

Interim Report Q3 January – September 2017

Very strong performance in Tobii Pro, sales in Tobii Dynavox negatively impacted by transitory effects, Tobii Tech in several projects in VR

July – September

- The Group's sales totaled SEK 250 million (255), a decrease of 2%. Adjusted for currency effects, sales grew by 3 %.
- The gross margin was 73% (73%).
- The Group's operating loss amounted to SEK -49 million (-11). Tobii Dynavox made a contribution of SEK 9 million (31) and Tobii Pro of SEK 9 million (0), while investments in Tobii Tech had an impact of SEK -67 million (-42) on the Group's earnings.
- Earnings per share amounted to SEK -0.55 (-0.08).

January – September

- The Group's sales totaled SEK 777 million (747), an increase of 4%. Adjusted for currency effects, the increase was 2%.
- The gross margin was 72% (73%).
- The Group's operating loss amounted to SEK -174 million (-57). Tobii Dynavox made a contribution of SEK 48 million (83) and Tobii Pro of SEK 8 million (3), while investments in Tobii Tech had an impact of SEK -230 million (-143) on the Group's earnings.
- Earnings per share amounted to SEK -1.86 (-0.55).

Significant events

- [Tobii Dynavox launched I-110](#), the next generation medical grade touch-based speech generating device.
- Tobii and Microsoft announced a collaboration to implement support for [eye-tracking in Windows 10](#), which was launched in October.
- [Tobii Dynavox launched EyeMobile Plus](#), an eye tracking accessory that turns a regular Windows tablet into an eye-controlled communication device.
- The increased investments in VR have resulted in five large-scale projects, in prototype or product development stage, with potential customers or partners for Tobii Tech.
- About ten new PC games with support for Tobii eye tracking were released, including major titles such as F1 2017, Assassin's Creed Origins and Agents of Mayhem, reaching some 90 game titles in total.
- Tobii Pro has won a number of customers within a new important sub-segment called professional performance, where users in the automotive industry, process industry, simulators and sports use eye-tracking data for training and educational purposes.

Financial summary

SEK m (except for earnings per share)	Third quarter			January – September			Full year
	2017	2016	Change	2017	2016	Change	2016
Net Sales							
Tobii Dynavox	156.7	187.0	-16%	524.4	557.1	-6%	761.7
Tobii Pro	80.0	58.4	37%	207.2	171.0	21%	244.9
Tobii Tech	25.2	21.2	19%	83.6	55.5	51%	96.4
Eliminations and other, net	-11.8	-12.1	n/m	-38.1	-36.2	n/m	-49.7
Total	250.1	254.5	-2%	777.1	747.4	4%	1,053.3
Operating profit/loss (EBIT)							
Tobii Dynavox	9.2	31.2		47.9	83.2		124.7
Tobii Pro	9.1	0.1		7.5	3.3		15.5
Tobii Tech	-66.9	-41.9		-229.8	-143.1		-207.2
Other	0.0	0.0		0.0	0.0		0.0
Total	-48.6	-10.6		-174.4	-56.6		-67.0
Earnings per share (SEK)	-0.55	-0.08		-1.86	-0.55		-0.57

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.

Comments from the CEO

The quarter was characterized by very strong sales in Tobii Pro. This was a reflection of a favorable underlying market trend and a result of our investments in developing outstanding products and stronger sales channels. Tobii Dynavox's sales were negatively impacted by transitory effects, but with the launch of two additional new products it is now well-equipped with an expanded, price-differentiated product portfolio. Within Tobii Tech, we continued to allocate additional resources to VR in response to inquiries and a number of collaborations with potential customers.

Tobii Dynavox – transition to new product portfolio

Over the past few quarters, Tobii Dynavox has launched a number of new products in order to strengthen its offering of communication solutions. During the third quarter, we launched two key products: the medical-grade, touch-based product I-110 and EyeMobile Plus, a computer peripheral that provides users with similar functionality as a complete eye-controlled communication device, but at a significantly lower price point. The response – both to these products and to the ones that were launched in the previous quarter – has been very positive. However, we know that it takes time for therapists to become familiar with new products, resulting in a gradual increase in sales. Moreover, several of the new products are being sold at a much lower price than previously offered by Tobii Dynavox, and it takes time for the effect of this to be fully offset by higher volumes. The quarter was weak in terms of sales, which were down 13% year-over-year adjusted for currency effects. Adjusted also for temporary order backlog effects related to the product launches, the decrease was approximately 5%.

As an organization, Tobii Dynavox is highly driven by our mission to provide as many people as possible with special needs with good assistive technology for communication. Thanks to our new product portfolio, we can offer solutions to suit all budgets; apps for standard consumer devices, attractively priced purpose-built products, and medical-grade solutions with comprehensive service packages. Not only is it fantastic to be able to offer our customers such a wide range of possibilities, but it is also a sound business strategy in order to increase sales volume and market shares.

Tobii Pro – strong positive momentum

Over the past two quarters, Tobii Pro's sales performance has been excellent. Adjusted for currency effects, sales in the third quarter rose by 44% year-over-year. We see a general increase in demand for eye tracking in the market, as it has become a more established and accepted research method that is continuously reaching new application areas. Another factor contributing to our growth during the quarter was that our former competitor, SMI, is discontinuing its sales of eye-tracking solutions for behavioral research studies.

In a short period of time, Tobii Pro has signed a number of customers within a new important sub-segment we call professional performance. This area includes customers in the automotive industry, process industry, simulators and sports, who use eye-tracking data for training and educational purposes. There is great potential for growth in this area, which clearly increases the business unit's addressable market.

