



tobii

2016 Annual Report

including Sustainability Report &
Corporate Governance Report

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This annual report is published in Swedish and English. The Swedish version is the original and has been audited by Tobii's independent auditors. The formal annual report and consolidated financial statements are presented on pages 41-74.

Financial Calendar

Interim report, January – March	April 27, 2017
Annual General Meeting	May 9, 2017
Interim report January – June	July 25, 2017
Interim report January – September	October 26, 2017
Interim report January – December	February 8, 2018

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Tobii Dynavox

In 2016, nearly 15,000 more people were given the opportunity to communicate aided by one of our communication devices. We also invested heavily in future product generations and solutions adapted to our customers' varying needs. s. 8

Tobii Pro

2016 was a strong year in terms of sales. The eye-tracking glasses Glasses 2 was a success in both established and new sub-segments. The year closed with the launch of the new analytics platform, Tobii Pro Lab, and the company's most powerful and advanced eye tracker to date, Tobii Pro Spectrum. s. 14



Tobii Tech

Important steps were taken in the computer gaming market: Three of the five largest gaming computer manufacturers have now launched products with Tobii eye tracking. Eye tracking has also become established in more categories of PC games and in pace with new games releases we also noted a gradual improvement in the eye tracking user experience. s. 20

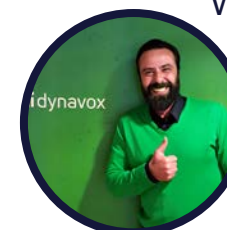
Rights Issue

Tobii conducted a rights issue to finance increased investments in virtual reality and smartphones. Interest in eye tracking surged during the year and Tobii presented its first smartphone customer, Huawei.



s.28

We are growing



We welcomed 180 new Tobiiians to our organization which grew by 17% to a total of 759 employees.

A key focus during the year has been to ensure a good introduction for all new employees and to build an effective organization that upholds the right values in a phase of high-paced growth. s.33

Tobii and sustainability

Tobii presents its first Sustainability Report in accordance with GRI. Involving our key stakeholders, we have identified key aspects and begun to measure and evaluate. Our main focus covers our responsibility as an employer, business ethics in the supply chain, product design and environmental impact. s.30



2016 in brief

Tobii Dynavox	Tobii Pro	Tobii Tech		Tobii Group	
Carried out several important product launches I-Series+ and PCEye Mini with IS4 platform, Snap Scene	Launched a new high-end eye tracker for research Tobii Pro Spectrum	Tobii IS4 eye-tracking platform in volume integration	Developed eye-tracking technology adapted for VR	Sales 1,053 SEK m	Strengthened it's cash position through a rights issue
Major investments in future products	Launched next-generation analysis platform Tobii Pro Lab	Three of "top 5" gaming computer manufacturers integrated Tobii eye tracking MSI, Alienware and Acer	Developed eye tracking for smartphones and delivered to Huawei	Operating loss -67 SEK m	Sales growth 9 %
	Strong sales trend throughout the year	Some 50 PC games with eye tracking available via tobiigaming.com		Number of employees 719	

Important product launches during the year

Examples of customer launches



MSI GT72 Tobii, Acer Predator Z301CT, Huawei Honor Magic, Acer Predator 21X, Acer V 17 Nitro, Alienware 17.

Examples of own products



Tobii Dynavox PCEye Mini, Tobii Eye Tracker 4C, I-Series+, Snap Scene, Tobii Pro Lab, Tobii Pro Spectrum.

Comments from the CEO

2016 was another exciting and eventful year for Tobii. The Tobii Pro business unit showed consistently good growth and important product launches were carried out during the year. Tobii Dynavox invested heavily in product and market development to stimulate growth and increase profitability in the long term. In the PC gaming area, Tobii reached several key milestones through the integration into hardware by several leading gaming computer manufacturers and in some 50 games. We also took our first step into the smartphone market together with Huawei. To be able to increase the investments in virtual reality and smartphones, we strengthened our cash position through a rights issue.

