



Interim report Q3

January–September 2018

“A good quarter for Tobii with strong growth in Tobii Dynavox and strategic VR customer agreement for Tobii Tech.”

See CEO comment on p. 2

THIRD QUARTER JULY–SEPTEMBER

- The Group's net sales increased by 25% to SEK 313 million (250), compared with the third quarter of 2017. Adjusted for currency effects, the increase was 14%.
- Gross margin was 71% (73%).
- The Group's operating loss amounted to SEK -60 million (-49). Tobii Dynavox contributed SEK 18 million (9) to earnings, Tobii Pro contributed SEK 4 million (9), and investments in Tobii Tech had a negative impact of SEK -82 million (-67) on the Group's operating result.
- Earnings per share amounted to SEK -0.70 (-0.55).

SIGNIFICANT EVENTS

- Tobii Dynavox signed a contract to acquire British [Smartbox Assistive Technology Ltd.](#) The acquisition was closed on October 1, 2018.
- Tobii has signed an [agreement with a leading manufacturer of VR headsets](#) regarding development and delivery of eye tracking technology for an upcoming headset (Oct. 2018).
- Tobii Tech presented [Tobii IS5](#), its next-generation eye tracking platform for integration in computers, screens and computer accessories (Oct. 2018).
- Tobii Pro launched [Tobii Pro Sprint](#), an easy-to-use, cloud-based eye tracking solution for user tests and optimization of web sites, e-commerce interfaces and software.
- StarVR presented its upcoming product [StarVR One](#), an advanced VR headset with integrated eye tracking from Tobii.

FINANCIAL OVERVIEW*

SEK m (except for earnings per share)	Q3 2018	Q3 2017	Change	Currency adjusted change	Nine months 2018	Nine months 2017	Change	Currency adjusted change	Full year 2017
NET SALES									
Tobii Dynavox	206.6	156.2	32 %	21 %	580.6	520.3	12 %	9 %	708.3
Tobii Pro	87.9	80.0	10 %	1 %	277.1	206.9	34 %	31 %	304.1
Tobii Tech	33.9	25.2	35 %	21 %	102.0	83.6	22 %	22 %	120.6
Eliminations and other, net	-15.4	-11.8	31 %	i/m	-46.4	-38.1	22 %	i/m	-54.0
Total	312.9	249.5	25 %	14 %	913.3	772.7	18 %	16 %	1,078.9
OPERATING PROFIT/LOSS (EBIT)									
Tobii Dynavox	18.0	8.6	109 %	25 %	53.8	43.9	23 %	2 %	73.6
Tobii Pro	4.2	9.1	-53 %	-67 %	21.0	7.2	191 %	93 %	25.8
Tobii Tech	-81.9	-66.9	22 %	25 %	-230.8	-229.8	0 %	0 %	-290.8
Other	0.0	0.0	i/m	i/m	0.0	0.0	i/m	i/m	0.0
Total	-59.6	-49.2	21 %	55 %	-156.1	-178.8	-13 %	-7 %	-191.4
Earnings per share (SEK)	-0.70	-0.55			-1.45	-1.90			-1.98

*2017 figures are restated following changes to current accounting principles, see Note 1 Accounting principles.

Comments from the CEO

It was a good third quarter for Tobii. Especially positive was the strong growth in Tobii Dynavox and the strategic VR customer agreement for Tobii Tech. Tobii Pro continued to strengthen its offerings to a broader range of customers through several product launches.

A very strong sales growth for Tobii Dynavox confirmed the positive trend we have seen since the beginning of the year. With currency-adjusted organic growth of 21%, Tobii Dynavox reported its strongest quarter ever. Contributing factors included increased demand for both touch screen and eye-controlled assistive technology for communication, as well as improved efficiency in the sales organization. Lower sales in the corresponding quarter 2017 also contributed to year-on-year growth. Performance in the US market was particularly strong, where the new touch screen products have been available longest, but the trend in Europe was also good. This success is a clear confirmation of the strategy that Tobii Dynavox is executing on.

During the quarter, we announced the [acquisition of Smartbox](#) Assistive Technology Ltd. This strategically important acquisition complements our portfolio with the market-leading software Grid and strengthens our sales presence in key geographic markets. Through the acquisition, we increase the size of Tobii Dynavox' business by approximately 15%, and we will have the capacity to develop even better solutions that will help even more people with disabilities to communicate.

The exceptional sales growth that Tobii Pro has had over the past year slowed as expected in the third quarter. A higher level of sales has been established, but the positive effect of taking over a large portion of our former competitor SMI's customer base is now behind us. Revenue from government organizations in the US was also unusually high during the third quarter last year. We continue to see strong underlying demand and believe that prospects are good for continued robust growth in line with the business unit's long-term financial targets.

Tobii Pro has customers who use eye tracking for a very diverse range of purposes – from scientific research to consumer surveys to web and app user testing. To deal with these customers more effectively we are investing in developing customized solutions – from sophisticated hardware and software for scientific research, to easy-to-use and substantially less expensive solutions that can reach very broad use by companies in the development of user interfaces. During the quarter one such solution was launched, [Tobii Pro Sprint](#), which has already helped customers such as H&M, Knowit and Avanza to gain critical insights into behavior of their users and customers.

We had a positive development in Tobii Tech's two main areas, PC gaming and VR, during the quarter. The new integration platform for PCs, [Tobii IS5](#), has a form factor and performance that make it much easier to incorporate into the design of various products. We are already involved in development projects with customers who intend to integrate IS5 in products to be launched during the first half of 2019. Broadening the benefits of eye tracking for gamers is another key factor for reaching more integration customers and product models. Several more AAA games were launched with eye tracking support during the quarter. Tobii Tech is also developing eye-tracking solutions for esports. Esports is a rapidly-growing industry that reaches 400 million viewers world-wide. Establishing eye tracking in this context is extremely valuable for reaching and creating awareness among consumers. During the quarter, eye tracking was used in several of the world's largest esports tournaments by Eleague and [ESL One](#), and was also awarded a [best technology in eSports](#) award.

In VR, we continued to work with integration customers and projects according to plan. One highlight was the announcement by StarVR of its upcoming product [StarVR One](#), which features eye tracking from Tobii as one of its leading features. We also announced that Tobii has signed a [supply agreement](#) with one of the leading manufacturers of VR headsets, which is a clear indication that eye tracking will be broadly adopted in VR. According to IDC, the VR/AR market will grow by 30% this year and is expected to reach 53 million units per year in 2022. In the industry, eye tracking is broadly viewed as a necessity to create truly strong user experiences in VR. I am convinced that eye tracking will be built into the majority of future headsets and that Tobii is well positioned to capture a large share of that market.



Henrik Eskilsson
VD

The Tobii Group

Tobii is the world leader in eye tracking. Our vision is a world where all technology works in complete harmony with natural human behavior. Tobii operates in three business units: Tobii Dynavox is the world leader in assistive technology for communication, Tobii Pro is the market leader in eye-tracking solutions and services used to study behavior and Tobii Tech is the world's leading provider of eye-tracking technology for volume markets such as computers, virtual reality and smartphones. The Group, which has about 1,000 employees, had sales of SEK 1,079 million for full year 2017.