We continue to make substantial investments in order to leverage the growth opportunities we see in Tobii Pro's markets. We are making further developments to existing products, such as Glasses 2 and Tobii Pro Spectrum as well as our software offering for data management and analysis. We are also expanding our portfolio to

include new, supplementary solutions while continuing to strengthen our sales channels.

Tobii Tech – strong demand in virtual reality

Interest in eye tracking within VR continued to increase significantly. During the third quarter, we allocated further resources to this area in order to be able to simultaneously manage even more simultaneous customer projects. We are now working actively in five major projects with potential customers and partners. These projects are in prototype or product development phase, mainly aimed at reaching products to be launched in the market in late 2018 or 2019. In addition, we are in dialogues with about ten other potential customers and partners. Tobii is well positioned and I strongly believe in our long-term ability to build a substantial business in the field of VR. We are also seeing initial interest from a number of players in the area of augmented reality (AR).

We also continued working with customers and game developers in the PC gaming market during the quarter. In collaboration with Alienware and ELEAGUE, we launched eye tracking for game analysis at this year's ELEAGUE Counterstrike e-sports tournament. Entering the e-sports market is important for increasing awareness of eye tracking and broadening its use. This news also attracted considerable attention in forums such as Reddit and Discord.

In September, Microsoft and Tobii announced a collaboration to integrate eye control into Windows as the "fifth input method" after keyboard, mouse, touchscreen and pen. Initially, eye control in Windows focuses on accessibility features. Over time, however, this also forms an important prerequisite to enable eye tracking to become part of everyday computer use. We see this as an important signal that the ecosystem for consumer electronics regards eye tracking to be an important technology for future devices. We want devices that understand us better and offer increasingly intuitive interfaces adapted to suit our natural behavior.

Apple's inclusion of face-ID in iPhone X is part of the same trend toward adding smart camera-based sensors, and their initiative is likely to further increase the interest in such technologies across a wide range of devices.

Beginning this August, and for a year, I am based mainly in the USA. North America is our largest market and it is important for Tobii to have a strong presence here. We have more than 300 employees in the USA, however I'm based out of our small but growing office in Silicon Valley. Many of the major trends in consumer electronics are driven from here and it is clear that Tobii has a wide range of opportunities here.

Henrik Eskilsson, CEO



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

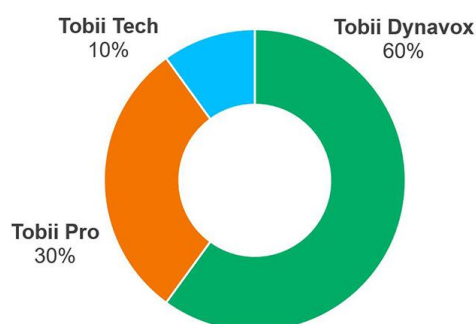
study of behavior. Tobii invests in the third business unit, Tobii Tech, to reach future high-volume markets for eye tracking in primarily consumer products such as computers, gaming products, VR and smartphones.

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

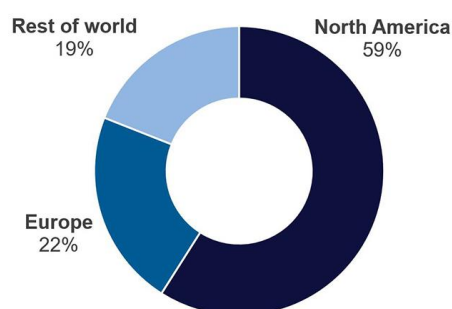
Tobii has over 800 employees and covers the global market through its own offices in Sweden, the USA, China, Japan, Norway, Germany, the UK, South Korea and Taiwan, and through a global network of resellers. Tobii is headquartered in Danderyd, Sweden, and is listed on Nasdaq Stockholm since April 2015.



Sales per business unit
Q3, 2017



Sales per region
Q3, 2017



The Group • July – September

Sales

The Group's net sales for the third quarter amounted to SEK 250 million (255), down 2% compared with the same period in 2016. Adjusted for currency effects, the increase was 3%. Tobii Dynavox contributed SEK 157 million, Tobii Pro SEK 80 million and Tobii Tech SEK 25 million, of which SEK 12 million comprised sales of eye-tracking platforms to the other two business units and SEK 13 million comprised external sales.

During the third quarter, the North American market accounted for 59% (63%) of the Group's sales, the European market for 22% (22%), and the rest of the world for 19% (15%). The change was primarily driven by higher sales in Asia through Tobii Pro and Tobii Tech and by lower sales in the USA through Tobii Dynavox.

Earnings

The Group's gross margin was 73% (73%), with an improvement in Tobii Pro offset by higher share of sales from Tobii Tech which has lower gross margin than the other two business units. The operating loss for the Group was SEK -49 million (-11) and the EBIT margin was -19% (-4%). Tobii Dynavox contributed SEK 9 million (31) and Tobii Pro SEK 9 million (0), while investments in Tobii Tech had an impact of SEK -67 million (-42) on the Group's operating loss. The operating loss was negatively affected by increased investments in R&D and by material currency effects on working capital compared with the corresponding period in 2016. Compared with the preceding quarter, the operating loss was impacted positively by the seasonal effect of the summer holidays and by low external R&D expenses.

Research & development (SEK m)	2017	2016
Total R&D expenditures	-95	-76
Capitalization	38	34
Amortization	-32	-25
R&D expenses in the income statement	-89	-66

Operating loss before depreciation and amortization (EBITDA) was SEK -12 million (20), yielding an EBITDA margin of -5% (8%).

Pretax loss was SEK -63 million, compared with SEK -5 million for the third quarter of 2016. Net financial items decreased to SEK -14 million (5), 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 -53 million (-7) and loss per share amounted to SEK -0.55, compared with SEK -0.08 in the corresponding period in 2016.

