

# Half-Year Report Q2 January – June 2017

## Tobii makes strategic product launches and an acquisition

### April – June

- The Group's sales totaled SEK 266 million (241), an increase of 10%. Adjusted for currency effects, the increase was 4%.
- The gross margin was 71% (73%).
- The Group's operating loss amounted to SEK -70 million (-29). Tobii Dynavox made a contribution of SEK 19 million (25), Tobii Pro's operating profit amounted to SEK -2 million (-3), while investments in Tobii Tech had an impact of SEK -87 million (-52) on the Group's earnings.
- Earnings per share amounted to SEK -0.73 (-0.18).

### January – June

- The Group's sales totaled SEK 527 million (493), an increase of 7%. Adjusted for currency effects, the increase was 2%.
- The gross margin was 71% (73%).
- The Group's operating loss amounted to SEK -126 million (-46). Tobii Dynavox made a contribution of SEK 39 million (52), Tobii Pro's operating profit amounted to SEK -2 million (3), while investments in Tobii Tech had an impact of SEK -163 million (-101) on the Group's earnings.
- Earnings per share amounted to SEK -1.31 (-0.47).

### Significant events

- Tobii Dynavox launched [Indi](#), an all-in-one speech tablet designed for voice and communication.
- Tobii Dynavox launched [Snap](#), a new software for symbol-based communication.
- Tobii acquired [Sticky](#), a solutions provider for market research studies based on webcam eye tracking.
- Tobii Tech released an [eye tracking VR development kit](#) based on HTC Vive.
- Tobii Pro launched a solution for [eye tracking research in VR](#) environments.
- [15 new games with eye tracking](#) support were announced, reaching some 80 game titles in total.
- Tobii Dynavox launched [PCEye Plus](#), an eye tracker for individuals with motor impairments.
- In July, Tobii Dynavox introduced [EyeMobile Plus](#), a product that allows the user to turn a regular PC tablet into an eye-controlled communication device.

### Financial summary

SEK m (except for earnings per share)	Second quarter			First six months			Full Year
	2017	2016	Change	2017	2016	Change	2016
<b>Net Sales</b>							
- Tobii Dynavox	185.5	181.8	2%	367.7	370.1	-1%	761.7
- Tobii Pro	66.3	53.3	24%	127.2	112.5	13%	244.9
- Tobii Tech	29.4	18.3	60%	58.4	34.3	70%	96.4
- Eliminations and other, net	-15.2	-12.7	n/m	-26.3	-24.1	n/m	-49.7
<b>Total</b>	<b>265.9</b>	<b>240.7</b>	<b>10%</b>	<b>527.0</b>	<b>492.9</b>	<b>7%</b>	<b>1,053.3</b>
<b>Operating profit/loss</b>							
- Tobii Dynavox	19.2	25.4		38.7	52.0		124.7
- Tobii Pro	-1.7	-2.7		-1.6	3.2		15.5
- Tobii Tech	-87.1	-51.9		-162.9	-101.2		-207.2
- Other	0.0	0.0		0.0	0.0		0.0
<b>Total</b>	<b>-69.6</b>	<b>-29.2</b>		<b>-125.8</b>	<b>-45.9</b>		<b>-67.0</b>
<b>Earnings per share (SEK)</b>	<b>-0.73</b>	<b>-0.18</b>		<b>-1.31</b>	<b>-0.47</b>		<b>-0.57</b>

A conference call and online presentation will be held in English today at 2.00 p.m. CET. Go to [tobii.com](http://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.

# Comments from the CEO

*We launched a large number of exciting and strategically important products in the second quarter. I am very proud of our solid development efforts and the overall positive response from customers which confirms our product strategy. Other highlights were Tobii Pro's strong sales performance and the acquisition of Sticky.*

## **Tobii Dynavox – positive response to new products**

A central component of our growth strategy for Tobii Dynavox is to strengthen the offering of communication solutions at various price levels. Historically, we have been strongly positioned in high-end medical-grade solutions, which generally are funded by state or private insurances.

We are now expanding our offering of lower priced communication solutions that can be paid for directly by private individuals and schools, paving the way for expansion into new markets where funding via insurance is not available. This mid-range segment is already a fast-growing market where we see opportunities to significantly grow our market shares. During the quarter, we launched Indi, the world's first "speech tablet", that offers an alternative to our existing high-end medical-grade devices. Another launch in the mid-range segment was the EyeMobile Plus, a product that enables a Windows tablet to be used as a fully-fledged eye-controlled communication solution. We also launched new eye-controlled hardware and software for computer access.

Yet another focus area is software and apps, where we see that a strong position drives penetration, customer loyalty and additional hardware sales. During the quarter, we launched Snap, a completely new symbol-based communication software that can be used on all types of devices, from consumer tablets to our most sophisticated medical-grade devices.

The new products have generally received many positive reviews from the market, but have not yet had any major impact on our sales performance. We saw a continued increase in sales of eye-controlled communication devices and the initial sales of Indi were strong, while the older generation touch devices continued to decline. Tobii Dynavox's revenues increased slightly compared with the preceding quarter, but were largely on par with the second quarter of 2016.

## **Tobii Pro – positive market trend and acquisition of Sticky**

Tobii Pro reported a strong quarter, increasing sales 19% year-over-year adjusted for currency effects. Our efforts to increase awareness of eye tracking as a research method have generated an overall increase in demand among customers, and we saw high demand for established products such as Glasses 2 and new products such as Tobii Pro Spectrum. The business unit made good headway in all major regions.

Tobii Pro took an important strategic step with the acquisition of Sticky. Sticky has developed a SaaS solution that enables highly cost-efficient and large-scale eye-tracking tests of advertisements, websites and video. A key element is its use of standard webcams for a simpler form of eye tracking, enabling market research studies via the participants' personal computers. Equally important is the cloud-based solution that Sticky has developed, that allows customers to efficiently design, implement and analyze the results of these tests. The offering fits very nicely in Tobii Pro's long-term ambition to broaden its product range from advanced research solutions to also encompass solutions for cost-efficient eye-tracking tests on a large scale.

## **Tobii Tech – more PC games and strong demand in VR**

The products announced by Tobii's integration customers in PC gaming market are now shipping, and our deliveries are in pace with sales to end customers. We have ongoing collaborations with our customers concerning marketing activities, and we also continued to invest in collaborations with gaming studios during the quarter. Some 15 new game titles were announced during the quarter, bringing the current number of games that support Tobii eye tracking to about 80.

Interest in eye tracking within virtual reality (VR) increased further during the quarter and the general perception is that it is likely to become a key component in future generations of VR headsets. We believe that we are well positioned to become a leading supplier of eye-tracking technology for VR, and a number of discussions with potential customers and partners have intensified. We introduced a VR development kit with fully integrated eye tracking, and also continued to increase our investments and grow the Tobii Tech organization to enable us to handle more parallel projects and customers in VR.