Eye tracking is a fantastic technology that can be used in a variety of ways. It facilitates humanized and natural interaction with our tech devices. The ability to control a computer using the eyes is vital for people who cannot speak or use their hands. By studying eye movements and attention, we can gain unique insights into human behavior. Today, Tobii is the market leader in eye tracking in our established fields and we are gradually expanding the scope of our operations, setting our sights on volume markets such as computer gaming, virtual reality and smartphones. I am convinced that eye tracking, combined with other intelligent technologies, will have a fundamental impact on how we interact with technology in our daily lives.

Tobii's leading technology and our market successes are made possible by our fantastic team of smart, passionate and motivated employees. Through our three business units, we can operate in significantly different markets in a focused manner. At the same time, the joint organization enables our employees to develop in different roles within the Group, and share each other's expertise, experience and results. This creates dedication and pride in all Tobiians. In 2016, we welcomed more than 180 new employees, bringing the number of employees to more than 700. The pace of recruitment has remained high at the start of the new year and we continue to work to make Tobii one of the most attractive employers among technology companies.

Tobii Dynavox – the right to communication at the core of our business

A guiding principle at Tobii Dynavox is that communication is a human right and that as many people as possible who have special needs shall have access to the right assistive technology for communication. A major challenge is that many are unaware of the opportunities that modern technology can offer today. By continuing to increase our initiatives to spread knowledge and awareness of Tobii Dynavox's products, we can expand the market in the long term.

During the year, Tobii Dynavox invested in broadening its product portfolio with products that meet varying needs and price levels. We upgraded the eye-tracking hardware in our

eye-controlled devices and made important additions and upgrades in the software range. Several of the year's R&D projects will result in product launches in 2017.

Commercially, we had a good increase in the number of eye-controlled communication devices, while sales of touch-screen-based products were weaker. Sales were also negatively impacted by price reductions. Growth at 3% was considerably lower than the business unit's long-term goal to grow 10% per year.

We see good potential to continue to grow in our established markets, but also to expand into new geographic markets in the long term. Initiatives taken during the year included establishing direct sales in the UK, and the launch of the first product specially adapted to the Chinese market.

Tobii Pro – good growth and important product launches

2016 was a positive year for Tobii Pro. Eye tracking is becoming a more established method for studying behavior and for Tobii Pro this means an increasing number of repeat and new customers. Better and more user-friendly products that help customers with data collection and analysis also served to increase the degree of usage.

During the year, Tobii Pro's sales increased at a good pace of 15% adjusted for currency effects, which is in line with our long-term financial goal for the business unit. All product categories performed well, including the service organization Tobii Insight.

The Glasses 2 eye-tracking glasses was a great sales success in established fields, including in-store shopper research. Through Glasses 2, we have also established ourselves in several new areas such as simulator environments, performance analysis in sports and professional training.

To maintain our strong position in the market for eye-tracking studies, Tobii Pro made key investments in product development. The Glasses 2 offering was continuously expanded to meet the varying needs of the broadened customer base. Tobii Pro Spectrum, our most powerful and sophisticated eye tracker to date, was launched at the close of the year together with Tobii Pro Lab, our new analytics software.



These tools enable even more varied studies and more powerful analyses of eye-tracking data.

Tobii Tech – progress in gaming and focus on new sub-segments

During the year, Tobii Tech took several important steps in computer gaming. Three of the five largest gaming PC manufacturers – MSI, Acer and Alienware, Dell's PC gaming brand – launched gaming notebooks and monitors with Tobii eye tracking. We established eye tracking in a growing range of gaming categories and deepened our relationships with leading game developers, including Ubisoft, Square Enix, Crystal Dynamics and Techland, all of which launched major game titles with eye tracking. As more new games have been launched, the gaming experience with eye tracking has gradually improved.

Interest in eye tracking in different types of consumer electronics increased a lot during the year. Tobii Tech gradually expanded its investments in virtual reality and smartphones to develop solutions for these areas. In this context, it was of course particularly gratifying to announce our first smartphone customer, Huawei, in the last quarter.