Cash flow, liquidity and financial position

Cash flow after continuous investments for the third quarter amounted to SEK -56 million (-22). Cash flow from operating activities was SEK -9 million (17) and continuous investments amounted to SEK 47 million (38), of which SEK 38 million (34) referred to capitalization of R&D.

Investments in tangible fixed assets totaled SEK 9 million (4), primarily due to an increase in demo units related to the large number of newly launched products in Tobii Dynavox. Compared with the preceding quarter, cash flow after continuous investments improved by SEK 22 million due to increased cash flow from operating activities.

At the close of the period, the Group had SEK 572 million (329) in net cash.

Employees

The number of employees at period-end, recalculated to full-time equivalents (FTE), was 807. Compared with the corresponding period last year, the number of FTEs rose by 106, or 15%, through increased investments in the R&D, sales and marketing organizations.

The Group • January – September

Sales

The Group's net sales for the first nine months of 2017 rose year-over-year by 4% to SEK 777 million (747). Adjusted for currency effects, the increase was 2%. The increase was attributable to growth in Tobii Pro and Tobii Tech, although this was offset somewhat by a decline in Tobii Dynavox.

During the period, the North American market accounted for 60% (63%) of the Group's sales, the European market for 21% (23%), and the rest of the world for 19% (14%).

Earnings

The Group's gross margin was 72% (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 product mix and price reductions on certain products carried out by Tobii Dynavox in 2016.

Operating loss for the Group was SEK -174 million (-57) and the EBIT margin was -22% (-8%). Tobii Dynavox contributed SEK 48 million (83) and Tobii Pro SEK 8 million (3), while investments in Tobii Tech had an impact of SEK -230 million (-143) on the Group's operating loss. The operating loss was affected by increased investments in R&D and in the sales and marketing organizations as well as currency effects on working capital.

Research & development (SEK m)	2017	2016
Total R&D expenditures	-316	-235
Capitalization	117	88
Amortization	-89	-69
R&D expenses in the income statement	-289	-216

Operating loss before depreciation and amortization (EBITDA) was SEK -71 million (30), yielding an EBITDA margin of -9% (4%).

Pretax loss was SEK -213 million, compared with SEK -52 million in the corresponding period in 2016. Net financial items amounted to SEK -39 million (4), 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.

The net loss was SEK -180 million (-48) and the loss per share amounted to SEK -1.86, compared with SEK -0.55 in the corresponding period in 2016. The average number of outstanding shares during the first nine months of the year was 97 million (88), and the number of shares at period-end was 97 million (88).

Cash flow, liquidity and financial position

Cash flow after continuous investments was SEK -180 million (-52). Cash flow from operations totaled SEK -76 million (27), while the change in working capital had a positive effect of SEK 31 million (24). Continuous investments increased by SEK 33 million to SEK 135 million, of which SEK 117 million refers to capitalization of R&D.

The acquisition of Sticky during the second quarter had a negative impact of SEK -24 million on cash flow and cash flow after investments amounted to SEK -203 million (-52). Additional financial information regarding the acquisition is presented on page 19 of this report.

Tobii Dynavox

- Launched two additional important products and now has a new, expanded product portfolio.
- The transition to new products had a negative impact on sales for the quarter.



July – September

Trends and developments

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 has historically been most strongly positioned in medical-grade solutions and currently 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 offer communication solutions at a wide range of price levels. High-end medical-grade products are sold bundled with comprehensive service packages in markets with access to well-functioning reimbursement systems. Offering new products at lower price points enables sales directly to private individuals and schools who lack funding via insurance. In the long term, this strategy will create favorable conditions to significantly increase the number of units sold, expand into new customer groups and geographic markets, and increase the business unit's market shares. Competition in the lower price segments primarily comes in the form of consumer tablets, while a smaller number of specialized suppliers compete in the market for medical-grade products.

Following two product launches during the quarter, the business unit's expanded product portfolio is now in place. I-110 is a new touch-based speech generating device that has replaced the older, declining T-10 product. EyeMobile Plus is an eye-tracking peripheral in the mid-price segment that provides the user with similar functionality as a medical-grade communication device at a price level that makes it accessible in markets where access to funding via insurance is limited. All of the products launched by Tobii Dynavox during the second and third quarter have received excellent reviews from the market. Historically, it has taken a few quarters for the launch of new products to have a positive impact on sales.

Sales

Net sales for the third quarter amounted to SEK 157 million (187), a decline by SEK 30 million, or 16%. Adjusted for currency effects, the decrease was 13%. The launch of I-110 late in the quarter also had a significant negative order backlog effect. Adjusted for this effect, the decrease was approximately 5%. The main reason for this decline was the transition to new products with a lower average price.

Earnings

Gross margin was 71% (71%). Operating profit totaled SEK 9 million (31) and the EBIT margin was 6% (17%). The decline was attributable to lower sales and negative currency effects on working capital during the quarter. This was partly offset by sound cost control, efficiency efforts in sales and marketing, and certain one-off effects.

Research & development (SEK m)	2017	2016
Total R&D expenditures	-28	-28
Capitalization	14	14
Amortization	-12	-10
R&D expenses in the income statement	-26	-24

Significant events

- [Tobii Dynavox launched I-110](#), the next generation of medical-grade touch-based speech-generating devices.
- [Tobii Dynavox launched EyeMobile Plus](#), an eye-tracking peripheral that transforms consumer tablets into eye-controlled communication devices.
- Tobii and Microsoft announced a collaboration to implement support for [eye-tracking in Windows 10](#). In the most recent release of Windows 10, which was launched in October, Microsoft has initially implemented eye control as an accessibility feature. For Tobii Dynavox, this creates an opportunity to reach a significantly higher number of users.