We were also pleased to see an interest in eye tracking in several specialized markets. This spring Tobii Tech has signed sales agreements with three small integration customers in fields as diverse as robotic surgery, casino machines and diagnostics. Sales for Tobii Tech increased by 60%, or 49% adjusted for currency effects, compared with the second quarter of 2016.

The Group's negative cash flow for the quarter was largely impacted by extraordinary one-time investments related to the Sticky acquisition, non-recurring high external development costs for the next generation eyetracking platform, and seasonal effects within Tobii Pro.

## **Consolidation of the eye-tracking industry**

Over the past year, we have seen a surge in interest for eye tracking in the consumer electronics industry. One of the ways this development has manifested itself is the acquisition of specialized eye-tracking companies by companies such as Google and Facebook.

In June, the media reported that Tobii's main competitor SensoMotoric Instruments (SMI) had been acquired by Vineyard Capital Corporation, with links to Apple. SMI has sold its own research eye trackers, supplied eye-tracking components to assistive technology companies and also focused on the VR market. Tobii has strong offerings in most of the markets where SMI has been active, and we believe that this creates possibilities for Tobii to advance our positions and further strengthen the market shares of all three business units. Additionally, this acquisition will probably further boost interest in eye tracking among large device manufacturers.

Lastly, I am very pleased with all the new products and the strong commitment shown by all our employees as we continue to execute our strategy for the three business units.

Danderyd, July 25, 2017  
Henrik Eskilsson



## The Tobii Group in Brief

Tobii is the world-leader in eye-tracking, a technology that can determine where a person is looking with high accuracy. An eye-tracking sensor can provide access to information about what the user pays attention to or processes. This, in turn, can provide unique insights into human behavior or be used 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

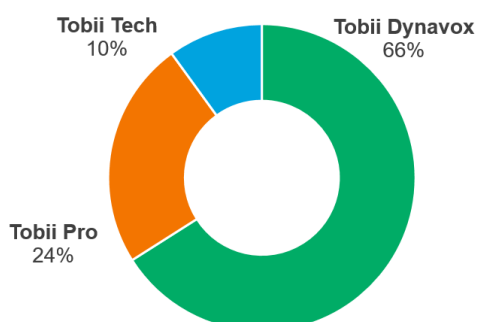
study of behavior. Tobii invests in the third business unit, Tobii Tech, to reach future high-volume markets for eye tracking in primarily consumer products such as computers, gaming products, VR and smartphones.

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

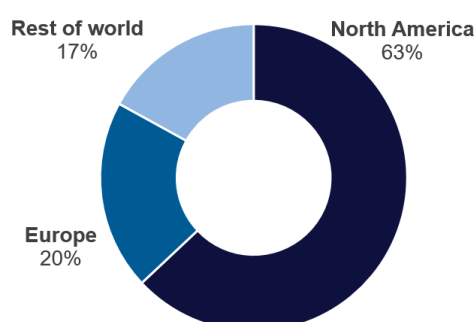
Tobii has 800 employees and covers the global market through its own offices in Sweden, the USA, China, Japan, Norway, Germany, the UK, South Korea and Taiwan, and through a global network of resellers. Tobii is headquartered in Danderyd, Sweden, and is listed on Nasdaq Stockholm since April 2015.



**Sales per business unit**  
Q2, 2017



**Sales per region**  
Q2, 2017



# The Group • April – June

## Sales

The Group's net sales for the second quarter rose year-over-year by 10% to SEK 266 million (241). Adjusted for currency effects, the change was 4%. Tobii Dynavox contributed SEK 185 million, Tobii Pro SEK 66 million and Tobii Tech SEK 29 million, of which SEK 15 million comprised sales of eye-tracking platforms to the other two business units and SEK 14 million comprised external sales.

During the second quarter, the North American market accounted for 63% (66%) of the Group's sales, the European market for 20% (22%), and the rest of the world for 17% (13%). The change was primarily driven by higher sales in Asia through Tobii Pro and Tobii Tech.

## Earnings

The Group's gross margin was 71% (73%). The decline was mainly driven by an increased share of sales from Tobii Tech, which has lower margins than the other two business units, and changes in the product mix.

The operating loss for the Group was SEK -70 million (-29) and the EBIT margin was -26% (-12%). Tobii Dynavox contributed SEK 19 million (25) and Tobii Pro's EBIT amounted to SEK -2 million (-3), while investments in Tobii Tech increased and had an impact of SEK -87 million (-52) on the Group's operating loss. The operating loss was impacted negatively by increased investments in R&D, sales and marketing, and by the acquisition of Sticky.

Research & development (SEK m)	2017	2016
Total R&D expenditures	-116	-85
Capitalization	43	32
Amortization	-30	-24
R&D expenses in the income statement	-104	-77

Operating loss before depreciation and amortization (EBITDA) was SEK -34 million (1), yielding an EBITDA margin of -13% (0%).

Pretax loss was SEK -88 million, compared with SEK -18 million for the second quarter of 2016. Net financial items decreased to SEK -18 million (12), primarily as a result of currency effects that affected the value of the Group's dollar-based (USD) financial assets having a negative year-over-year impact.

Net loss was SEK -71 million (-16) and loss per share amounted to SEK -0.73, compared with SEK -0.18 in the corresponding period in 2016.

## Cash flow, liquidity and financial position

Cash flow after continuous investments for the second quarter amounted to SEK -78 million (-32). Cash flow from operating activities was SEK -31 million (6) and continuous investments amounted to SEK 47 million (38), of which SEK 43 million (32) referred to capitalization of R&D.

The quarter's cash flow was impacted by extraordinary one-time investments related to the Sticky acquisition and related integration costs, and non-recurring external development costs for the next generation eyetracking platform, as well as by seasonal effects within Tobii Pro. The purchase price for the Sticky acquisition impacted cash flow for the quarter by SEK -24 million. Additional financial information regarding the acquisition is presented on page 19 of this report.

At the close of the period, the Group had SEK 631 million (348) in net cash. Previously unutilized overdraft facilities of a maximum of SEK 170 million were canceled and thus amounted to SEK 0 million (170).

## Employees

The number of employees at period-end, recalculated to full-time equivalents (FTE), was 782. Compared with the corresponding period last year, the number of FTEs rose by 81, or 12%, through increased investments in the R&D, sales and marketing organizations.

## Annual General Meeting 2017

Tobii's Annual General Meeting, held on May 9 in Stockholm, passed the following resolutions:

- Kent Sander was re-elected Chairman of the Board and all Board members were re-elected except Martin Gren who resigned his position on the Board of his own accord. PricewaterhouseCoopers AB was re-elected as the company's auditor.
- The Annual General Meeting authorized the Board to resolve to issue new shares for no more than 10% of the number of shares outstanding to facilitate the possible acquisition of companies or products.
- The Annual General Meeting adopted the Board's proposal to implement a new long-term incentive program for employees of the Tobii Group.