JULY–SEPTEMBER

Sales

The Group's net sales during the third quarter rose by 25% to SEK 313 million (249). Adjusted for currency effects, the increase was 14%. Tobii Dynavox contributed SEK 207 million, Tobii Pro SEK 88 million and Tobii Tech SEK 34 million.

The North American market accounted for 60% (59%) of the Group's net sales, the European market 21% (22%), and the rest of the world 19% (19%).

Earnings

The Group's gross margin was 71% (73%). The operating loss amounted to SEK -60 million (-49) and operating margin to -19% (-20%). Tobii Dynavox contributed SEK 18 million (9) to earnings, an increase driven by good sales growth. Tobii Pro contributed SEK 4 million (9), an effect of increased investments in product development and sales channels. Tobii Tech had an impact of SEK -82 million (-67) on the Group's operating loss due to strong growth of the organization during the past year.

Operating loss before depreciation and amortization (EBITDA) was SEK -22 million (-13), yielding an EBITDA margin of -7% (-5%).

Pretax loss was SEK -64 million (-63). Net financial items totaled SEK -4 million (-14). Net loss was SEK -68 million (-54) and earnings per share reached SEK -0.70 (-0.55).

Cash flow, liquidity and financial position

Cash flow from operating activities before changes in working capital amounted to SEK -19 million (-16). The change in working capital had a negative impact of SEK -4 million (7).

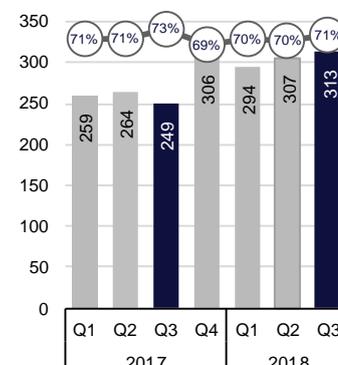
Continuous investments amounted to SEK 48 million (47), of which SEK 43 million (38) related to capitalization of R&D. Cash flow after investing activities for the third quarter amounted to SEK -71 million (-56). Cash flow from financing operations was positively impacted by SEK 7 million as an effect of newly issued and exercised warrants via Tobii's incentive program.

At the close of the period, the Group had SEK 338 million (573) in net cash.

Personnel

The number of employees recalculated to full-time equivalents at the close of the period was 931 (807). The increase was mainly due to increased investments in the R&D, sales and marketing organizations.

NET SALES, SEK M, AND GROSS MARGIN



RESEARCH AND DEVELOPMENT, Q3

SEK m	2018	2017
Total R&D expenditures	-120	-95
Capitalization	43	38
Amortization	-33	-32
R&D expenses in the income statement	-110	-89

JANUARY–SEPTEMBER**Sales**

For the first nine months of 2018 the Group's net sales rose by 18% to SEK 913 million (773) compared with 2017. Adjusted for currency effects, the increase was 16%. The increase was attributed to growth in all three business units.

During the period, the North American market accounted for 59% (61%) of the Group's sales, the European market for 21% (21%), and the rest of the world for 20% (19%).

Earnings

The Group's gross margin was 71% (71%). The operating loss for the Group improved to SEK -156 million (-179) and operating margin to -17% (-23%). Tobii Dynavox contributed SEK 54 million (44) and Tobii Pro SEK 21 million (7), while investments in Tobii Tech had an impact of SEK -231 million (-230) on the Group's operating loss.

Operating loss before depreciation and amortization EBITDA was SEK -29 million (-75), yielding an EBITDA margin of -3% (-10%).

Pretax loss was SEK -135 million (-218) compared with the same period in 2017. Net financial items amounted to SEK 21 million (-39), primarily as a result of currency effects that impacted the value of the Group's dollar-denominated (USD) financial assets having a positive year-on-year effect.

The net loss was SEK -140 million (-184) and the loss per share amounted to SEK -1.45, compared with SEK -1.90 in the corresponding period in 2017. The average number of outstanding shares during the first nine months of the year was 97 million (97), and the number of shares at period-end was 97 million (97).

Cash flow, liquidity and financial position

Cash flow after investing activities was SEK -201 million (-180). Cash flow from operating activities was SEK -30 million (-76), while the change in working capital had a negative effect of SEK -13 million (31). Ongoing investments increased by SEK 23 million to SEK 158 million, of which SEK 139 million related to capitalization of R&D.

EVENTS AFTER THE END OF THE PERIOD

The acquisition of Smartbox Assistive Technology Ltd. was closed on October 1, 2018. Tobii has paid the owners/founders GBP 11 million in cash, corresponding to approximately SEK 130 million. Additional acquisition-related information will be reported in Tobii's 2018 year-end report. Tobii Dynavox' integration process awaits approval from the local competition authority in the UK, CMA.

Tobii signed an agreement with a leading manufacturer of VR headsets regarding development and delivery of eye-tracking technology for integration in an upcoming headset.

**RESEARCH AND DEVELOPMENT,
JANUARY-SEPTEMBER**

SEK m	2018	2017
Total R&D expenditures	-356	-316
Capitalization	139	117
Amortization	-99	-89
R&D expenses in the income statement	-317	-289

Business unit Tobii Dynavox

Tobii Dynavox is the world's leading supplier of assistive technology for communication 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 eye-controlled and touch screen communication devices and a variety of software. Tobii Dynavox' long-term financial targets are to increase revenue on average by 10% per year with an EBIT margin of 15–20%.



KEY FIGURES

SEK m	Q3 2018	Q3 2017	Nine months 2018	Nine months 2017	Full year 2017
Net Sales	206.6	156.2	580.6	520.3	708.3
Gross margin	68 %	71 %	67 %	69 %	69 %
EBITDA	34.8	24.3	104.9	90.4	135.2
EBITDA margin	17 %	16 %	18 %	17 %	19 %
Operating profit/loss (EBIT)	18.0	8.6	53.8	43.9	73.6
EBIT margin	9 %	6 %	9 %	8 %	10 %

JULY–SEPTEMBER

- Tobii Dynavox entered an agreement to acquire British [Smartbox Assistive Technology Ltd.](#) The acquisition was closed on October 1, 2018. This strategically important acquisition will increase the size of business for Tobii Dynavox by 15% and provide important complementary products, expanded sales and marketing reach, as well as good synergies across product development, sales and operations. The integration process is pending approval from CMA, the local competition authority in the UK.
- The Snap+Core First communication app was launched in Chinese, Norwegian and Spanish and is now available in a total of eight languages. Localization of the software's language system is in itself a significant investment which is essential to expansion in different markets.

Net sales rose by 32% compared with the third quarter of 2017 to SEK 207 million (156). Adjusted for currency effects, the increase was 21%. This growth was attributed to a strong increase in sales of both touch screen and eye-controlled products in both the US and Europe, and a weak comparison quarter. The positive sales trend that Tobii Dynavox established over the past few quarters was thus further strengthened. Gross margin was 68% (71%). Operating profit increased to SEK 18 million (9) and the EBIT margin improved to 9% (6%).

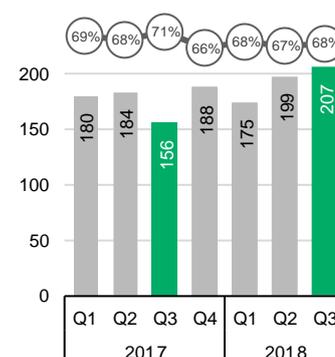
JANUARY–SEPTEMBER

Net sales rose by 12% compared with the first nine months of 2017 to SEK 581 million (520). Adjusted for currency effects, sales increased by 9%. Growth was largely driven by a positive sales trend for the business unit's touch screen products. Gross margin was 67% (69%), primarily driven by changes in the product mix and investments in first-class customer support. Operating profit increased to SEK 54 million (44) and the EBIT margin improved to 9% (8%).