SEK m	Third quarter		January – September		Full Year
	2017	2016	2017	2016	2016
Net sales	156.7	187.0	524.4	557.1	761.7
Gross margin	71%	71%	70%	71%	71%
EBITDA	24.8	45.5	94.4	129.9	184.9
EBITDA margin	16%	24%	18%	23%	24%
Operating profit/loss (EBIT)	9.2	31.2	47.9	83.2	124.7
EBIT margin	6%	17%	9%	15%	16%

January – September

Sales

Net sales for the first nine months of 2017 declined year-over-year by 6% to SEK 524 million (557). Adjusted for currency effects, sales decreased by 8%. Despite somewhat increased sales of eye-controlled products, the decline was driven by lower sales of older touchscreen products and weaker sales in the UK.

Earnings

Gross margin was 70% (71%). Operating profit totaled SEK 48 million (83) and the EBIT margin was 9% (15%). The decline was driven by changes in the product mix and price adjustments on part of the range in 2016 as well as significant negative currency effects on working capital.

Research & development (SEK m)	2017	2016
Total R&D expenditures	-89	-80
Capitalization	49	44
Amortization	-35	-32
R&D expenses in the income statement	-75	-69

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 60% 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

- Very strong sales growth driven by overall increased demand.
- The new sub-segment professional performance grew a lot and expands the business unit's addressable market.
- Continued to make substantial investments in the development of products and sales channels.



July – September

Trends and developments

The market development for eye-tracking solutions for behavioral research studies is generally favorable, with growing demand in established and new sub-segments. Historically, Tobii Pro's products have mainly been used within academic research, market research, and web and software user experience testing.

As eye tracking has gained greater acceptance as a research method, Tobii Pro's innovative and flexible products have gradually increased penetration but also reached new customer groups and application areas. One new area where Tobii Pro has recently built a substantial business is professional performance. Hence, it is a new important sub-segment in addition to academic research and consumer studies where Tobii Pro has historically been strongest. Tobii Pro has sold solutions to a number of different customers in the automotive industry, process industry, simulators and sports, who use eye-tracking data for training and educational purposes. The development has primarily been driven by Tobii Pro in Japan, where many such customers exist, but an expansion to other geographic markets is now under way, for instance when large global customers add eye tracking in multiple facilities.

The business unit's main competitor, SMI, was acquired during the second quarter of this year, which has driven further increased interest in Tobii Pro's offering.

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 in the second quarter was part of this strategy. The solution for eye-tracking studies in VR environments, which was launched in the second quarter, has quickly become a demanded product in the market.

Sales

Net sales for the third quarter rose year-over-year by SEK 22 million, or 37%, to SEK 80 million (58). Adjusted for currency effects, the increase was 44%. The increase was driven by strong sales in all major regions.

Earnings

Gross margin rose to 76% (72%), driven by positive changes in the product mix, including a higher share of software sales, and economies of scale in the business unit's production costs. Operating profit totaled SEK 8 million (3) and the EBIT margin was 11% (0%), driven by increased sales, improved gross margins and increased efficiency in the sales organization, despite a negative earnings effect due to investments in the Sticky offering.

Research & development (SEK m)	2017	2016
Total R&D expenditures	-15	-14
Capitalization	12	8
Amortization	-10	-7
R&D expenses in the income statement	-14	-12

SEK m	Third quarter		January – September		Full Year
	2017	2016	2017	2016	2016
Net sales	80.0	58.4	207.2	171.0	244.9
Gross margin	76%	72%	75%	73%	74%
EBITDA	20.3	7.6	36.4	25.2	45.1
EBITDA margin	25%	13%	18%	15%	18%
Operating profit/loss (EBIT)	9.1	0.1	7.5	3.3	15.5
EBIT margin	11%	0%	4%	2%	6%

January – September

Sales

Net sales for first nine months of 2017 rose year-over-year by 21% to SEK 207 million (171). Adjusted for currency effects, the increase was 20%, despite sales being adversely impacted by significant order backlog effects. The Sticky acquisition contributed SEK 3 million.

Earnings

Gross margin rose to 75% (73%) as a result of positive changes in the product mix and economies of scale in the business unit's production costs. Operating profit totaled SEK 8 million (3) and the EBIT margin was 4% (2%). A significant increase in sales was offset by higher investments in R&D, sales and marketing.

Research & development (SEK m)	2017	2016
Total R&D expenditures	-49	-42
Capitalization	35	23
Amortization	-26	-19
R&D expenses in the income statement	-40	-39

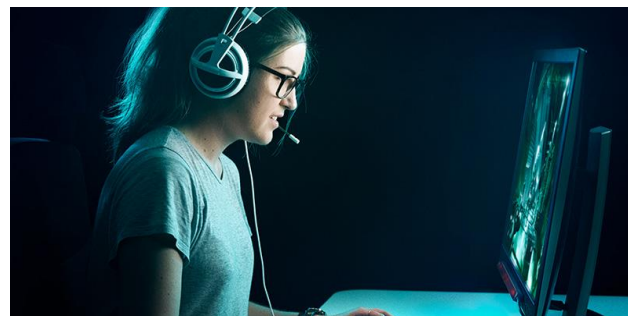
About Tobii Pro

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 30% 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

- Increased focus on VR and technical collaborations with several potential customers.
- Continued investments in PC gaming market and marketing initiatives in collaboration with existing integration customers.
- High rate of recruitment and expansion of the organization.



July – September

Trends and developments

The PC gaming market remained a key focus area for Tobii Tech. Several products with built-in eye tracking from Tobii have been launched already, including laptops, monitors and peripherals. Tobii Tech has, in close collaboration with Dell Alienware and ELEAGUE, developed a concept for eye tracking in e-sports, which was used for the first time in ELEAGUE's Counterstrike tournament during the third quarter. In order to reach additional integration customers and computer models, Tobii is investing in the development of applications and the next generation platform for computer integration.