# The Group • January – June

## Sales

The Group's net sales for the first half of 2017 rose year-over-year by 7% to SEK 527 million (493). Adjusted for currency effects, the increase was 2%. The increase was attributable to growth in Tobii Pro and Tobii Tech, although this was reduced by a decline in Tobii Dynavox.

During the period, the North American market accounted for 61% (64) of the Group's sales, the European market for 21% (23), and the rest of the world for 18% (13).

## Earnings

The Group's gross margin was 71% (73%). The change was driven by a higher share of sales from Tobii Tech, which has lower margins than the other two business units, changes in the product mix and price reductions on certain products carried out by Tobii Dynavox in 2016.

The operating loss for the Group was SEK -126 million (-46) and the EBIT margin was -24% (-9%). Tobii Dynavox contributed SEK 39 million (52) and Tobii Pro's EBIT amounted to SEK -2 million (3), while investments in Tobii Tech increased and had an impact of SEK -163 million (-101) on the Group's operating loss. The operating loss was affected by increased investments in R&D and in the sales and marketing organizations.

Research & development (SEK m)	2017	2016
Total R&D expenditures	-222	-160
Capitalization	79	54
Amortization	-57	-43
R&D expenses in the income statement	-200	-149

Operating loss before depreciation and amortization (EBITDA) was SEK -58 million (9), yielding an EBITDA margin of -11% (2%).

Pretax loss was SEK -151 million compared with SEK -47 million in the corresponding period in 2016. Net financial items amounted to SEK -25 million (-1), primarily as a result of currency effects that affected the value of the Group's dollar-based (USD) financial assets having a negative year-over-year impact.

Net loss was SEK -126 million (-41) and loss per share amounted to SEK -1.31, compared with SEK -0.47 in the corresponding period in 2016. The average number of outstanding shares during the first half of the year was 97 million (88), and the number of shares outstanding at period-end was 97 million (88).

## Cash flow, liquidity and financial position

Cash flow after continuous investments was SEK -123 million (-30). Cash flow from operations totaled SEK -59 million (6), while the change in working capital had a positive effect of SEK 24 million (28). Continuous investments increased by SEK 24 million to SEK 88 million, of which SEK 79 million refers to capitalization of R&D.



# Tobii Dynavox

- Successful launches of several strategically important products.
- A robust increase in the number of sold communication devices at a lower average sales point resulted in flat sales year-over-year.
- Continued a high pace of investments in R&D and development of sales channels.



## Market development

Many people who require assistive technology for communication do not currently have access to such products, which means there is good potential for market growth over a long period. Tobii Dynavox holds over 40% of the total market for assistive technology for communication and approximately 75% within eye-controlled products.

A central part of the growth strategy for Tobii Dynavox is to strengthen the offering of communication solutions at a wider range of price levels. Historically, the business unit has been most strongly positioned in high-end medical-grade solutions. Offering communication solutions at lower price points enables sales directly to private individuals and schools, and expansion into markets where funding via insurance is unavailable. During the quarter, we launched several products – eye-controlled and touchscreen-based – in the mid-price segments, which were positively received by the market.

Software and apps also represent a central part of the strategy, given the fact that a widely distributed software contributes to both customer retention and additional hardware sales. During the quarter, a completely new symbol-based communication software was launched, with the ambition to establish a whole new standard that can be used on all types of products, from consumer tablets to the most sophisticated medical devices.

## April – June

### Sales

Net sales for the second quarter increased year-over-year by SEK 4 million, or 2%, to SEK 185 million (182). Adjusted for currency effects, this represented a decrease of 4%. Adjusted also for backlog effects, sales were roughly flat year-over-year. Net sales were positively impacted by higher sales of eye-controlled products, but negatively impacted by lower sales of the older generation touchscreen products. The new products launched during the quarter were well received by the market but as yet have not had any major impact on sales.

## Earnings

The gross margin was 69% (70%). The decrease was mainly driven by changes in the product mix. Operating profit totaled SEK 19 million (25) and the EBIT margin was 10% (14%). The decline was driven by increased investments in R&D.

Research & development (SEK m)	2017	2016
Total R&D expenditures	-32	-25
Capitalization	19	16
Amortization	-12	-11
R&D expenses in the income statement	-25	-20

## Significant events during the quarter

Tobii Dynavox launched several strategically important products:

- Indi, the world's first all-in-one speech tablet.
- Snap, a new symbol-based communication software.
- PCEye Plus, an eye-controlled computer peripheral for people with reduced motor impairments.
- Windows Control 2, a major new version of the business unit's software for eye control of Windows.
- In July, EyeMobile Plus was also launched, a product that allows the user to turn a tablet into an eye-controlled communication device.

SEK m	Second quarter		First six months		Full Year
	2017	2016	2017	2016	2016
Net sales	185.5	181.8	367.7	370.1	761.7
Gross margin	69%	70%	69%	71%	71%
EBITDA	35.2	41.5	69.5	84.4	184.9
EBITDA margin	19%	23%	19%	23%	24%
Operating profit/loss (EBIT)	19.2	25.4	38.7	52.0	124.7
EBIT margin	10%	14%	11%	14%	16%

## January – June

### Sales

Net sales for the first half of 2017 declined year-over-year by 1% to SEK 368 million (370). Adjusted for currency effects, sales decreased by 5%. Despite increased sales of eye-controlled products, the decline was driven by lower sales of older touchscreen products, weaker sales in the UK and order backlog effects.

### Earnings

The gross margin was 69% (71%), which was primarily the result of changes in the product mix and price reductions carried out in 2016 on parts of the product offering. Operating profit totaled SEK 39 million (52) and the EBIT margin was 11% (14%). The decline was driven by increased investments in R&D.

Research & development (SEK m)	2017	2016
Total R&D expenditures	-61	-52
Capitalization	35	29
Amortization	-23	-23
R&D expenses in the income statement	-49	-45

### About Tobii Dynavox

*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 eye-controlled and touchscreen-based communication devices and a variety of software. Tobii Dynavox accounts for approximately 65% of the Group's sales. The business unit's long-term financial goal is to deliver revenue growth in excess of 10% per year and to reach an EBIT margin of 20%.*



## Tobii Pro

- Demonstrated strong growth driven by increased awareness of and demand for Tobii Pro's products.
- Continued major investments in product development as well as sales and marketing organizations impacted profitability.
- Expanded its offering through the acquisition of Sticky.



### Market development

The market development for eye-tracking solutions for behavioral research studies is generally favorable, with growing demands in established markets. Tobii Pro has gradually reached new customer categories with its innovative and versatile products.