Tobii Tech's long-term goal is to be the leading provider of eye-tracking technology for integration into high-volume products, and we have taken the step into premium products in the consumer markets. In order to reach a broader base of consumer products more development is needed to make our technology more compact, more power efficient and affordable, and to make user interfaces even more intuitive.

Net sales rose by 63% and amounted to SEK 96 million. Sales of eye-tracking platforms to Tobii's other two business units accounted for approximately half of the sales.

Pioneering technology requires a long-term approach

Through its two profitable business units, Tobii has a solid foundation and we see good growth potential in all three units. The rights issue carried out during the last quarter of the year strengthened our cash position and we continue our investments in gaming computers while simultaneously increasing our investments in virtual reality and smartphones. Establishing pioneering technology in new areas of application is a long-term commitment. Historically, we have driven a gradual adoption within the segments where we have established eye tracking and, over time, created profitable, market-leading businesses. It is likely that development will progress gradually in the new segments, too.

We continue to invest in innovation and development of both core technology and the user experiences that it enables so that we can retain and strengthen our world-leading position in eye tracking.

Danderyd, April 6, 2017

Henrik Eskilsson

[READ MORE](#) [Questions to Tobii's Chairman of the Board on page 81.](#)

The Tobii Group

Leading technology with many applications

Tobii is the market leader in eye tracking, an intelligent sensor technology that can determine where a person is looking. A device equipped with eye tracking becomes aware of the user. It knows if we are present, what we pay attention to and what information we process. It becomes more intelligent. This facilitates more human and natural interaction with our computers, phones and other devices. Eye tracking is also used as a powerful tool to study and gain deep insights into human behavior.

Eye tracking can be applied in many different areas. Tobii's eye-controlled computers have already revolutionized the lives of tens of thousands of people with a reduced ability to communicate. Eye tracking is also an established, rapidly growing method in behavior and market research. During the past year, Tobii has also taken important steps into the PC gaming market, and initiated investments in virtual reality and smartphones.

Strategy and organization

The Tobii Group has a scalable business model based on independent business units with their own management teams, strategies, business models as well as their own R&D, sales and marketing organizations. This structure enables the business units to optimize operations for distinctly different markets. Through the Group, the business units share a common technology foundation, trademarks, patents and other intellectual property.

Two of the business 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 that helps the users to speak and communicate. Tobii Pro provides specialized eye-tracking solutions that add deep insights and unique objectivity to a multitude of areas in research of human behavior. Tobii has established two profitable, cash flow-generating operations in these two business units that have good potential for profitable growth over a long period of time. Together they form a

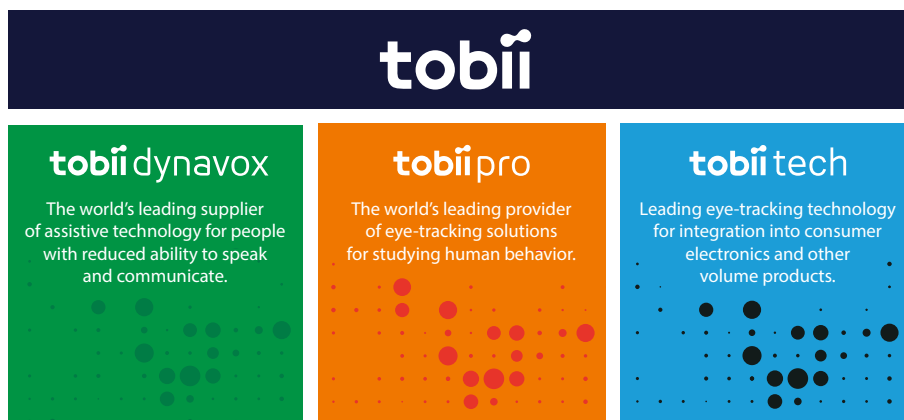


strong foundation for the Group's operations, organization and development.

Tobii invests in the third business unit, Tobii Tech, to reach future high-volume markets for eye tracking, primarily in consumer products such as computers, gaming products, virtual reality and smartphones. By providing eye-tracking technology that customers integrate into their products, Tobii can effectively address more segments and large volumes.

