7	-215.9	-180.8	-265.0
Administrative expenses	-23.4	-15.0	-68.8	-71.9	-95.9
Other operating income and operating expenses <sup>1</sup>	2.0	-1.1	-0.5	-3.3	-5.0
<b>Operating profit/loss</b>	<b>-10.6</b>	<b>-8.4</b>	<b>-56.6</b>	<b>-32.7</b>	<b>-35.7</b>
Net financial items <sup>2</sup>	5.2	2.4	4.1	9.9	8.4
<b>Profit/loss before tax</b>	<b>-5.4</b>	<b>-6.0</b>	<b>-52.5</b>	<b>-22.8</b>	<b>-27.3</b>
Tax	-1.8	-1.7	4.1	5.3	2.7
<b>Net profit/loss for the period</b>	<b>-7.2</b>	<b>-7.7</b>	<b>-48.4</b>	<b>-17.5</b>	<b>-24.6</b>
<b>Other comprehensive income</b>					
<b>Items that may subsequently be reclassified to profit or loss for the period:</b>					
Exchange rate differences	-0.1	-0.6	3.3	-3.6	-3.6
<b>Other comprehensive income for the period, net</b>	<b>-0.1</b>	<b>-0.6</b>	<b>3.3</b>	<b>-3.6</b>	<b>-3.6</b>
<b>Total comprehensive income for the period</b>	<b>-7.3</b>	<b>-8.3</b>	<b>-45.1</b>	<b>-21.0</b>	<b>-28.2</b>
Of which depreciation and amortization	-31.0	-30.7	-86.1	-83.5	-116.7
Of which write downs of fixed assets	-	-	-	-	-0.1
<b>Net profit/loss for the period attributable to:</b>					
Parent company shareholders	-7.0	-7.6	-48.1	-17.5	-24.7
Minority interests	-0.2	-0.1	-0.3	0.1	0.1
<b>Net profit/loss for the period</b>	<b>-7.2</b>	<b>-7.7</b>	<b>-48.4</b>	<b>-17.5</b>	<b>-24.6</b>
<b>Total comprehensive income for the period attributable to:</b>					
Parent company shareholders	-7.1	-8.2	-44.8	-21.1	-28.4
Minority interests	-0.2	-0.1	-0.3	0.1	0.1
<b>Total comprehensive income for the period</b>	<b>-7.3</b>	<b>-8.3</b>	<b>-45.1</b>	<b>-21.0</b>	<b>0.0</b>

1) Primarily foreign currency translation differences.

2) Net financial items include foreign currency translation differences totaling SEK 5 million (2) for the third quarter, SEK 4 (11) for the first nine months of 2016, and SEK 10.5 million for the full year 2015.

## Consolidated Balance Sheet

SEK m	Sept 30, 2016	Sept 30, 2015	Dec 31, 2015
<b>Fixed assets</b>			
Intangible fixed assets	355.2	345.7	331.7
Tangible fixed assets	28.3	34.1	31.8
Financial fixed assets	62.9	60.1	56.5
<b>Total fixed assets</b>	<b>446.4</b>	<b>439.8</b>	<b>420.1</b>
<b>Current assets</b>			
Accounts receivable	139.5	151.9	168.7
Inventories	55.8	51.9	45.8
Other current financial receivables	40.5	31.1	30.0
Cash and cash equivalents	329.2	365.2	370.9
<b>Total current assets</b>	<b>565.0</b>	<b>600.0</b>	<b>615.3</b>
<b>Total assets</b>	<b>1,011.4</b>	<b>1,039.9</b>	<b>1,035.4</b>
<b>Shareholders' equity</b>			
Shareholders' equity, Parent Company shareholders	757.1	801.0	793.5
Minority interests	0.1	0.3	0.3
<b>Total shareholders' equity</b>	<b>757.1</b>	<b>801.3</b>	<b>793.8</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Interest-bearing liabilities	-	-	-
Other long-term liabilities	20.7	17.8	20.0
<b>Total long-term liabilities</b>	<b>20.7</b>	<b>17.8</b>	<b>20.0</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	-	-	-
Other current liabilities	233.5	220.8	221.6
<b>Total current liabilities</b>	<b>233.5</b>	<b>220.8</b>	<b>221.6</b>
<b>Total liabilities</b>	<b>254.3</b>	<b>238.6</b>	<b>241.5</b>
<b>Total shareholders' equity and liabilities</b>	<b>1,011.4</b>	<b>1,039.9</b>	<b>1,035.4</b>