Tobii Pro has a long-term ambition to broaden its offering from advanced research solutions to also encompass solutions for cost-efficient eye-tracking tests on a large scale. The business unit is thus making substantial investments in developing a differentiated product portfolio in eye-tracking hardware as well as software and services. The acquisition of Sticky was also part of this strategy.

Sticky has developed a SaaS solution that enables highly cost-efficient and large-scale eye-tracking tests of advertisements, websites and video. The solution utilizes standard webcams for a simpler form of eye tracking, enabling market research studies via the participants' personal computers. Sticky has also developed a cloud-based solution to efficiently design, implement and analyze the results of these tests. Through this complementary offering, Tobii Pro can generate additional sales to existing customers and address new customer categories. Through synergies with Tobii Pro's product portfolio, global sales organization, service organization and customer base, there is a solid platform in place to grow Sticky's SaaS business.

### April – June

#### Sales

Net sales for the second quarter rose year-over-year by SEK 13 million, or 24%, to SEK 66 million (53). Adjusted for currency effects, the increase was 19%. Net sales were impacted by increased sales of more of the business unit's key products, such as Glasses 2 and Spectrum. The Sticky acquisition contributed SEK 1 million. Additional financial information regarding the acquisition is presented on page 19 of this report.

#### Earnings

The gross margin was 73% (72%). The operating loss was SEK -2 million (-3) and the EBIT margin was -2% (-5%), which represented an improvement despite increased operating expenses and costs related to the Sticky acquisition.

Research & development (SEK m)	2017	2016
Total R&D expenditures	-18	-16
Capitalization	14	8
Amortization	-9	-6
R&D expenses in the income statement	-12	-14

### Significant events during the quarter

- Tobii acquired Sticky, a solutions provider for market research studies based on webcam eye tracking, and integrated it into Tobii Pro.
- Tobii Pro launched a solution for eye tracking research in VR environments.

SEK m	Second quarter		First six months		Full Year
	2017	2016	2017	2016	2016
Net sales	66.3	53.3	127.2	112.5	244.9
Gross margin	73%	72%	74%	73%	74%
EBITDA	8.2	4.6	16.2	17.5	45.1
EBITDA margin	12%	9%	13%	16%	18%
Operating profit/loss (EBIT)	-1.7	-2.7	-1.6	3.2	15.5
EBIT margin	-2%	-5%	-1%	3%	6%



## January – June

### Sales

Net sales for the first half of 2017 rose year-over-year by 13% to SEK 127 million (113). Adjusted for currency effects, growth was 8% and, adjusted also for order backlog effects, the increase was 12%.

### Earnings

Gross margin rose to 74% (73%). Operating loss totaled SEK -2 million (3) and the EBIT margin was -1% (3%). The change was driven by increased investments in R&D, continued expansion of the sales and marketing organizations, and the Sticky acquisition.

Research & development (SEK m)	2017	2016
Total R&D expenditures	-34	-28
Capitalization	24	14
Amortization	-16	-13
R&D expenses in the income statement	-26	-27

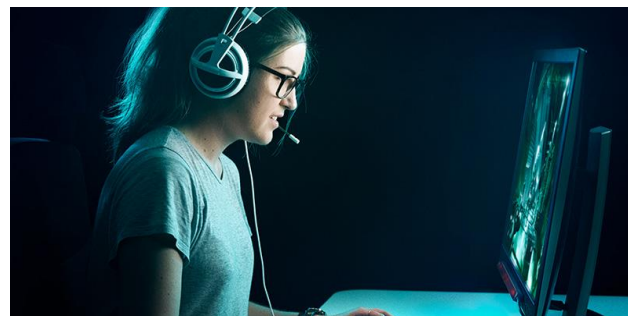
### About Tobii Pro

*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 25% of the Group's sales. The business unit's long-term financial goal is to deliver revenue growth in excess of 15% per year and to reach an EBIT margin in excess of 15%.*



# Tobii Tech

- Continued to invest in PC gaming market and marketing initiatives in collaboration with existing integration customers.
- Increased focus on VR and intensified discussions with potential customers and partners.
- Continued high rate of recruitment and expansion of the organization.



## Market development

All sub-markets addressed by Tobii Tech are in an early stage of their market development and the penetration of eye tracking in these areas is very low. Sales of eye-tracking technology to the consumer electronics industry often involves lengthy processes. The period from initial sale to prototype development for a potential customer is usually between six and twelve months. During the product development phase, the partners cooperate on the concept, integration and market launch, and often takes another year before a product reaches the market.

Several products with built-in eye tracking from Tobii have been launched in the market for PC gaming, including notebooks, monitors and peripherals. In the VR market, manufacturers of VR headsets are showing a strong interest in integrating eye tracking into future product generations. Business discussions are under way with several different players in the VR ecosystem. In the smartphone area, Tobii currently has one initial customer and is working to deliver expanded functionality to additional integration customers in the long term. There is also interest in specialized markets to integrate Tobii's eye-tracking platform into a broad spectrum of products.

## April – June

### Sales

Net sales for the second quarter rose year-over-year by SEK 11 million, or 60%, to SEK 29 million (18). Adjusted for currency effects, the increase was 49%. The increase was mainly attributable to external sales, which increased 152% to SEK 14 million.

## Earnings

The gross margin was 43% (50%). The change was driven by a greater share of sales to external integration customers. The operating loss was SEK -87 million (-52), which was mainly impacted by increased investments in R&D, sales and marketing. Part of these investments included unusually large external non-recurring costs related to the development of the next-generation eye-tracking platform for computer integration.

Research & development (SEK m)	2017	2016
Total R&D expenditures	-67	-44
Capitalization	9	7
Amortization	-9	-6
R&D expenses in the income statement	-67	-43

## Significant events during the quarter

- Tobii Tech released an eye-tracking VR development kit for HTC Vive.
- The offering of game titles with eye-tracking support was expanded by 15 new games. Including multiple AAA titles such as Assassin's Creed Origins, For Honor and Agents of Mayhem, there are in total about 80 games available.
- At the E3 industry fair in the US and Computex in Taiwan, there was substantial interest in Tobii's offering among manufacturers and other players in the consumer electronics industry.
- Tobii Tech signed supply agreements with three small integration customers active in the areas of robotic surgery, casino machines and diagnostics.