TRENDS AND DEVELOPMENTS

Tobii Dynavox aims to ensure that many more people with disabilities will have access to assistive technology for communication and is working to strengthen both its product offering and its sales organization. The acquisition of Smartbox Assistive Technology that was announced during the quarter is one component of this strategy, just as the past year's product launches, which have resulted in a very strong sales trend. Tobii Dynavox has created an increasing demand of its products through extensive education initiatives and a general increase in knowledge about assistive technology for communication, with a gradual increase in sales revenue and substantially higher volumes as a result. The market for assistive technology for communication is very under-penetrated and Tobii Dynavox is well-positioned to continue to grow over the long term.

NET SALES, SEK M, AND GROSS MARGIN



RESEARCH AND DEVELOPMENT, Q3

SEK m	2018	2017
Total R&D expenditures	-35	-28
Capitalization	18	14
Amortization	-13	-12
R&D expenses in the income statement	-30	-26

Business Unit Tobii Pro

Tobii Pro is the world's leading provider of eye-tracking hardware and analytics soft-ware used for understanding human behavior. Over 3,000 companies and 2,000 academic institutions are Tobii Pro customers, including many large corporations such as Procter & Gamble, Ipsos and Microsoft, as well as all of the world's 50 top-ranked universities. Tobii Pro's long-term financial targets are to increase revenue on average by 15–20% per year and to reach an EBIT margin of 15% by 2020.

KEY FIGURES

SEK m	Q3 2018	Q3 2017	Nine months 2018	Nine months 2017	Full year 2017
Net Sales	87.9	80.0	277.1	206.9	304.1
Gross margin	76 %	76 %	74 %	75 %	74 %
EBITDA	15.7	20.2	68.6	36.1	65.5
EBITDA margin	18 %	25 %	25 %	17 %	22 %
Operating profit/loss (EBIT)	4.2	9.1	21.0	7.2	25.8
EBIT margin	5 %	11 %	8 %	3 %	8 %

JULY–SEPTEMBER

- Tobii Pro launched [Tobii Pro Sprint](#), a user-friendly, cloud-based eye tracking solution for user tests of digital interfaces, such as web sites, e-commerce and software applications.
- Extended the offering in user studies in VR with the analysis software [Tobii Pro Lab 360](#).

Net sales rose by 10% compared with the third quarter of 2017 to SEK 88 million (80). Adjusted for currency effects, the increase was 1%. Usually sales are strongest in the fourth quarter and weakest in the second and third quarters because of customers' budget years. In 2017, we did not see this pattern because the former competitor SMI left the market and Tobii Pro took over a large portion of their customer base. Also, specifically in the third quarter 2017, Tobii Pro had unusually large sales to government organizations in the US because of their concerns for reduced funding as a result of the new administration. These factors contributed to the declining growth rate in the third quarter this year. However, underlying demand is strong, and prospects are good for growth in line with long-term financial targets moving forward.

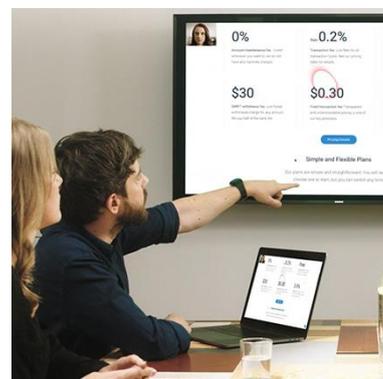
Gross margin was 76% (76%). Operating profit totaled SEK 4 million (9) and the EBIT margin was 5% (11%). Cost grew as a result of increased investments in product development and the sales organization, as well as the acquisitions made during the past year.

JANUARY–SEPTEMBER

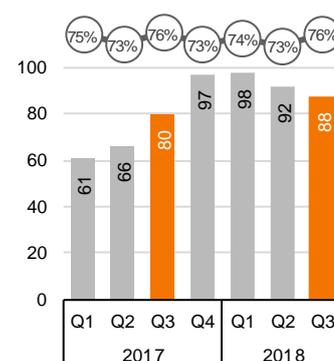
Net sales rose by 34% compared with the first nine months of 2017 to SEK 277 million (207). Adjusted for currency effects, growth was 31%. Gross margin was 74% (75%). Operating profit totaled SEK 21 million (7) and the EBIT margin was 8% (3%).

TRENDS AND DEVELOPMENTS

Market development for eye tracking solutions for behavioral research studies is good across the board, with continually increasing demand worldwide. Researchers and companies in many different fields are demanding eye-tracking solutions that help them to gain new consumer insights, or that can contribute to safer, more efficient processes, increased profitability, better ease of use, etc. In order to more effectively address more customer groups and areas of application concurrently, Tobii Pro is investing in the development of customized products and in expansion of the sales organization. Over the past year Tobii Pro has established a higher sales level by reaching new customers, but also through an increased quantity of volume orders from customers who want to use eye tracking more broadly in their organizations. Tobii Pro has captured a large proportion of the customer base of its former competitor, SMI, which has had a clearly positive impact on the growth rate, specifically from the third quarter of 2017 through the second quarter of 2018.



NET SALES, SEK M, AND GROSS MARGIN



RESEARCH AND DEVELOPMENT, Q3

SEK m	2018	2017
Total R&D expenditures	-21	-15
Capitalization	14	12
Amortization	-11	-10
R&D expenses in the income statement	-18	-14

Business unit Tobii Tech

Tobii Tech provides eye tracking technology and solutions to integration customers primarily in the PC, VR and niche applications sub-segments. Tobii Tech's overarching objective is to maintain its world-leading position and in the long-term to achieve sales in the billions of SEK with good profitability. This development is expected to occur gradually and require major investments in technology and market development. Tobii Tech has a financial target to reach profitability in 2021.



KEY FIGURES

SEK m	Q3 2018	Q3 2017	Nine months 2018	Nine months 2017	Full year 2017
Net Sales	33.9	25.2	102.0	83.6	120.6
Gross margin	50 %	46 %	47 %	44 %	43 %
EBITDA	-72.5	-57.4	-202.9	-201.5	-253.2
EBITDA margin	i/m	i/m	i/m	i/m	i/m
Operating profit/loss (EBIT)	-81.9	-66.9	-230.8	-229.8	-290.8
EBIT margin	i/m	i/m	i/m	i/m	i/m

JULY–SEPTEMBER

- Tobii has signed an [agreement with a leading manufacturer of VR headsets](#) regarding development and delivery of eye tracking technology for an upcoming headset (Oct. 2018).
- Tobii Tech presented [Tobii IS5](#), its next-generation eye tracking platform for integration in computers, screens and computer peripherals (Oct. 2018). Tobii IS5 has a form factor and performance that make it much easier to integrate into the design of various products, which enables Tobii Tech to reach more customers and products. Integration projects with both external and internal customers are ongoing.
- StarVR, a subsidiary of Acer, presented its upcoming product [StarVR One](#), an advanced VR headset with integrated eye tracking from Tobii as a leading feature.
- Tobii eye tracking won the [Esports Business Summit Award](#) for best technology together with Eleague. Tobii eye tracking was also used by yet another of the world's largest esports tournaments [ESL One](#).