Another important area is VR, where interest in eye tracking has increased significantly over the past few quarters. During the third quarter, Tobii Tech allocated additional resources to VR to be able to simultaneously execute on several customer projects. Early business discussions have resulted in five major projects with potential customers and partners. These projects are in the prototype or product development phase and are mainly aimed at products to reach the market in late 2018 or 2019. In addition, dialogues are on-going with approximately ten other potential customers and partners.

Overall, the interest in eye tracking and Tobii has increased further as several smaller competitors have been acquired by major tech companies.

Tobii expects that Apple's launch of face recognition in iPhone X will contribute to further increase the interest in smart camera-based sensors, including eye tracking, in the Smartphone area.

Sales

Net sales for the third quarter rose year-over-year by SEK 4 million, or 19%, to SEK 25 million (21). Adjusted for currency effects, the increase was 26%. The increase was mainly attributable to external sales to PC gaming customers, which increased 47% to SEK 13 million.

Earnings

Gross margin was 46% (48%). The change was driven by a larger share of sales to external integration customers. The operating loss was SEK -67 million (-42), which was mainly impacted by increased investments in R&D, primarily in VR, as well as sales and marketing.

Research & development (SEK m)	2017	2016
Total R&D expenditures	-52	-33
Capitalization	12	12
Amortization	-9	-9
R&D expenses in the income statement	-49	-30

Significant events

- Tobii and Microsoft announced a collaboration to bring [eye-tracking support to Windows 10](#). In the most recent release of Windows 10, which was launched in October, Microsoft has initially implemented eye control as an accessibility feature. The implementation represents a strategically important step in Tobii's long-term efforts to achieve broader use and everyday applications in mainstream computers.
- Support for eye tracking was released in some ten new PC games, including AAA titles such as *F1 2017*, *Assassin's Creed Origins* and *Agents of Mayhem*, and eye-tracking support is now [available in approximately 90 games](#).

SEK m	Third quarter		January – September		Full year
	2017	2016	2017	2016	2016
Net sales	25.2	21.2	83.6	55.5	96.4
Gross margin	46%	48%	44%	47%	43%
EBITDA	-57.4	-32.8	-201.5	-125.5	-179.7
EBITDA margin	i/m	i/m	i/m	i/m	i/m
Operating profit/loss (EBIT)	-66.9	-41.9	-229.8	-143.1	-207.2
EBIT margin	i/m	i/m	i/m	i/m	i/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
Rörelseresultat	i/m	i/m	i/m	i/m	i/m

January – September

Sales

Net sales for the first nine months of 2017 rose year-over-year by 48% to SEK 84 million (56). The increase was mainly attributable to external sales, which increased 136% to SEK 46 million (19).

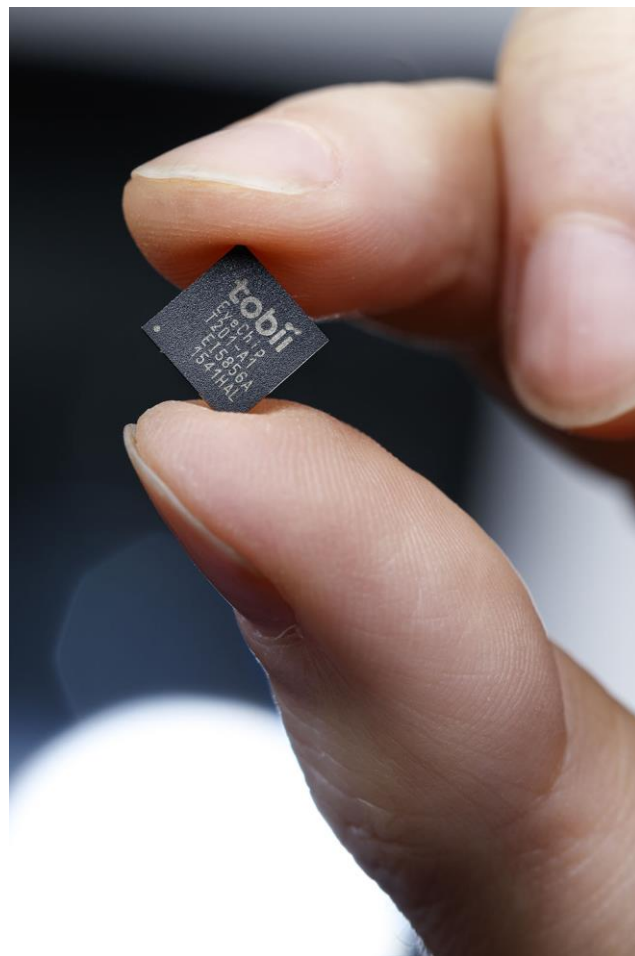
Earnings

Gross margin was 44%, compared with 47% for corresponding period in 2016. The operating loss amounted to SEK -230 million (-143). The change was due to increased investments in R&D, primarily in VR, the development of the next generation of eye-tracking platform and the further development of application software, as well as marketing initiatives.