SEK m	Second quarter		First six months		Full Year
	2017	2016	2017	2016	2016
Net sales	29.4	18.3	58.4	34.3	96.4
Gross margin	43%	50%	42%	46%	43%
EBITDA	-77.7	-45.3	-144.1	-92.8	-179.7
EBITDA margin	n/m	n/m	n/m	n/m	n/m
Operating profit/loss (EBIT)	-87.1	-51.9	-162.9	-101.2	-207.2
EBIT margin	n/m	n/m	n/m	n/m	n/m

MSEK	Andra kvartalet		Halvåret		Helåret
	2017	2016	2017	2016	2016
Net sales	29,4	18,3	58,4	34,3	96,4
Gross margin	43%	50%	42%	46%	43%
EBITDA	-77,7	-45,3	-144,1	-92,8	-179,7
EBITDA-margin	i/m	i/m	i/m	i/m	i/m
Rörelseresultat (EBIT)	-87,1	-51,9	-162,9	-101,2	-207,2
Rörelsemarginal	i/m	i/m	i/m	i/m	i/m

## January – June

### Sales

Net sales rose year-over-year by 70% to SEK 58 million (34). The increase was mainly attributable to external sales, which increased 214% to SEK 32 million (10).

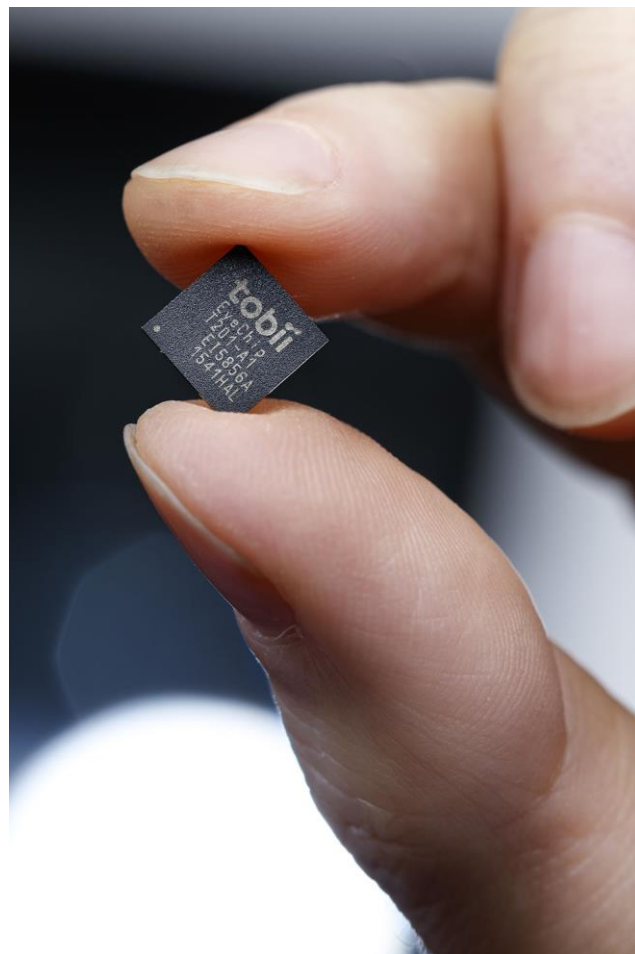
### Earnings

Gross margin amounted to 42% compared with 46% for the first half of 2016. The operating loss amounted to SEK -162 million (-101). The change was due to increased expenditures for marketing and R&D initiatives.

Research & development (SEK m)	2017	2016
Total R&D expenditures	-127	-80
Capitalization	21	10
Amortization	-18	-8
R&D expenses in the income statement	-124	-78

### About Tobii Tech

*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 accounts for approximately 10% of the Group's sales, including internal sales to Tobii Dynavox and Tobii Pro. The business unit's long-term goal is to be the leading provider of eye-tracking technology for integration into high-volume products.*



## Consolidated Key Ratios

	Second quarter		First six months		Full Year
	2017	2016	2017	2016	2016
Earnings per share, SEK	-0.73	-0.18	-1.31	-0.47	-0.57
Earnings per share, diluted <sup>1</sup> , SEK	-0.73	-0.18	-1.31	-0.47	-0.57
Equity per share, SEK	11.4	8.7	11.4	8.7	12.5
EBITDA, SEK m	-34.3	0.8	-58.4	9.1	50.3
EBIT, SEK m	-69.6	-29.2	-125.8	-45.9	-67.0
Cash flow from operating activities, SEK m	-31.2	5.7	-35.2	34.2	67.6
Cash flow after continuous investments, SEK m	-78.0	-32.2	-123.4	-30.1	-74.5
Working capital, SEK m	-4.5	-0.5	-4.5	-0.5	16.8
Total assets, SEK m	1,388.5	1,004.2	1,388.5	1,004.2	1,486.6
Net cash (+)/net debt (-), SEK m	631.1	347.9	631.1	347.9	771.7
Equity, SEK m	1,108.6	762.6	1,108.6	762.6	1,215.1
Equity/assets ratio, %	79.8	75.9	79.8	75.9	81.7
Net debt/equity, %	neg	neg	neg	neg	neg
Gross margin, %	70.9	72.7	70.8	72.9	72.3
EBITDA margin, %	-12.9	0.3	-11.1	1.9	4.8
Operating margin, %	-26.2	-12.1	-23.9	-9.3	-6.4
Return on total equity, %	-6.3	-2.1	-11.0	-5.3	-3.6
Average number of outstanding shares, million	97.1	87.6	97.0	87.6	87.9
Average number of outstanding shares after dilution, million	99.1	91.1	99.2	91.0	91.6
Number of outstanding shares at period-end, million	97.1	87.6	97.1	87.6	97.0
Number of outstanding shares after dilution at period-end, million	99.2	91.6	99.2	91.6	100.3
Average number of employees	760.6	680.7	741.1	657.0	682.1

1) The 2017 Annual General Meeting resolved to implement a long-term incentive program, LTI 2017, and to issue new shares of not more than 969,000 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 60.90 per share during a fixed period in 2020/2021. There are a total of 800,000 warrants outstanding in the series. Series 2 entitles the warrant holder to subscribe for one Tobii AB share at a price of SEK 56.20 during a fixed period in 2021/2027. There are a total of 169,000 warrants outstanding in the series. At June 30, 2017 the number of emitted warrants totaled 3.7 million, an increase of 0.4 million since the end of 2016 which is due to the cancellation of 0.5 million unused warrants from previous years' incentive programs as well as the emission of approximately 1 million warrants in LTI 2017. The dilution effect of warrants in all of the company's incentive programs corresponds to a maximum of approximately 3.8%.