Net sales rose by 35% compared with the third quarter of 2017 to SEK 34 million (25). Adjusted for currency effects, net sales rose by 21%.

The gross margin was 50% (46%). The operating loss amounted to SEK -82 million (-67) as a result of increased costs due to growth in the organization.

JANUARY–SEPTEMBER

Net sales rose by 22% (also adjusted for currency effects) to SEK 102 million (84) compared with the first nine months of 2017.

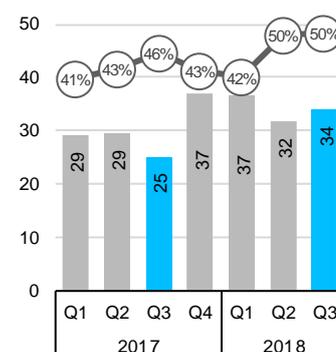
Gross margin was 47% compared with 44% in the first nine months of 2017. The operating loss amounted to SEK -231 million (-230). During the period, Tobii Tech's expansion rate began to level off since it now has the size of organization needed to execute on its strategy.

TRENDS AND DEVELOPMENTS

Broader end-user value is of great significance for reaching additional product models and higher volumes in the gaming PC segment. Tobii is collaborating with game studios to create more immersive gaming experiences with eye tracking, and currently more than 130 games have support for such features. In parallel, Tobii Tech is developing eye-tracking solutions for the fast-growing areas of esports and streaming that enable viewers to see what the gamer is looking at or using eye tracking as a powerful tool for e-sports game training. Globally 400 million people watch esports and 200 million practice esports themselves.

The market for VR headsets is growing and according to market estimates from IDC, the number of VR/AR units sold (excluding headsets without screens) will reach more than 4 million

NET SALES, SEK M, AND GROSS MARGIN



RESEARCH AND DEVELOPMENT, Q3

sek M	2018	2017
Total R&D expenditures	-64	-52
Capitalization	11	12
Amortization	-9	-9
R&D expenses in the income statement	-62	-49

in 2018 and grow to about 53 million in 2022. Tobii estimates that a large portion of future VR headsets will feature integrated eye tracking. Interest in Tobii's offering is extensive since eye tracking is viewed as a necessary technology to improve user experiences in VR. Tobii is well positioned to address the growing VR market and is working with several headset manufacturers in projects at various stages of completion.

Tobii Group

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK m	Q3 2018	Q3 2017	Nine months 2018	Nine months 2017	Full year 2017
Net sales	312.9	249.5	913.3	772.7	1,078.9
Cost of goods and services sold	-89.6	-66.9	-268.3	-220.6	-315.7
Gross profit	223.3	182.6	645.1	552.1	763.2
Selling expenses	-138.1	-110.5	-399.9	-348.5	-462.7
Research and development expenses	-110.2	-89.1	-316.6	-289.0	-382.5
Administrative expenses	-34.0	-25.8	-105.6	-80.0	-103.1
Other operating income and operating expenses ¹	-0.7	-6.5	21.0	-13.3	-6.3
Operating profit/loss	-59.6	-49.2	-156.1	-178.8	-191.4
Net financial items ²	-3.9	-13.9	21.2	-38.8	-33.7
Profit/loss before tax	-63.6	-63.1	-134.9	-217.6	-225.0
Tax ³	-4.6	9.4	-5.6	33.8	33.1
Net profit/loss for the period	-68.2	-53.6	-140.5	-183.8	-192.0
Other comprehensive income					
Items that may subsequently be reclassified to profit or loss for the period:					
Translation differences	1.9	10.5	-11.7	24.1	18.9
Other comprehensive income for the period, net after tax	1.9	10.5	-11.7	24.1	18.9
Total comprehensive income for the period	-66.3	-43.1	-152.2	-159.7	-173.1
Of which depreciation and amortization	-37.7	-36.4	-114.6	-103.8	-139.0
Of which write downs of fixed assets ⁴	0.0	0.0	-12.2	0.0	0.0
Earnings per share, SEK	-0.70	-0.55	-1.45	-1.90	-1.98
Earnings per share, diluted, SEK	-0.70	-0.55	-1.45	-1.90	-1.98
Net profit/loss for the period attributable to:					
Parent company shareholders	-68.3	-53.9	-140.7	-184.6	-192.1
Non-controlling interests	0.07	0.23	0.26	0.79	0.15
Net profit/loss for the period	-68.2	-53.6	-140.5	-183.8	-192.0
Total comprehensive income for the period attributable to:					
Parent company shareholders	-66.4	-43.4	-152.5	-160.5	-173.2
Non-controlling interests	0.1	0.2	0.3	0.8	0.1
Total comprehensive income for the period	-66.3	-43.1	-152.2	-159.7	-173.1

1) Primarily foreign currency translation differences, with the exception of Other operating income in the amount of SEK 12 million which was recognized in the first quarter and relates to a reversal of Contingent consideration.

2) Net financial items include foreign currency translation differences totaling SEK -4 million (-15) for the third quarter 2018, SEK 20 million (-40) for the first nine months and SEK -37 million for the Full Year 2017.

3) Tax for the period includes an impact from change in tax rate on deferred tax of SEK -4 million.

4) Write downs of SEK 12 million during the first nine months of 2018 relates entirely to Goodwill originating from the Sticky acquisition in 2017.

CONDENSED CONSOLIDATED BALANCE SHEET

SEK m	Sept 30 2018	Sept 30 2017	Dec 31 2017
NON-CURRENT ASSETS			
Intangible assets	493.5	421.2	435.6
Tangible fixed assets	31.9	27.2	31.0
Financial assets	92.1	90.9	93.5
Total non-current assets	617.5	539.2	560.1
CURRENT ASSETS			
Accounts receivable	175.7	123.5	145.9
Inventories	72.3	67.6	59.4
Other current receivables	61.5	44.8	40.5
Cash and cash equivalents ¹	338.1	572.8	536.8
Total current assets	647.5	808.7	782.6
Total assets	1,265.0	1,347.9	1,342.7
SHAREHOLDERS' EQUITY			
Shareholders' equity, Parent Company shareholders	839.4	985.1	978.5
Non-controlling interests	0.7	1.0	0.4
Total shareholders' equity	840.2	986.1	978.9
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	0.0	0.0	0.0
Other non-current liabilities	86.7	77.5	73.5
Total non-current liabilities	86.7	77.5	73.5
CURRENT LIABILITIES			
Interest-bearing liabilities	0.0	0.0	0.0
Other current liabilities	338.2	284.4	290.3
Total current liabilities	338.2	284.4	290.3
Total liabilities	424.8	361.8	363.8
Total equity and liabilities	1,265.0	1,347.9	1,342.7