Research & development (SEK m)	2017	2016
Total R&D expenditures	-178	-113
Capitalization	32	22
Amortization	-28	-17
R&D expenses in the income statement	-174	-108

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

	Third quarter		January-September		Full year
	2017	2016	2017	2016	2016
Earnings per share, SEK	-0.55	-0.08	-1.86	-0.55	-0.57
Earnings per share, diluted ¹ , SEK	-0.55	-0.08	-1.86	-0.55	-0.57
Equity per share, SEK	10.9	8.6	10.9	8.6	12.5
EBITDA, SEK m	-12.2	20.4	-70.7	29.5	50.3
EBIT, SEK m	-48.6	-10.6	-174.4	-56.6	-67.0
Cash flow from operating activities, SEK m	-9.3	16.7	-44.5	50.9	67.6
Cash flow after continuous investments, SEK m	-56.3	-21.5	-179.7	-51.5	-74.5
Working capital, SEK m	-11.2	2.3	-11.2	2.3	16.8
Total assets, SEK m	1,347.9	1,011.4	1,347.9	1,011.4	1,486.6
Net cash (+)/net debt (-), SEK m	572.8	329.2	572.8	329.2	771.7
Equity, SEK m	1,063.9	757.1	1,063.9	757.1	1,215.1
Average equity, SEK m	1,073.7	753.2	1,124.9	768.3	801.9
Equity/assets ratio, %	78.9	74.9	78.9	74.9	81.7
Net debt/equity, %	neg	neg	neg	neg	neg
Gross margin, %	73.3	72.8	71.6	72.9	72.3
EBITDA margin, %	-4.9	8.0	-9.1	3.9	4.8
Operating margin, %	-19.4	-4.2	-22.4	-7.6	-6.4
Return on total equity, %	-4.9	-1.0	-16.0	-6.3	-6.2
Average number of outstanding shares, million	97.1	87.7	97.1	87.6	87.9
Average number of outstanding shares after dilution, million	99.2	91.7	99.2	91.2	91.6
Number of outstanding shares at period-end, million	97.1	87.7	97.1	87.7	97.0
Number of outstanding shares after dilution at period-end, million	99.2	91.7	99.2	91.7	100.3
Average number of employees	799	700	761	671	682

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 out-standing in the series. At September 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. Of the total 3.7 million outstanding warrants, 3.4 million were transferred to participants in the incentive programs. 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	Third quarter		January-September		Full year
	2017	2016	2017	2016	2016
Net sales	250.1	254.5	777.1	747.4	1,053.3
Cost of goods and services sold	-66.9	-69.2	-220.6	-202.8	-291.5
Gross profit	183.2	185.3	556.4	544.6	761.8
Selling expenses	-110.5	-108.0	-348.5	-316.0	-429.1
Research and development expenses	-89.1	-66.5	-289.0	-215.9	-301.8
Administrative expenses	-25.8	-23.4	-80.0	-68.8	-101.6
Other operating income and operating expenses ¹	-6.5	2.0	-13.3	-0.5	3.6
Operating profit/loss	-48.6	-10.6	-174.4	-56.6	-67.0
Net financial items ²	-13.9	5.2	-38.8	4.1	19.4
Profit/loss before tax	-62.5	-5.4	-213.3	-52.5	-47.6
Tax	9.4	-1.8	33.8	4.1	-2.2
Net profit/loss for the period	-53.0	-7.2	-179.5	-48.4	-49.8
Other comprehensive income					
Items that may subsequently be reclassified to profit or loss for the period:					
Translation differences	8.2	-0.1	17.5	3.3	-0.7
Other comprehensive income for the period, net after tax	8.2	-0.1	17.5	3.3	-0.7
Total comprehensive income for the period	-44.9	-7.3	-162.0	-45.1	-50.5
Of which depreciation and amortization	-36.4	-31.0	-103.8	-86.1	-117.3
Of which write downs of fixed assets	-	-	-	-	-
Earnings per share, SEK	-0.55	-0.08	-1.86	-0.55	-0.57
Earnings per share, diluted, SEK	-0.55	-0.08	-1.86	-0.55	-0.57
Net profit/loss for the period attributable to:					
Parent company shareholders	-53.3	-7.0	-180.3	-48.1	-49.7
Non-controlling interests	0.2	-0.2	0.8	-0.3	-0.1
Net profit/loss for the period	-53.0	-7.2	-179.5	-48.4	-49.8
Total comprehensive income for the period attributable to:					
Parent company shareholders	-45.1	-7.1	-162.8	-44.8	-50.4
Non-controlling interests	0.2	-0.2	0.8	-0.3	-0.1
Total comprehensive income for the period	-44.9	-7.3	-162.0	-45.1	-50.5

1) Primarily foreign currency translation differences.

2) Net financial items include foreign currency translation differences totaling SEK -15 million (5) for the third quarter, SEK -40 million (4) for the first nine months, and SEK 19 million for the Full Year 2016.

Condensed Consolidated Balance Sheet

SEK m	Sept 30, 2017	Sept 30, 2016	Dec 31, 2016
Fixed assets			
Intangible fixed assets	421.2	355.2	370.4
Tangible fixed assets	27.2	28.3	28.1
Financial fixed assets	90.9	62.9	58.3
Total fixed assets	539.2	446.4	456.8
Current assets			
Accounts receivable	123.5	139.5	151.7
Inventories	67.6	55.8	67.3
Other current receivables	44.8	40.5	39.2
Cash and cash equivalents	572.8	329.2	771.7
Total current assets	808.7	565.0	1,029.8
Total assets	1,347.9	1,011.4	1,486.6
Shareholders' equity			
Shareholders' equity, Parent Company shareholders	1,062.9	757.1	1,214.8
Non-controlling interests	1.0	0.1	0.3
Total shareholders' equity	1,063.9	757.1	1,215.1
Liabilities			
Long-term liabilities			
Other long-term liabilities	36.9	20.7	30.2
Total long-term liabilities	36.9	20.7	30.2
Current liabilities			
Other current liabilities	247.1	233.5	241.3
Total current liabilities	247.1	233.5	241.3
Total liabilities	284.0	254.3	271.5
Total shareholders' equity and liabilities	1,347.9	1,011.4	1,486.6