# Condensed Consolidated Statement of Comprehensive Income

SEK m	Second quarter		First six months		Full Year
	2017	2016	2017	2016	2016
<b>Net sales</b>	<b>265.9</b>	<b>240.7</b>	<b>527.0</b>	<b>492.9</b>	<b>1,053.3</b>
Cost of goods and services sold	-77.4	-65.6	-153.7	-133.6	-291.5
<b>Gross profit</b>	<b>188.5</b>	<b>175.1</b>	<b>373.2</b>	<b>359.3</b>	<b>761.8</b>
Selling expenses	-121.7	-105.8	-238.0	-208.0	-429.1
Research and development expenses	-103.9	-77.3	-199.9	-149.4	-301.8
Administrative expenses	-28.3	-24.7	-54.2	-45.3	-101.6
Other operating income and operating expenses <sup>1</sup>	-4.1	3.5	-6.8	-2.5	3.6
<b>Operating profit/loss</b>	<b>-69.6</b>	<b>-29.2</b>	<b>-125.8</b>	<b>-45.9</b>	<b>-67.0</b>
Net financial items <sup>2</sup>	-18.4	11.7	-25.0	-1.1	19.4
<b>Profit/loss before tax</b>	<b>-88.0</b>	<b>-17.5</b>	<b>-150.8</b>	<b>-47.1</b>	<b>-47.6</b>
Tax	16.6	1.2	24.3	5.9	-2.2
<b>Net profit/loss for the period</b>	<b>-71.4</b>	<b>-16.3</b>	<b>-126.5</b>	<b>-41.2</b>	<b>-49.8</b>
<b>Other comprehensive income</b>					
Items that may subsequently be reclassified to profit or loss for the period:					
Translation differences	7.1	-1.5	9.3	3.4	-0.7
<b>Other comprehensive income for the period, net after tax</b>	<b>7.1</b>	<b>-1.5</b>	<b>9.3</b>	<b>3.4</b>	<b>-0.7</b>
<b>Total comprehensive income for the period</b>	<b>-64.3</b>	<b>-17.8</b>	<b>-117.1</b>	<b>-37.8</b>	<b>-50.5</b>
Of which depreciation and amortization	-35.3	-30.0	-67.4	-55.1	-117.3
Of which write downs of fixed assets	-	-	-	-	-
Earnings per share, SEK	-0.73	-0.18	-1.31	-0.47	-0.57
Earnings per share, diluted, SEK	-0.73	-0.18	-1.31	-0.47	-0.57
<b>Net profit/loss for the period attributable to:</b>					
Parent company shareholders	-71.3	-15.9	-127.0	-41.1	-49.7
Non-controlling interests	0.0	-0.3	0.6	-0.1	-0.1
<b>Net profit/loss for the period</b>	<b>-71.4</b>	<b>-16.3</b>	<b>-126.5</b>	<b>-41.2</b>	<b>-49.8</b>
<b>Total comprehensive income for the period attributable to:</b>					
Parent company shareholders	-64.3	-17.4	-117.7	-37.7	-50.4
Non-controlling interests	0.0	-0.3	0.6	-0.1	-0.1
<b>Total comprehensive income for the period</b>	<b>-64.3</b>	<b>-17.8</b>	<b>-117.1</b>	<b>-37.8</b>	<b>-50.5</b>

1) Primarily foreign currency translation differences.

2) Net financial items include foreign currency translation differences totaling SEK -19 million (12) for the first quarter, SEK -25 million (-1) for the first six months, and SEK 19 million for the Full Year 2016.



## Condensed Consolidated Balance Sheet

SEK m	June 30, 2017	June 30, 2016	Dec 31, 2016
<b>Fixed assets</b>			
Intangible fixed assets	421.8	342.6	370.4
Tangible fixed assets	24.2	28.7	28.1
Financial fixed assets	79.5	64.1	58.3
<b>Total fixed assets</b>	<b>525.5</b>	<b>435.4</b>	<b>456.8</b>
<b>Current assets</b>			
Accounts receivable	121.7	140.4	151.7
Inventories	68.3	46.2	67.3
Other current receivables	41.9	34.2	39.2
Cash and cash equivalents	631.1	347.9	771.7
<b>Total current assets</b>	<b>863.1</b>	<b>568.8</b>	<b>1,029.8</b>
<b>Total assets</b>	<b>1,388.5</b>	<b>1,004.2</b>	<b>1,486.6</b>
<b>Shareholders' equity</b>			
Shareholders' equity, Parent Company shareholders	1,107.8	762.3	1,214.8
Non-controlling interests	0.8	0.2	0.3
<b>Total shareholders' equity</b>	<b>1,108.6</b>	<b>762.6</b>	<b>1,215.1</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Interest-bearing liabilities	-	-	-
Other long-term liabilities	43.5	20.3	30.2
<b>Total long-term liabilities</b>	<b>43.5</b>	<b>20.3</b>	<b>30.2</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	-	-	-
Other current liabilities	236.4	221.3	241.3
<b>Total current liabilities</b>	<b>236.4</b>	<b>221.3</b>	<b>241.3</b>
<b>Total liabilities</b>	<b>279.9</b>	<b>241.6</b>	<b>271.5</b>
<b>Total shareholders' equity and liabilities</b>	<b>1,388.5</b>	<b>1,004.2</b>	<b>1,486.6</b>

## Condensed Consolidated Statement of Changes in Equity

SEK m	Attributable to Parent Company shareholders					Non-controlling interests	Total equity
	Share capital	Other contributed capital	Reserves	Retained earnings	Total		
<b>Opening balance, Jan 1, 2016</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>793.9</b>
Comprehensive income for the period			3.4	-41.1	-37.7	-0.1	
New share issue	0.0	0.4			0.4		
Sale of warrants, incentive programs		5.7			5.7		
Share based payments settled using equity instruments				0.4	0.4		
<b>Closing balance, June 30, 2016</b>	<b>0.6</b>	<b>1,101.3</b>	<b>2.5</b>	<b>-342.1</b>	<b>762.3</b>	<b>0.2</b>	<b>762.6</b>
Comprehensive income for the period			-4.1	-8.6	-12.7	0.1	
Rights issue		458.3			458.3		
Expenses related to rights issue		-9.4					
New share issue		16.0			16.0		
Share based payments settled using equity instruments				0.2	0.2		
<b>Closing balance, Dec 31, 2016</b>	<b>0.7</b>	<b>1,566.2</b>	<b>-1.6</b>	<b>-350.5</b>	<b>1,214.8</b>	<b>0.3</b>	<b>1,215.1</b>
Comprehensive income for the period			9.3	-127.0	-117.7	0.5	
New share issue, exercise of warrants incentive programs	0.0	5.3			5.3		
Sale of warrants, incentive programs		5.2			5.2		
Share based payments settled using equity instruments				0.3	0.3		
<b>Closing balance, June 30, 2017</b>	<b>0.7</b>	<b>1,576.7</b>	<b>7.7</b>	<b>-477.3</b>	<b>1,107.8</b>	<b>0.8</b>	<b>1,108.6</b>