## 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		
<b>Opening balance, Jan 1, 2015</b>	<b>0.3</b>	<b>663.1</b>	<b>2.7</b>	<b>-277.4</b>	<b>388.8</b>	<b>0.2</b>	<b>389.0</b>
Comprehensive income for the period			-3.6	-17.5	-21.1	0.1	
Bonus issue	0.2	0.0			0.2		
New share issue	0.1	432.5			432.6		
Share based payments settled using equity instruments				0.5	0.5		
<b>Closing balance, Sept 30, 2015</b>	<b>0.6</b>	<b>1,095.6</b>	<b>-0.9</b>	<b>-294.4</b>	<b>801.0</b>	<b>0.3</b>	<b>801.3</b>
Comprehensive income for the period			-0.1	-7.2	-7.3	0.0	
New share issue		-0.4			-0.4		
Share based payments settled using equity instruments				0.2	0.2		
<b>Closing balance, Dec 31, 2015</b>	<b>0.6</b>	<b>1,095.2</b>	<b>-0.9</b>	<b>-301.4</b>	<b>793.5</b>	<b>0.3</b>	<b>793.8</b>
Comprehensive income for the period			3.3	-48.1	-44.8	-0.3	
New share issue	0.0	2.0			2.0		
Sale of warrants, incentive programs		5.8			5.8		
Share based payments settled using equity instruments				0.5	0.5		
<b>Closing balance, Sept 30, 2016</b>	<b>0.6</b>	<b>1,103.0</b>	<b>2.4</b>	<b>-349.0</b>	<b>757.1</b>	<b>0.1</b>	<b>757.1</b>

## Consolidated Statement of Cash Flow

SEK m	Third quarter		January-September		Full year 2015
	2016	2015	2016	2015	
<b>Cash flow from operating activities:</b>					
Profit/loss after financial items	-5.4	-6.0	-52.5	-22.8	-27.3
Adjustment for items not included in the cash flow	26.9	31.1	82.7	71.7	112.0
Taxes paid	-0.6	0.4	-3.0	0.5	0.3
<b>Cash flow from operating activities before change in working capital</b>	<b>20.9</b>	<b>25.5</b>	<b>27.2</b>	<b>49.4</b>	<b>85.0</b>
Cash flow from change in working capital	-4.2	-10.5	23.6	3.5	-5.1
<b>Cash flow from operating activities</b>	<b>16.7</b>	<b>15.0</b>	<b>50.9</b>	<b>52.9</b>	<b>79.9</b>
<b>Investments</b>					
<b>Continuous investments:</b>					
Investments in intangible, tangible and financial fixed assets	-38.1	-31.2	-102.4	-100.4	-120.6
<b>Cash flow after continuous investments</b>	<b>-21.5</b>	<b>-16.3</b>	<b>-51.5</b>	<b>-47.6</b>	<b>-40.7</b>
Acquisition of subsidiary company	-	-	-	-	-
<b>Cash flow after investments</b>	<b>-21.5</b>	<b>-16.3</b>	<b>-51.5</b>	<b>-47.6</b>	<b>-40.7</b>
<b>Cash flow from financing activities</b>	<b>1.7</b>	<b>-1.1</b>	<b>7.8</b>	<b>290.7</b>	<b>290.3</b>
<b>Cash flow for the period</b>	<b>-19.8</b>	<b>-17.4</b>	<b>-43.7</b>	<b>243.1</b>	<b>249.6</b>
Foreign currency translation, cash and cash equivalents	1.1	0.0	2.0	2.7	1.9
Cash and cash equivalents at the beginning of the period	347.9	382.6	370.9	119.4	119.4
<b>Cash and cash equivalents at the end of the period</b>	<b>329.2</b>	<b>365.2</b>	<b>329.2</b>	<b>365.2</b>	<b>370.9</b>

## 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	187.0	
Tobii Pro	54.2	46.3	44.3	64.6	59.3	53.3	58.4	
Tobii Tech*	17.7	12.8	12.8	15.3	16.0	18.3	21.2	
Eliminations and other	-9.6	-9.2	-10.7	-11.5	-11.4	-12.7	-12.1	
<b>The Group</b>	<b>229.4</b>	<b>222.5</b>	<b>228.0</b>	<b>287.3</b>	<b>252.2</b>	<b>240.7</b>	<b>254.5</b>	
*) Of which internal sales to Tobii Dynavox and Tobii Pro	9.7	9.3	10.8	11.6	11.4	12.7	12.1	

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	71.0	
Tobii Pro	75.4	74.0	72.3	77.7	73.5	71.8	72.4	
Tobii Tech	42.3	44.8	47.6	49.4	41.4	49.6	47.9	
<b>The Group</b>	<b>73.9</b>	<b>76.3</b>	<b>72.1</b>	<b>76.4</b>	<b>73.0</b>	<b>72.7</b>	<b>72.8</b>	

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	45.5	
Tobii Pro	12.1	5.6	7.2	19.5	12.9	4.6	7.6	
Tobii Tech	-34.8	-32.7	-27.8	-49.8	-47.5	-45.3	-32.8	
Eliminations and other	-0.2	0.0	0.0	0.0	-	-	-	
<b>The Group</b>	<b>19.2</b>	<b>9.3</b>	<b>22.4</b>	<b>30.3</b>	<b>8.4</b>	<b>0.8</b>	<b>20.4</b>	