Condensed Consolidated Statement of Changes in Equity

SEK m	Attributable to Parent Company shareholders					Non-controlling interests	Total equity
	Share capital	Other contributed capital	Re-serves	Retained earnings	Total		
Opening balance, Jan 1, 2016	0.6	1,095.2	-0.9	-301.4	793.5	0.3	793.9
Comprehensive income for the period			3.3	-48.1	-44.8	-0.3	
Bonus issue	0.0	0.0			0.0		
New share issue	0.0	2.0			2.0		
Sale of warrants, incentive programs		5.8			5.8		
Share based payments settled using equity instruments				0.5	0.5		
Closing balance, Sept 30, 2016	0.6	1,103.0	2.4	-349.0	757.1	0.1	757.1
Comprehensive income for the period			-4.0	-1.6	-5.6	0.2	
Rights issue		458.3			458.3		
Expenses related to rights issue		-9.4					
New share issue	0.0	14.4			14.4		
Sale of warrants, incentive programs		0.0			0.0		
Share based payments settled using equity instruments				0.0	0.0		
Closing balance, Dec 31, 2016	0.7	1,566.2	-1.6	-350.5	1,214.8	0.3	1,215.1
Comprehensive income for the period			17.5	-180.3	-162.8	0.7	
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				0.4	0.4		
Closing balance, Sept 30, 2017	0.7	1,576.7	15.9	-530.4	1,062.9	1.0	1,063.9

Condensed Consolidated Statement of Cash Flow

SEK m	Third quarter		January-September		Full year
	2017	2016	2017	2016	2016
Cash flow from operating activities:					
Profit/loss after financial items	-62.4	-5.4	-213.2	-52.5	-47.6
Adjustment for items not included in the cash flow	45.9	26.9	137.0	82.7	108.7
Taxes paid	0.1	-0.6	0.3	-3.0	-3.8
Cash flow from operating activities before change in working capital	-16.4	20.9	-75.9	27.2	57.3
Cash flow from change in working capital	7.1	-4.2	31.4	23.6	10.3
Cash flow from operating activities	-9.3	16.7	-44.5	50.9	67.6
Investments					
Continuous investments:					
Investments in intangible, tangible and financial fixed assets	-47.0	-38.1	-135.2	-102.4	-142.0
Cash flow after continuous investments	-56.3	-21.5	-179.7	-51.5	-74.5
Acquisition of a business	-	-	-23.7	-	-
Cash flow after investments	-56.4	-21.5	-203.4	-51.5	-74.5
Cash flow from financing activities	0.0	1.7	10.5	7.8	471.1
Cash flow for the period	-56.3	-19.8	-192.9	-43.7	396.6
Foreign currency translation, cash and cash equivalents	-2.0	1.1	-6.0	2.0	4.2
Cash and cash equivalents and short-term investments at the beginning of the period	631.1	347.9	771.7	370.9	370.9
Cash and cash equivalents and short-term investments at the end of the period	572.8	329.2	572.8	329.2	771.7

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	156.7	
Tobii Pro	59.3	53.3	58.4	73.9	60.9	66.3	80.0	
Tobii Tech*	16.0	18.3	21.2	40.9	29.1	29.4	25.2	
Eliminations and other	-11.4	-12.7	-12.1	-13.4	-11.1	-15.2	-11.8	
The Group	252.2	240.7	254.5	305.9	261.0	265.9	250.1	
*) Of which internal sales to Tobii Dynavox and Tobii Pro	11.4	12.7	12.1	13.4	11.1	15.2	11.8	

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	70.6	
Tobii Pro	73.5	71.8	72.4	75.7	75.5	72.8	76.0	
Tobii Tech	41.4	49.6	47.9	39.0	41.4	43.3	46.5	
The Group	73.0	72.7	72.8	71.1	70.8	70.9	73.3	

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	24.8	
Tobii Pro	12.9	4.6	7.6	19.9	8.0	8.2	20.3	
Tobii Tech	-47.5	-45.3	-32.8	-54.2	-66.4	-77.7	-57.4	
Eliminations and other	-	-	-	-	0.0	0.0	0.0	
The Group	8.4	0.8	20.4	20.8	-24.1	-34.3	-12.2	

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	9.2	
Tobii Pro	5.9	-2.7	0.1	12.1	0.1	-1.7	9.1	
Tobii Tech	-49.3	-51.9	-41.9	-64.1	-75.8	-87.1	-66.9	
Eliminations and other	-	-	-	-	-	-	-	
The Group	-16.8	-29.2	-10.6	-10.5	-56.3	-69.6	-48.6	

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	5.8	
Tobii Pro	10.0	-5.1	0.1	16.4	0.1	-2.5	11.4	
Tobii Tech	neg	neg	neg	neg	neg	neg	neg	
The Group	-6.6	-12.1	-4.2	-3.4	-21.5	-26.2	-19.4	

Profit/loss before tax, SEK m	2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
The Group	-29.5	-17.5	-5.4	4.8	-62.8	-88.0	62.5	

Profit/loss for the period, SEK m	2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
The Group	-24.9	-16.3	-7.2	-1.4	-55.1	-71.4	-53.0	

The Parent Company

The Group's Parent Company, Tobii AB (publ.), which has over 340 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 177 million (154) and the operating profit/loss was SEK -36 million (0). Net sales for the first nine months totaled SEK 513 million (444) and the operating loss was SEK -132 million (-35). At the period end the Parent Company had SEK 519 million (251) in cash and cash equivalents and SEK 0 million (170) in unutilized overdraft facilities.