## Condensed Consolidated Statement of Cash Flow

SEK m	Second quarter		First six months		Full Year
	2017	2016	2017	2016	2016
<b>Cash flow from operating activities:</b>					
Profit/loss after financial items	-88.0	-17.5	-150.8	-47.1	-47.6
Adjustment for items not included in the cash flow	55.5	19.2	91.1	55.8	108.7
Taxes paid	0.5	-0.3	0.2	-2.4	-3.8
<b>Cash flow from operating activities before change in working capital</b>	<b>-32.1</b>	<b>1.5</b>	<b>-59.5</b>	<b>6.4</b>	<b>57.3</b>
Cash flow from change in working capital	0.9	4.2	24.3	27.9	10.3
<b>Cash flow from operating activities</b>	<b>-31.2</b>	<b>5.7</b>	<b>-35.2</b>	<b>34.2</b>	<b>67.6</b>
<b>Investments</b>					
<b>Continuous investments:</b>					
Investments in intangible, tangible and financial fixed assets	-46.9	-37.9	-88.2	-64.3	-142.0
<b>Cash flow after continuous investments</b>	<b>-78.0</b>	<b>-32.2</b>	<b>-123.4</b>	<b>-30.1</b>	<b>-74.5</b>
Acquisition of subsidiary company	-23.7	-	-23.7	-	-
<b>Cash flow after investments</b>	<b>-101.7</b>	<b>-32.2</b>	<b>-147.0</b>	<b>-30.1</b>	<b>-74.5</b>
<b>Cash flow from financing activities</b>	<b>6.5</b>	<b>5.7</b>	<b>10.5</b>	<b>6.2</b>	<b>471.1</b>
<b>Cash flow for the period</b>	<b>-95.2</b>	<b>-26.5</b>	<b>-136.6</b>	<b>-23.9</b>	<b>396.6</b>
Foreign currency translation, cash and cash equivalents	-3.2	3.3	-4.0	1.0	4.2
Cash and cash equivalents at the beginning of the period	729.6	371.1	771.7	370.9	370.9
<b>Cash and cash equivalents at the end of the period</b>	<b>631.1</b>	<b>347.9</b>	<b>631.1</b>	<b>347.9</b>	<b>771.7</b>

## Quarterly Data per Business Unit and the Group

Net sales, SEK m	2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Tobii Dynavox	188.3	181.8	187.0	204.6	182.2	185.5		
Tobii Pro	59.3	53.3	58.4	73.9	60.9	66.3		
Tobii Tech*	16.0	18.3	21.2	40.9	29.1	29.4		
Eliminations and other	-11.4	-12.7	-12.1	-13.4	-11.1	-15.2		
<b>The Group</b>	<b>252.2</b>	<b>240.7</b>	<b>254.5</b>	<b>305.9</b>	<b>261.0</b>	<b>265.9</b>		
*) Of which internal sales to Tobii Dynavox and Tobii Pro								
	11.4	12.7	12.1	13.4	11.1	15.2		

Gross margin, %	2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Tobii Dynavox	71.2	70.3	71.0	71.1	69.6	68.7		
Tobii Pro	73.5	71.8	72.4	75.7	75.5	72.8		
Tobii Tech	41.4	49.6	47.9	39.0	41.4	43.3		
<b>The Group</b>	<b>73.0</b>	<b>72.7</b>	<b>72.8</b>	<b>71.1</b>	<b>70.8</b>	<b>70.9</b>		

Operating profit/loss before depreciation and amortization (EBITDA), SEK m	2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Tobii Dynavox	42.9	41.5	45.5	55.0	34.3	35.2		
Tobii Pro	12.9	4.6	7.6	19.9	8.0	8.2		
Tobii Tech	-47.5	-45.3	-32.8	-54.2	-66.4	-77.7		
Eliminations and other	-	-	-	-	-	-		
<b>The Group</b>	<b>8.4</b>	<b>0.8</b>	<b>20.4</b>	<b>20.8</b>	<b>-24.1</b>	<b>-34.3</b>		

Operating profit/loss (EBIT), SEK m	2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Tobii Dynavox	26.6	25.4	31.2	41.5	19.5	19.2		
Tobii Pro	5.9	-2.7	0.1	12.1	0.1	-1.7		
Tobii Tech	-49.3	-51.9	-41.9	-64.1	-75.8	-87.1		
Eliminations and other	-	-	-	-	-	-		
<b>The Group</b>	<b>-16.8</b>	<b>-29.2</b>	<b>-10.6</b>	<b>-10.5</b>	<b>-56.3</b>	<b>-69.6</b>		

Operating margin, %	2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Tobii Dynavox	14.1	14.0	16.7	20.3	10.7	10.4		
Tobii Pro	10.0	-5.1	0.1	16.4	0.1	-2.5		
Tobii Tech	neg	neg	neg	neg	neg	neg		
<b>The Group</b>	<b>-6.6</b>	<b>-12.1</b>	<b>-4.2</b>	<b>-3.4</b>	<b>-21.5</b>	<b>-26.2</b>		

Profit/loss before tax, SEK m	2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>The Group</b>	<b>-29.5</b>	<b>-17.5</b>	<b>-5.4</b>	<b>4.8</b>	<b>-62.8</b>	<b>-88.0</b>		

Profit/loss for the period, SEK m	2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>The Group</b>	<b>-24.9</b>	<b>-16.3</b>	<b>-7.2</b>	<b>-1.4</b>	<b>-55.1</b>	<b>-71.4</b>		

# The Parent Company

The Group's Parent Company, Tobii AB (publ.), which has over 320 employees, focuses on sales, marketing, R&D, purchasing, manufacturing, technical support and IT. The Parent Company's net sales during the first quarter totaled SEK 172 million (145) and the operating profit/loss was SEK -53 million (-16) and for the full year 2016 net sales totaled SEK 633 million and the operating loss was SEK -50 million. At the period end the Parent Company had SEK 548 million (260) in cash and cash equivalents and SEK 0 million (170) in unutilized overdraft facilities.

## Condensed Parent Company income statement

SEK m	Second quarter		First six months		Full Year
	2017	2016	2017	2016	2016
<b>Net sales</b>	<b>172.3</b>	<b>145.0</b>	<b>336.1</b>	<b>290.4</b>	<b>632.9</b>
Cost of goods and services sold	-75.9	-62.6	-145.9	-125.5	-274.0
<b>Gross profit</b>	<b>96.4</b>	<b>82.4</b>	<b>190.2</b>	<b>164.9</b>	<b>358.9</b>
Selling expenses	-45.9	-29.2	-89.7	-61.6	-135.0
Research and development expenses	-83.8	-62.4	-157.9	-115.3	-225.1
Administrative expenses	-16.4	-10.6	-32.5	-22.1	-55.9
Other operating income and operating expenses	-3.8	3.5	-5.8	-0.9	6.8
<b>Operating profit/loss</b>	<b>-53.4</b>	<b>-16.4</b>	<b>-95.6</b>	<b>-35.0</b>	<b>-50.3</b>
Financial items	-12.7	18.5	-13.4	11.9	46.1
<b>Profit/loss before tax</b>	<b>-66.2</b>	<b>2.1</b>	<b>-109.0</b>	<b>-23.2</b>	<b>-4.2</b>
Tax	14.5	-0.3	23.7	6.5	4.3
<b>Profit/loss after tax</b>	<b>-51.7</b>	<b>1.8</b>	<b>-85.3</b>	<b>-16.7</b>	<b>0.1</b>
Depreciation and amortization, total	-22.3	-17.3	-42.6	-30.3	-69.0