1) Includes SEK 128 million for contingent considerations payment to client funds account for an acquisition.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to Parent Company shareholders							
SEK m	Share capital	Other contributed capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
Opening balance, Jan 1, 2017	0.7	1,566.2	-1.6	-350.5	1,214.8	0.3	1,215.1
Change in accounting principles, See Note 1 Accounting principles			-3.6	-76.5	-80.1		
Restated equity, Jan. 1, 2017	0.7	1,566.2	-5.2	-427.0	1,134.7	0.3	1,135.0
Comprehensive income for the period	0.7		24.1	-184.6	-159.8	0.7	-159.1
New share issue, exercise of warrants incentive programs	0.0	5.3			5.3		5.3
Sale of warrants, incentive programs		5.2			5.2		5.2
Share based payments settled using equity instruments				0.4	0.4		0.4
Closing balance, June 30, 2017	0.7	1,576.7	18.9	-611.2	985.1	1.0	986.1
Comprehensive income for the period	-0.7		-5.2	-7.5	-13.4	-0.6	-14.0
New share issue, exercise of warrants incentive programs	0.0	4.7			4.7		4.7
Sale of warrants, incentive programs		0.2			0.2		0.2
Share based payments settled using equity instruments				1.3	1.3		1.3
Closing balance, Dec 31, 2017	0.7	1,581.5	13.7	-617.4	978.5	0.4	978.9
Closing balance, Dec 31, 2017 before change in accounting principles	0.7	1,581.5	11.5	-535.5	1,058.1	0.4	1,058.6
Change in accounting principles, See Note 1 Accounting principles			2.2	-81.9	-79.7		
Restated equity, Dec 31, 2017	0.7	1,581.5	13.7	-617.4	978.4	0.4	978.9
Comprehensive income for the period			-11.7	-140.7	-152.5	0.3	-152.2
New share issue, exercise of warrants incentive programs	0.0	6.7			6.7		6.7
Sale of warrants, incentive programs		5.9			5.9		5.9
Share based payments settled using equity instruments				0.9	0.9		0.9
Closing balance, June 30, 2018	0.7	1,594.0	1.9	-757.2	839.4	0.7	840.2

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

SEK m	Q3 2018	Q3 2017	Nine months 2018	Nine months 2017	Full year 2017
Cash flow from operating activities					
Profit/loss after financial items	-63.6	-62.4	-134.9	-213.2	-225.0
Adjustment for items not included in the cash flow	44.5	45.9	107.3	137.0	162.8
Taxes paid	-0.0	0.1	-2.0	0.3	0.6
Cash flow from operating activities before change in working capital	-19.1	-16.4	-29.6	-75.9	-61.6
Cash flow from change in working capital	-3.8	7.1	-10.1	31.4	26.8
Cash flow from operating activities	-22.9	-9.3	-39.8	-44.5	-34.9
Investments					
Continuous investments					
Investments in intangible, tangible and financial fixed assets	-48.4	-47.0	-158.0	-135.2	-186.5
Cash flow after continuous investments	-71.3	-56.3	-197.7	-179.8	-221.4
Acquisition of subsidiary company	-3.2	0.0	-18.2	-23.7	-23.7
Cash flow after investments	-74.4	-56.3	-215.9	-203.4	-245.0
Cash flow from financing activities	6.7	0.0	12.5	10.5	15.3
Cash flow for the period	-67.7	-56.3	-203.3	-192.9	-229.7
Foreign currency translation, cash and cash equivalents	-1.1	-2.0	4.7	-6.0	-5.2
Cash and cash equivalents at the beginning of the period	406.8	631.1	536.8	771.7	771.7
Cash and cash equivalents at the end of the period¹	338.1	572.8	338.1	572.8	536.8

1) Includes SEK 128 million for contingent considerations payment to client funds account for an acquisition.

REVENUE DISAGGREGATION IN COMPLIANCE WITH IFRS 15

SEK m	Q3 2018	Q3 2017	Nine months 2018	Nine months 2017	Full year 2017
REVENUE BY PRODUCT CATEGORY					
Goods	272.1	227.2	795.3	709.8	988.5
Services	38.1	18.4	107.9	52.4	76.6
Royalties	2.7	3.9	10.1	10.5	13.8
Total revenues	312.9	249.5	913.3	772.7	1,078.9
REVENUE BY TIMING CATEGORY					
At a point in time	293.9	242.2	858.2	749.4	1,047.1
Over time	19.1	7.3	55.1	23.3	31.7
Total revenues	312.9	249.5	913.3	772.7	1,078.9
REVENUE BY GEOGRAPHIC MARKET					
Europe	64.5	53.8	194.9	159.8	233.1
North America	189.1	148.0	539.2	467.9	646.5
Other countries	59.3	47.6	179.2	144.9	199.3
Total revenues	312.9	249.5	913.3	772.7	1,078.9

CONSOLIDATED KEY RATIOS*

	Q3 2018	Q3 2017	Nine months 2018	Nine months 2017	Full year 2017
Earnings per share, SEK	-0.70	-0.55	-1.45	-1.90	-1.98
Earnings per share, diluted, SEK	-0.70	-0.55	-1.45	-1.90	-1.98
Equity per share, SEK	8.6	10.1	8.6	10.1	10.1
EBITDA, SEK m	-22.0	-12.8	-29.3	-75.0	-52.4
EBIT, SEK m	-59.6	-49.2	-156.1	-178.8	-191.4
Cash flow from operating activities, SEK m	-22.9	-9.3	-39.8	-44.5	-34.9
Cash flow after continuous investments, SEK m	-71.3	-56.3	-197.7	-179.8	-221.4
Working capital, SEK m	-28.7	-48.5	-28.7	-48.5	-44.5
Total assets, SEK m	1,265.0	1,347.9	1,265.0	1,347.9	1,342.7
Net cash(+)/net debt (-), SEK m	338.1	572.8	338.1	572.8	536.8
Equity, SEK m	840.2	986.1	840.2	986.1	978.9
Average equity, SEK m	210.0	246.5	181.9	98.6	1,019.0
Equity/assets ratio, %	66.4	73.2	66.4	73.2	72.9
Net debt/equity, %	neg	neg	neg	neg	neg
Gross margin, %	71.4	73.2	70.6	71.4	70.7
EBITDA margin, %	-7.0	-5.1	-3.2	-9.7	-4.9
Operating margin, %	-19.1	-19.7	-17.1	-23.1	-17.7
Return on total equity, %	0.0	0.0	0.0	0.0	-18.8
Average number of outstanding shares after dilution, million	97.3	97.1	97.3	97.1	97.1
Average number of outstanding shares, million ¹	99.4	99.2	98.9	99.1	99.1
Number of outstanding shares at period end, million	97.4	97.1	97.4	97.1	97.3
Number of outstanding shares after dilution at period end, million ¹	99.0	99.2	99.0	99.2	99.2
Average number of employees	0	0	0	0	779

* 2017 figures are recalculated after changes to the current accounting standards. In accordance with the previous standard, IAS 18, the following key ratios were reported for the third quarter 2017, the first nine months and full year 2017: Earnings per share before and after dilution: SEK -0.55, -1.86 and -1.92; Equity per share 10.9, 10.9 and 10.9 SEK; EBITDA SEK -12.2, -70.7 and -46.9 million; EBIT SEK -48.6, -174.4 and -185.9 million; Working capital SEK -11.2, -11.2 and -5.1 million; Equity SEK 1,063.9, 1,063.9 and 1,058.6 million; Average equity SEK 1,073.7, 1,124.9 and 1,107.5 million; Equity/assets ratio 78.9%, 78.9% and 78.8%; Gross margin 73.3%, 71.6% and 70.9%; EBITDA margin -4.9%, -9.1% and -4.3%; Operating margin -19.4%, -22.4% and -17.1%; Return on total equity -4.9%, -16.0% and -16.8%. See Note 1 Accounting principles in this interim report.