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	31.2	
Tobii Pro	7.3	0.9	2.2	10.8	5.9	-2.7	0.1	
Tobii Tech	-41.2	-39.2	-36.7	-58.7	-49.3	-51.9	-41.9	
Eliminations and other	-0.2	0.0	0.0	0.0	-	-	-	
<b>The Group</b>	<b>-7.6</b>	<b>-16.7</b>	<b>-8.4</b>	<b>-3</b>	<b>-16.8</b>	<b>-29.2</b>	<b>-10.6</b>	

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	16.7	
Tobii Pro	13.5	1.9	4.9	16.8	10.0	-5.1	0.1	
Tobii Tech	neg	neg	neg	neg	neg	neg	neg	
<b>The Group</b>	<b>-3.3</b>	<b>-7.5</b>	<b>-3.7</b>	<b>-1.0</b>	<b>-6.6</b>	<b>-12.1</b>	<b>-4.2</b>	

## The Parent Company

The Group's Parent Company, Tobii AB (publ.), which has more than 280 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	Third quarter		January-September		Full Year 2015
	2016	2015	2016	2015	
<b>Net sales</b>	<b>153.8</b>	<b>131.3</b>	<b>444.2</b>	<b>396.3</b>	<b>544.5</b>
Cost of goods and services sold	-64.5	-61.1	-190.0	-171.8	-226.2
<b>Gross profit</b>	<b>89.3</b>	<b>70.2</b>	<b>254.2</b>	<b>224.5</b>	<b>318.3</b>
Selling expenses	-33.5	-19.1	-95.2	-73.6	-106.3
Research and development expenses	-45.4	-42.5	-160.7	-129.6	-191.9
Administrative expenses	-13.0	-14.6	-35.1	-38.3	-52.2
Other operating income and operating expenses	2.8	1.1	1.9	4.6	5.2
<b>Operating profit/loss</b>	<b>0.2</b>	<b>-5.0</b>	<b>-34.9</b>	<b>-12.4</b>	<b>-26.9</b>
Financial items	11.7	8.0	23.5	24.9	29.7
<b>Profit/loss before tax</b>	<b>11.8</b>	<b>3.0</b>	<b>-11.4</b>	<b>12.5</b>	<b>2.8</b>
Tax	-2.8	-1.6	3.7	4.1	6.4
<b>Profit/loss after tax</b>	<b>9.0</b>	<b>1.4</b>	<b>-7.6</b>	<b>16.7</b>	<b>9.2</b>
Depreciation and amortization, total	-18.9	-18.1	-49.2	-47.6	-69.3

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

### Parent Company balance sheet

SEK m	Sept 30,	Sept 30,	Dec 31,
	2016	2015	2015
<i>Fixed assets</i>			
Intangible fixed assets	179.4	179.1	168.7
Tangible fixed assets	6.8	8.4	7.4
Financial fixed assets	531.6	485.0	493.1
Long-term financial receivables	0.0	0.0	0.0
<b>Total fixed assets</b>	<b>717.8</b>	<b>672.5</b>	<b>669.2</b>
<b>Current assets</b>			
Accounts receivable	82.2	66.0	74.3
Inventories	33.7	27.6	24.7
Other current financial receivables	75.0	101.5	98.0
Cash and bank balances	250.8	285.5	283.9
<b>Total current assets</b>	<b>441.7</b>	<b>480.5</b>	<b>480.8</b>
<b>Total assets</b>	<b>1,159.5</b>	<b>1,153.0</b>	<b>1,150.0</b>
<b>Shareholders' equity</b>	<b>1,028.8</b>	<b>1,032.7</b>	<b>1,028.1</b>
<b>Long-term liabilities</b>			
Interest-bearing liabilities	-	-	-
Other long-term liabilities	4.7	6.3	5.1
<b>Total long-term liabilities</b>	<b>4.7</b>	<b>6.3</b>	<b>5.1</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	-	-	-
Other current liabilities	126.0	114.0	116.8
<b>Total current liabilities</b>	<b>126.0</b>	<b>114.0</b>	<b>116.8</b>
<b>Total liabilities</b>	<b>130.7</b>	<b>120.3</b>	<b>121.9</b>
<b>Total equity and liabilities</b>	<b>1,159.5</b>	<b>1,153.0</b>	<b>1,150.0</b>

## 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.

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, October 27, 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 October 27, 2016 at 08.00 (CET).*

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## Financial calendar

<b>Interim report Q3, 2016</b>	October 27, 2016
<b>Year-end report, 2016</b>	February 15, 2017
<b>Annual report 2016</b>	April 6, 2017
<b>Interim report Q1, 2017</b>	May 3, 2017
<b>AGM 2017</b>	May 9, 2017
<b>Interim report Q2, 2017</b>	July 25, 2017
<b>Interim report Q3, 2017</b>	October 26, 2017
<b>Year-end report, 2017</b>	February 8, 2018

# Auditors' Report: Review of interim financial information (Interim Report) in accordance with IAS 34 and chapter 9 of the Swedish Annual Accounts Act

## Introduction

We have reviewed the condensed interim financial information (interim report) of Tobii AB (publ.) as of 30 September 2016 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, October 27, 2016

PricewaterhouseCoopers

Magnus Brändström

*Authorized Public Accountant*