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

## Condensed Parent Company balance sheet

SEK m	June 30, 2017	June 30, 2016	Dec 31, 2016
<b>Fixed assets</b>			
Intangible fixed assets	254.1	173.4	192.6
Tangible fixed assets	9.0	6.9	7.7
Financial fixed assets	576.9	518.5	562.6
Long-term financial receivables	0.0	0.0	1.8
<b>Total fixed assets</b>	<b>840.0</b>	<b>698.8</b>	<b>764.7</b>
<b>Current assets</b>			
Accounts receivable	93.5	77.1	98.1
Inventories	45.5	26.6	43.7
Other current financial receivables	74.1	81.5	71.1
Cash and bank balances	548.0	260.4	685.7
<b>Total current assets</b>	<b>761.1</b>	<b>445.6</b>	<b>898.6</b>
<b>Total assets</b>	<b>1,601.1</b>	<b>1,144.5</b>	<b>1,663.3</b>
<b>Shareholders' equity</b>	<b>1,425.3</b>	<b>1,017.9</b>	<b>1,499.8</b>
<b>Long-term liabilities</b>			
Interest-bearing liabilities	-	-	-
Other long-term liabilities	29.2	5.0	12.0
<b>Total long-term liabilities</b>	<b>29.2</b>	<b>5.0</b>	<b>12.0</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	-	-	-
Other current liabilities	146.6	121.6	151.4
<b>Total current liabilities</b>	<b>146.6</b>	<b>121.6</b>	<b>151.4</b>
<b>Total liabilities</b>	<b>175.8</b>	<b>126.5</b>	<b>163.5</b>
<b>Total equity and liabilities</b>	<b>1,601.1</b>	<b>1,144.5</b>	<b>1,663.3</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.

## Total R&D expenditures

Gross amount of research and development expenses before capitalization and amortization.

n/m = not meaningful

# Reconciliation of alternative performance measures

## Operating profit/loss before depreciation, amortization and impairment, EBITDA

SEK m	Second quarter		First six months		Full year
	2017	2016	2017	2016	2016
Operating profit/loss before depreciation, amortization and impairment	-34.3	0.8	-58.4	9.1	50.3
Amortization and impairment on intangible fixed assets	-30.2	-23.9	-57.4	-43.4	-94.4
Depreciation and write down in property, plant and equipment	-5.1	-6.0	-9.9	-11.7	-22.9
<b>Operating profit/loss, EBIT</b>	<b>-69.6</b>	<b>-29.2</b>	<b>-125.8</b>	<b>-45.9</b>	<b>-67.0</b>

## Net cash (net debt)

SEK m	Second quarter		First six months		Full year
	2017	2016	2017	2016	2016
Cash and cash equivalents	631.1	347.9	631.1	347.9	771.7
Interest-bearing liabilities	-	-	-	-	-
<b>Net cash (net debt)</b>	<b>631.1</b>	<b>347.9</b>	<b>631.1</b>	<b>347.9</b>	<b>771.7</b>



## 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.

### Business combinations

On May 17, 2017 Tobii Group acquired through an asset acquisition the business operations of Sticky Ad, Inc. (A Delaware USA corporation) and Sticky AB (a Swedish corporation). Sticky delivers cost-efficient eye tracking tests of advertisements, home pages and video, primarily in the North American market. The use of web cameras for a simpler form of eyetracking enables large-scale market research using panels of participants on home computers. The acquisition will enhance Tobii's presence and scope of services in the market for eye tracking-based market research. The acquired Sticky business will be fully integrated into Tobii Pro and is well suited to the business unit's long-term ambition to expand its offerings in this market.

#### Purchase price of assets

MSEK	June 30 2017
Cash	28.1
Contingent consideration	13.2
Total purchase price	41.2
Fair value of acquired assets	-11.5
Goodwill	29.7
<b>Acquired assets:</b>	
Intangible assets (excl. goodwill)	9.8
Trade receivables	1.7
<b>Total fair value of acquired assets</b>	<b>11.5</b>

The total consideration paid for the assets received amounts to SEK 41.2 million, of which cash at acquisition is SEK 23.7 million, and an additional cash payment of SEK 4.4 million to be made 15 months after purchase. The contingent consideration is attributable to Sticky-related net sales trend over 2017 – 2019. The total maximum contingent consideration amounts to SEK 53 million. Fair value of the contingent consideration is SEK 13.2 because Tobii's management assesses there is a 25% probability that the maximum outcome in accordance with the conditions of the agreement will be achieved.

Goodwill of SEK 29,7 million is allocated to business unit Tobii Pro and refers to the potential for a broader product portfolio and scaling up of operations as well as synergy effects.

The gross contractual amount of trade receivables is MSEK 2,2 and it is estimated that MSEK 1,7 will be collected. Besides trade receivables, there are no other classes of receivables included in the acquisition.

Revenue from Sticky operations during the period from acquisition date until June 30, 2017 was SEK 0,8 million, and corresponding operating profit (EBIT) for the same period was SEK -2 million. The consolidated revenue calculated as if Sticky operations were included in the Tobii Group from January 1, 2017 until June 30, 2017 is approximately SEK 532 million and the consolidated operating profit (EBIT) from January 1, 2017 until June 30, 2017 is approximately SEK -136 million.

Transaction costs incurred for the acquisition amount to approximately MSEK 0.6. Acquisition-related costs are included in general and administrative expenses in the consolidated income statement.

#### 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. Change in fair value of the balance sheet item is shown in the table below.

#### Change in contingent consideration

SEK m	June 30 2017
Opening balance January 1, 2017	-
Acquisitions during the year	13.2
Change in fair value reported as other operational income/loss	-
Currency differences	-0.4
Closing balance June 30, 2017	12.8

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

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

Danderyd, July 25, 2017

Tobii AB (publ)

Kent Sander

*Chairman*

Heli Arantola

Nils Bernhard

John Elvesjö

Åsa Hedin

Jan Wäreby

Henrik Eskilsson

*President & CEO*

This interim report has not been audited.

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

*This information is information that Tobii AB (publ) is obliged to make public, pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out below, on July 25, 2017 at 8.00 a.m. CET.*

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## Financial calendar

**Interim report Q3, 2017**      October 26, 2017

**Year-End Report, 2017**      February 8, 2017