1) The 2018 Annual General meeting resolved to implement a long-term incentive program, LTI 2018, and to issue new shares of not more than 1,450,000 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 51.60 per share during a fixed period in 2021/2022. There is a total of 1,000,000 warrants outstanding in the series. Series 2 entitles the warrant holder to subscribe for one Tobii AB share at a price of SEK 39.70 during a fixed period in 2019/2028. There is a total of 450,000 warrants outstanding in the series. At September 30, 2018 the number of emitted warrants totaled 4.7 million, an increase of 1.1 million since the end of 2017 which is due to emission of 1.4 million warrants in LTI 2018 and exercise of 0.3 million warrants. The dilution effect of warrants in all of the company's incentive programs corresponds to a maximum of approximately 4.8%.

QUARTERLY DATA PER BUSINESS UNIT AND THE GROUP

	2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NET SALES, SEK m								
Tobii Dynavox*	180.2	184.0	156.2	187.9	175.1	198.9	206.6	
Tobii Pro*	60.7	66.2	80.0	97.2	97.5	91.8	87.9	
Tobii Tech**	29.1	29.4	25.2	37.0	36.5	31.6	33.9	
Eliminations and other	-11.1	-15.2	-11.8	-16.0	-15.2	-15.7	-15.4	
The Group*	258.9	264.3	249.5	306.2	293.9	306.5	312.9	
**) Of which internal sales to Tobii Dynavox och Tobii Pro	11.1	15.2	11.8	16.0	15.2	15.7	15.4	
GROSS MARGIN, %								
Tobii Dynavox*	69.2	68.5	70.5	66.2	67.9	66.8	67.6	
Tobii Pro*	75.4	72.8	76.0	72.9	74.4	72.5	75.8	
Tobii Tech	41.4	43.3	46.5	43.0	41.7	50.0	50.3	
The Group*	70.5	70.7	73.2	68.9	70.3	70.2	71.4	
EBITDA, SEK								
Tobii Dynavox*	32.3	33.8	24.3	44.9	31.1	38.9	34.8	
Tobii Pro* ¹	7.8	8.1	20.2	29.4	38.7	14.3	15.7	
Tobii Tech	-66.4	-77.7	-57.4	-51.6	-57.4	-73.0	-72.5	
Eliminations and other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
The Group* ¹	-26.3	-35.9	-12.8	22.7	12.5	-19.8	-22.0	
EBIT, SEK m								
Tobii Dynavox*	17.5	17.8	8.6	29.7	14.2	21.6	18.0	
Tobii Pro*	-0.1	-1.8	9.1	18.6	15.3	1.4	4.2	
Tobii Tech	-75.8	-87.1	-66.9	-60.9	-66.5	-82.5	-81.9	
Eliminations and other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
The Group*	-58.4	-71.1	-49.2	-12.6	-37.0	-59.5	-59.6	
OPERATING MARGIN, %								
Tobii Dynavox*	9.7	9.6	5.5	15.8	8.1	10.8	8.7	
Tobii Pro*	-0.2	-2.7	11.3	19.1	15.7	1.6	4.8	
Tobii Tech	neg							
The Group*	-22.6	-26.9	-19.7	-4.1	-12.6	-19.4	-19.1	
PROFIT/LOSS BEFORE TAX, SEK m								
The Group*	-64.9	-89.6	-63.1	-7.4	-30.4	-40.9	-63.6	
PROFIT/LOSS FOR THE PERIOD, SEK m								
The Group*	-57.2	-73.0	-53.6	-8.1	-31.6	-40.7	-68.2	

1) Tobii Pro's and the Group's EBITDA was positively impacted in the first quarter of 2018 by a reversal of contingent liability in the amount of SEK 12 m.

*IFRS 15 impacts the item Net sales in the Consolidated statement of comprehensive income. The consolidated totaled earnings figures in subsequent tables are therefore impacted by the same amount.

IFRS 15 IMPACT 2017

IFRS 15 IMPACT 2017*	2017			
	Q1	Q2	Q3	Q4
NET SALES, SEK m				
Tobii Dynavox	-2.0	-1.5	-0.5	-1.1
Tobii Pro	-0.2	-0.1	-0.1	0.0
Tobii Tech**	0.0	0.0	0.0	0.0
Eliminations and other	0.0	0.0	0.0	0.0
The Group*	-2.2	-1.6	-0.6	-1.1
***) Of which internal sales to Tobii Dynavox och Tobii Pro	0.0	0.0	0.0	0.0

*IFRS 15 impacts the item Net sales in the Consolidated statement of comprehensive income. The consolidated totaled earnings figures in subsequent tables are therefore impacted by the same amount.

The Parent Company

The Group's Parent Company, Tobii AB (publ.), which has over 400 employees, focuses on sales, marketing, R&D, purchasing, manufacturing, technical support and IT. The Parent Company's net sales during the third quarter totaled SEK 209 million (176) and the operating profit/loss was SEK -68 million (-36). Net sales for the first nine months totaled SEK 604 million (511) and the operating profit/loss was SEK -182 million (-133). Net sales for the full year 2017 totaled SEK 743 million and the operating loss was SEK -212 million. At the period end, the Parent Company had SEK 230 million (519) in cash and cash equivalents, which includes SEK 128 million for contingent considerations payment to client funds account for an acquisition.

CONDENSED PARENT COMPANY INCOME STATEMENT*

SEK m	Q3 2018	Q3 2017	Nine months 2018	Nine months 2017	Full year 2017
Net sales	208.7	176.5	604.4	511.2	742.9
Cost of goods and services sold	-86.8	-76.8	-260.4	-222.7	-313.1
Gross profit	122.0	99.7	343.9	288.5	429.8
Selling expenses	-52.9	-43.5	-149.1	-133.2	-190.5
Research and development expenses	-111.4	-69.1	-312.2	-227.0	-371.0
Administrative expenses	-25.3	-17.7	-87.1	-50.2	-76.3
Other operating income and operating expenses	-0.4	-5.8	22.7	-11.6	-3.5
Operating profit/loss	-68.0	-36.4	-181.9	-133.4	-211.6
Financial items	0.5	-8.4	33.6	-21.8	-10.1
Profit/loss before tax	-67.5	-44.7	-148.3	-155.2	-221.6
Tax	-4.2	9.8	-4.2	33.5	33.5
Profit/loss after tax	-71.7	-34.9	-152.5	-121.7	-188.1
Depreciation and amortization, total	-34.7	-25.6	-113.8	-68.1	-121.4

*2017 figures are restated following changes to current accounting principles, see Note 1 Accounting principles.