Condensed Parent Company income statement

SEK m	Third quarter		January-September		Full year
	2017	2016	2017	2016	2016
Net sales	177.0	153.8	513.1	444.2	632.9
Cost of goods and services sold	-76.8	-64.5	-222.7	-190.0	-274.0
Gross profit	100.2	89.3	290.4	254.2	358.9
Selling expenses	-43.5	-33.5	-133.2	-95.2	-135.0
Research and development expenses	-69.1	-45.4	-227.0	-160.7	-225.1
Administrative expenses	-17.7	-13.0	-50.2	-35.1	-55.9
Other operating income and operating expenses	-5.8	2.8	-11.6	1.9	6.8
Operating profit/loss	-35.9	0.2	-131.5	-34.9	-50.3
Financial items	-8.4	11.7	-21.8	23.5	46.1
Profit/loss before tax	-44.3	11.8	-153.3	-11.4	-4.2
Tax	9.8	-2.8	33.5	3.7	4.3
Profit/loss after tax	-34.5	9.0	-119.8	-7.6	0.1
Depreciation and amortization, total	-25.6	-18.9	-68.1	-49.2	-69.0

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

Condensed Parent Company balance sheet

SEK m	Sept 30, 2017	Sept 30, 2016	Dec 31, 2016
Fixed assets			
Intangible fixed assets	259.6	179.4	192.6
Tangible fixed assets	10.3	6.8	7.7
Financial fixed assets	585.9	531.6	562.6
Long-term financial receivables	0.0	0.0	1.8
Total fixed assets	855.8	717.8	764.7
Current assets			
Accounts receivable	100.7	82.2	98.1
Inventories	41.1	33.7	43.7
Other current financial receivables	51.6	75.0	71.1
Cash and bank balances	518.9	250.8	685.7
Total current assets	712.3	441.7	898.6
Total assets	1,568.2	1,159.5	1,663.3
Shareholders' equity	1,390.9	1,028.8	1,499.8
Long-term liabilities			
Other long-term liabilities	24.3	4.7	12.0
Total long-term liabilities	24.3	4.7	12.0
Current liabilities			
Other current liabilities	152.9	126.0	151.4
Total current liabilities	152.9	126.0	151.4
Total liabilities	177.3	130.7	163.5
Total equity and liabilities	1,568.2	1,159.5	1,663.3

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	Third quarter		January-September		Full year
	2017	2016	2017	2016	2016
Operating profit/loss before depreciation, amortization and impairment	-12.2	20.4	-70.7	29.5	50.3
Amortization and impairment on intangible fixed assets	-31.9	-25.3	-89.4	-68.7	-94.4
Depreciation and write down in property, plant and equipment	-4.4	-5.6	-14.4	-17.4	-22.9
Operating profit/loss, EBIT	-48.6	-10.6	-174.4	-56.6	-67.0

Net cash (net debt)

SEK m	Second quarter		First six months		Full year
	2017	2016	2017	2016	2016
Cash and cash equivalents ¹	572.8	329.2	572.8	329.2	771.7
Interest-bearing liabilities	-	-	-	-	-
Net cash (net debt)	572.8	329.2	572.8	329.2	771.7

1) Cash and cash equivalents are comprised of cash and bank and current investments.

Other information

Accounting principles

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.

Implementation of new accounting standards in accordance with IFRS

Tobii is preparing for two new IFRS standards that go into effect from January 1, 2018.

IFRS 15, Revenue from contracts with customers

Tobii is presently carrying out an analysis of contracts and the impact the new standard will have on the Group's revenue recognition. At September 30 Tobii had not yet quantified the impact of the new standard on the Group's financial reports.

IFRS 9, financial instruments

Presently, Tobii is analyzing the impact of compliance to the new standard. At September 30 Tobii had not yet quantified the impact of the new standard on the Group's financial reports.

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 2016 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
Acquired assets:	
Intangible assets (excl. goodwill)	9.8
Trade receivables	1.7
Total fair value of acquired assets	11.5

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 September 30, 2017 was SEK 3 million, and corresponding operating profit (EBIT) for the same period was SEK -5 million. The consolidated revenue calculated as if Sticky operations were included in the Tobii Group from January 1, 2017 until September 30, 2017 is approximately SEK 782 million and the consolidated operating profit (EBIT) from January 1, 2017 until September 30, 2017 is approximately SEK -184 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	Sept 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	-1.0
Closing balance Sept 30, 2017	12.2

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, October 26, 2017

Tobii AB (publ)

Kent Sander

Chairman

Heli Arantola

Nils Bernhard

John Elvesjö

Åsa Hedin

Jan Wäreby

Henrik Eskilsson

President & CEO

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

This information is information that Tobii AB (publ) is obliged to make public, pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out below, on October 26, 2017 at 8.00 a.m. CET.

Contact person: Sara Hyléen, Corporate Communications Director, email: sara.hyleen@tobii.com, phone: +46 709 16 16 41

Contact details

Sara Hyléen, Corporate Communications Director,
phone: +46 709 16 16 41

Henrik Eskilsson, President & CEO, phone: +46 8 663 69 90

Johan Wilsby, CFO, phone: 08-663 69 90

Tobii AB (publ) • Corporate ID number: 556613-9654
Postal address: Box 743 • 18217 Danderyd, Sweden
Phone: +46 8 663 69 90

www.tobii.com

Financial calendar

Year-End Report, 2017 February 8, 2017

Annual Report 2017 April 12, 2018

Interim Report Q1, 2018 April 26, 2018

AGM 2018 May 8, 2018

Half-Year Report Q2, 2018 July 20, 2018

Interim Report Q3, 2018 October 25, 2018

Year-End Report Q4, 2018 February 6, 2019



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) as of 30 September 2017 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

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

Conclusion

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

Stockholm, 26 October 2017

PricewaterhouseCoopers AB

Johan Engstam

Authorized Public Accountant