CONDENSED PARENT COMPANY BALANCE SHEET*

SEK m	Sept 30 2018	Sept 30 2017	Dec 31 2017
NON-CURRENT ASSETS			
Intangible assets	411.8	259.6	379.5
Tangible fixed assets	6.0	10.3	9.9
Financial assets	532.0	585.9	506.7
Long-term financial receivables	0.0	0.0	0.0
Total non-current assets	949.8	855.8	896.0
CURRENT ASSETS			
Accounts receivable	111.3	100.7	120.5
Inventories	37.7	41.1	36.1
Other current financial receivables	59.8	51.6	70.0
Cash and bank balances ¹	230.5	518.9	470.1
Total current assets	439.3	712.3	696.6
Total assets	1,389.0	1,568.2	1,592.6
SHAREHOLDERS' EQUITY			
	1,174.4	1,373.7	1,313.4
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	0.0	0.0	0.0
Other non-current liabilities	13.9	33.2	26.7
Total non-current liabilities	13.9	33.2	26.7
CURRENT LIABILITIES			
Interest-bearing liabilities	0.0	0.0	0.0
Other current liabilities	200.7	161.3	252.5
Total current liabilities	200.7	161.3	252.5
Total liabilities	214.7	194.4	279.2
Total equity and liabilities	1,389.0	1,568.2	1,592.6

*2017 figures are restated following changes to current accounting principles, see Note 1 Accounting principles.

1) Includes SEK 128 million for contingent considerations payment to client funds account for an acquisition.

Notes

Not 1. Redovisningsprinciper

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. In addition to the financial statements, disclosures under 34.16A also appear in other parts of the interim report. 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.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED BY THE GROUP

IFRS 16 "Leases" comes into force on 1 January 2019 and replaces the current standard, IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognized on the balance sheet. Tobii is currently carrying out an analysis of contracts and the impact of the new standard on the reporting on leases. At September 30, 2018 Tobii had not yet quantified the impact of the new standard on the Group's financial reports.

IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES IN ACCORDANCE WITH IFRS

Two new IFRS standards went into effect from January 1, 2018. Below is a description of the new principles and effects on the Group's financial reporting as well as the transition method.

IFRS 9, Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments from 2018. The standard addresses classification, measurement and recognition of financial assets and liabilities, introduces new rules for hedge accounting and a new model for impairment of financial assets. The new standard has not had a material impact on the Group's classification and valuation of financial instruments. Since the effects are not material, the transition to the opening balance for 2018 was not affected.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 "Revenue from Contracts with Customers" goes into effect on January 1, 2018 and replaces current standards and interpretations for revenue recognition in IFRS. The new standard is applied by the Group for the fiscal year beginning January 1, 2018. The standard and its clarifications have been approved by the EU Commission.

Tobii's new revenue recognition principles in accordance with IFRS 15

The Group revenue recognition related to the sale of goods is not impacted by the transition to IFRS 15. The Group's principles for revenue recognition of services are impacted with regard to future service commitments that arise after the sale of certain products. The Tobii Dynavox business unit sells certain products as packages comprised partly of computer products that are delivered to customers at date of sale, and partly as service commitments in the form of enhanced warranties and customer support which are fulfilled in future periods after the date of sale. In accordance with current standards, IAS 18, Tobii recognized revenue for the complete package in the reporting period in which the product was delivered. IFRS 15 states that revenues shall be recognized in the period that Tobii fulfills its commit-

ment to the customers for each part of the package. Tobii Pro business unit is affected to a lesser extent by the new standard since Tobii Pro products are not sold as packages, but as separate products.

Method used for transition to IFRS 15

Tobii applies IFRS 15 full retrospective method for transition to the new standard and has restated 2017 income statement and balance sheet.

IFRS 15 impact on financial reports

The impact from transition to IFRS 15 is an opening balance adjustment of SEK 80 million as at January 1, 2017, which is reported as a decrease in equity and an increase in the liability contracts with customers. The opening balance refers to warranties and customer support commitments which Tobii has sold in earlier years but has not yet fulfilled as at January 1, 2017. During 2017 the reported revenues were negatively impacted by SEK 6 million, or 0.5% of the Group's revenues. The tables below show the quantitative impact of IFRS 15 on 2017 reported figures on relevant items in the financial reports. Tables for full year 2017 and Dec 31, 2017 are found in Tobii's Interim Report Q1 2018.

July–Sep 2017 – Consolidated statement of comprehensive income

SEK m	Q3 2017 reported	IFRS 15	Q3 2017 restated
Net sales	250,1	-0.6	249.5
Cost of goods and services sold	-66.9	0.0	-66.9
Gross profit	183.2	-0.6	182.6
Operating profit/loss	-48.6	-0.6	-49.2
Profit/loss before tax	-62.5	-0.6	-63.1
Net profit/loss for the period	-53.0	-0.6	-53.6
Other comprehensive income			
Translation differences	0.0	2.3	2.3
Other comprehensive income for the period	0.0	2.3	2.3
Total comprehensive income for the period	-53.0	1.7	-51.4
Net profit/loss for the period attributable to:			
Parent company shareholders	-53.3	-0.6	-53.9
Non-controlling interests	0.2	0.0	0.2
Net profit/loss for the period	-53.0	-0.6	-53.6
Total comprehensive income for the period attributable to:			
Parent company shareholders	-53.3	1.7	-51.6
Non-controlling interests	0.2	0.0	0.2
Total comprehensive income for the period	-53.0	1.7	-51.4

January–September 2017 – Consolidated statement of comprehensive income

SEK m	9 months 2017 reported	IFRS 15	9 months 2017 restated
Net sales	777.1	-4.3	772.7
Cost of goods and services sold	-220.6	0.0	-220.6
Gross profit	556.4	-4.3	552.1
Operating profit/loss	-174.4	-4.3	-178.8
Profit/loss before tax	-213.3	-4.3	-217.6
Net profit/loss for the period	-179.5	-4.3	-183.8
Other comprehensive income			
Translation differences	0.0	6.6	6.6
Other comprehensive income for the period	0.0	6.6	6.6
Total comprehensive income for the period	-179.5	2.3	-177.2
Net profit/loss for the period attributable to:			
Parent company shareholders	-180.3	-4.3	-184.6
Non-controlling interests	0.8	0.0	0.8
Net profit/loss for the period	-179.5	-4.3	-183.8
Total comprehensive income for the period attributable to:			
Parent company shareholders	-180.3	2.3	-178.0
Non-controlling interests	0.8	0.0	0.8
Total comprehensive income for the period	-179.5	2.3	-177.2

September 30, 2017 – Consolidated balance sheet

SEK m	Sep 30 2017 reported	IFRS 15	Sep 30 2017 restated
Total assets	1,347.9	0.0	1,347.9
Total shareholders' equity	1,063.9	-77.8	986.1
Liabilities			
Non-current liabilities			
Deferred income	12.3	40.5	52.8
Other non-current liabilities	24.6	0.0	24.6
Total non-current liabilities	36.9	40.5	77.5
Current liabilities			
Deferred income	57.4	37.3	94.7
Other current liabilities	189.7	77.8	172.1
Total current liabilities	247.1	37.3	284.4
Total liabilities	284.0	77.8	361.8
Total equity and liabilities	1,347.9	0.0	1,347.9

July–September 2017 – Parent company income statement

SEK m	Q3 2017 reported	IFRS 15	Q3 2017 restated
Net sales	177.0	-0.5	176.5
Cost of goods and services sold	-76.8	0.0	-76.8
Gross profit	100.2	-0.5	99.7
Operating profit/loss	-35.9	-0.5	-36.4
Profit/loss before tax	-44.3	-0.5	-44.7
Net profit/loss for the period	-34.5	-0.5	-34.9

January–September 2017 – Parent company income statement

SEK m	9 months 2017 reported	IFRS 15	9 months 2017 restated
Net sales	513.1	-1.9	511.2
Cost of goods and services sold	-222.7	0.0	-222.7
Gross profit	290.4	-1.9	288.5
Operating profit/loss	-131.5	-1.9	-133.4
Profit/loss before tax	-153.3	-1.9	-155.2
Net profit/loss for the period	-119.8	-1.9	-121.7

September 30, 2017 – Parent company balance sheet

SEK m	Sep 30 2017 reported	IFRS 15	Sep 30 2017 restated
Total assets	1,568.2	0.0	1,568.2
Total shareholders' equity	1,390.9	-17.2	1,373.7
Liabilities			
Non-current liabilities			
Deferred income	3.7	8.8	12.5
Other non-current liabilities	20.7	0.0	20.7
Total non-current liabilities	24.3	8.8	33.2
Current liabilities			
Deferred income	12.9	8.3	21.3
Other current liabilities	140.0	17.2	54.4
Total current liabilities	152.9	8.3	161.3
Total liabilities	177.3	17.2	194.4
Total equity and liabilities	1,568.2	0.0	1,568.2

Not 2. Business combinations

ACUITY ETS LTD. AND ACUITY INTELLIGENCE LTD

On February 28, 2018 Tobii acquired all shares in Acuity ETS Ltd, a company registered in Hampshire, England and Acuity Intelligence Ltd, a company registered in Berkshire, England. Acuity ETS is the largest reseller of Tobii Pro's research tools and Acuity Intelligence, a research and consulting service within neuroscience. The purpose of the acquisition is to strengthen Tobii Pro's direct sales of product and services in the UK.

Below is shown the purchase price for the two companies. The acquisition analysis is preliminary due to final valuation of acquired assets and liabilities.

SEK m	Feb 28 2018
Cash	14.8
Adjustment at completion date	-1.1
Contingent consideration	10.0
Total purchase price	23.7
Fair value of acquired assets and liabilities	-1.5
Goodwill	22.2
Acquired assets and liabilities	0.0
Intangible assets (excl. Goodwill)	0.8
Tangible fixed assets	0.1
Accounts receivable and other receivables	3.5
Accounts payable and other payables	-2.9
Total acquired assets and liabilities	1.5

The total consideration for the acquired net assets amounted to SEK 23.7 million. A cash payment of SEK 14.8 million was paid at acquisition date. The agreed upon contingent consideration relates to Acuity revenue trends during 2018-2020. The total maximum contingent consideration amounts to SEK 19 million. Tobii's management assesses that the fair value of the contingent consideration is SEK 10 million.

Goodwill of SEK 22.2 million is reported in business unit Tobii Pro and refers to the potential to strengthen the business unit through direct sales of products and services in the UK.

The gross amount of acquired accounts receivable is SEK 3.4 million and will most likely be collected.

Revenues from the Acuity businesses during the period from acquisition up to and including September 30, 2018 amounted to SEK 15 million and corresponding operating profit for the same period was SEK 1 million. If the acquisition had taken place on January 1, 2018 the Group's Net sales for the first nine months would amount to approximately SEK 916 million and the operating profit would amount to approximately SEK -155 million.

Transaction costs incurred for the acquisition amounted to approximately SEK 0.4 million and are included in general and administrative expenses in the consolidated income statement.

SMARTBOX ASSISTIVE TECHNOLOGY LTD.

On August 20, 2018, it was announced that Tobii has signed an agreement to purchase 100% of the shares in British Smartbox Assistive Technology Ltd for GBP 11 million. See [press release](#) for more information about the acquisition. Closing date was October 1, 2018. Further information on the acquisition will be provided in Tobii's Year-End Report 2018.

FAIR VALUE MEASUREMENT

The contingent consideration related to the Sticky-acquisition is a level 3 financial instrument and is measured at fair value in the consolidated statement of comprehensive income. During the first quarter of 2018 the fair value of the contingent consideration was valued at SEK 0 after a new forecast shows that the conditions for payment according to the purchase agreement with high probability will not be achieved. The contingent consideration relating to the Acuity acquisition in February 2018 is a level 3 financial instrument and is measured to fair value of SEK 7 million as at September 30, 2018. Change in fair value measurement is shown in the table below.

Change in contingent consideration

MSEK	30 sep 2018
Ingående balans 1 januari 2018	12.2
Årets förvärv	10.0
Utbetalning	-3.1
Värdeförändring redovisade i övriga rörelseintäkter/förluster	-12.2
Valutakursdifferenser	-0.3
Utgående balans 30 september 2018	6.6

Other than contingent consideration Tobii has no financial instruments which are measured at fair value in the income statement.

GOODWILL WRITE-DOWNS

Consideration during the first quarter of potential write-downs related to the acquisition of Sticky in May 2017 resulted in a goodwill impairment charge of 12M SEK. The impairment was the result of a new assessment of the cash-generating unit's future cashflow and was performed using the cashflow-generating unit's relevant discount rate of 10%.

Other information

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 and note 3 of Tobii's 2017 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.

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. The key ratios

and alternative performance measures that Tobii uses are defined on page 100 of the 2017 annual report.

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

This section presents only the reconciliation of alternative performance measures that cannot be calculated from information in financial reports in this interim report.

OPERATING PROFIT/LOSS BEFORE DEPRECIATION, AMORTIZATION AND IMPAIRMENT, EBITDA

SEK m	Q3 2018	Q3 2017	Nine months 2018	Nine month s 2017	Full year 2017
Operating profit/loss before depreciation, amortization and impairment, (EBITDA)	-22.0	-12.8	-29.3	-75.0	-52.4
Amortization and impairment	-32.5	-31.9	-111.1	-89.4	-119.4
Depreciation	-5.1	-4.4	-15.7	-14.4	-19.6
Operating profit/loss (EBIT)	-59.6	-49.2	-156.1	-178.8	-191.4

Danderyd, October 25, 2018

Kent Sander
Chairman of the Board

Heli Arantola

Nils Bernhard

John Elvesjö

Charlotta Falvin

Åsa Hedin

Jan Wäreby

Henrik Eskilsson
CEO

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, through the agency of the contact person set out below, for publication October 25, 2018 at 7:30 a.m. CET.

Contact person: Sara Hyléen, Corporate Communications Director,
email: sara.hyleen@tobii.com, tel. +46 (0)70-916 16 41

Information to shareholders

TELECONFERENCE AND PRESENTATION

A conference call and online presentation will be held in English today at 2:00 p.m. (CET). Go to www.tobii.com to follow the conference online or for the phone number you need to participate. The presentation will be available for download from the website.

CONTACT DETAILS

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FINANCIAL CALENDAR

Year-end report 2018	February 6, 2019
Annual Report 2018	April 10, 2019
Interim report Q1, 2019	April 26, 2019
Annual General Meeting, 2019	May 9, 2019
Interim report Q2, 2019	July 19, 2019
Interim report Q3, 2019	October 24, 2019
Interim report Q4, 2019	February 4, 2020



Auditor's report

Tobii AB (publ) corp. reg. no. 556613-9654

Introduction

We have reviewed the condensed interim financial information (interim report) of Tobii AB (publ) (“the Parent Company”) and its subsidiaries (together “the Group”) as of 30 September 2018 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the condensed 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, 25 October 2018

PricewaterhouseCoopers AB

Johan Engstam

Authorized Public Accountant