An eye-tracking system with high reliability and precision places extreme demands on the technical solution. Through heavy investments over many years, Tobii has today a leading technology suited to several different areas of application. To retain its market-leading position in the established segments and to be an attractive partner for future volume customers, Tobii will maintain its high pace of investment in technology, IP and new products going forward.

The Group's growth strategy also includes the potential acquisition of companies, technologies and intellectual property rights.



Tobii's business units

Vision

Tobii's vision is a world where all technology works in complete harmony with natural human behavior.

Mission

Tobii's mission is to fundamentally transform and improve both lives and entire industries through humanized technology. With eye tracking as a base, Tobii creates the conditions for new insights into human behavior and more human interfaces in computers, games, smartphones, vehicles and other products.

Financial goals










- Tobii Dynavox's long-term goal is to deliver revenue growth in excess of 10% per year and to reach an EBIT margin of 20%.
- Tobii Pro's long-term goal is to deliver revenue growth in excess of 15% per year and to reach an EBIT margin in excess of 15%.
- Tobii Tech's long-term goal is to be the leading provider of eye-tracking technology for integration into high-volume products.

Since the market for integration of eye tracking in volume products is at an early stage, Tobii has chosen not to formulate a specific financial goal for Tobii Tech, but rather to define a strategic long-term goal relating to the market position of the business unit. This objective is supplemented with the Company's assessments of market development for Tobii Tech.

[READ MORE](#)

Tobii's assessments of market development for Tobii Tech on page 21.

Sub-segments for eye tracking

Sub-segment	Behavior research	Assistive technology for communication	Computer gaming	Mainstream computers	Virtual reality	Smart-phones	Automotive	Heavy vehicles	Specialized markets
Tobii's market share	 47 %	 75 %*	 100 %	 n/a**	 n/a**	 n/a**	 n/a**	 0 %	 n/a**
Current strategic priority	High	High	High	High	High	High	Low	Low	Medium
Long-term opportunity	Medium	Medium	Large	Very large	Large	Very large	Large	Medium	Medium
Business unit	Tobii Pro	Tobii Dynavox	Tobii Tech	Tobii Tech	Tobii Tech	Tobii Tech	Tobii Tech	Tobii Tech	Tobii Tech

* Tobii's total market share in assistive technology for communication is 43%, whereas the market share in eye control products is 75%.

** Refers to a future potential market that is still undeveloped. It is therefore not possible to specify the market share.

Financial performance

Performance 2016

In 2016, the Group's net sales increased by 9% to SEK 1,053 million (967). The increase was driven by growth in all three business units.

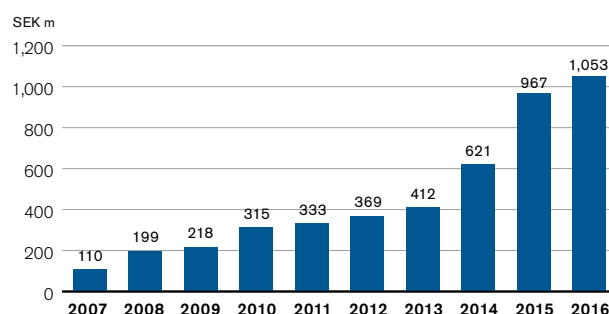
The operating loss for the Group was SEK -67 million (-36). Tobii Dynavox made a positive contribution of SEK 125 million (119) and Tobii Pro of SEK 15 million (21), while investments in Tobii Tech had a negative impact of SEK -207 million (-176) on the Group's operating profit.

In December 2016, Tobii carried out a rights issue to finance increased investments in VR and smartphones, which generated proceeds of SEK 449 million for the Company after deductions for issue costs. At the close of the year, the Group had SEK 772 million (371) in net cash and unutilized overdraft facilities of a maximum of SEK 170 million (170).

15 years of growth

The Tobii Group has increased its net sales organically every year since its inception in 2001. Acquisitions were also made during this time, which further contributed to growth. In 2015, the significant growth was mainly due to the acquisition of DynaVox Systems LLC, which substantially impacted the business unit's net sales.

Net sales 2007-2016



328

SEK m in total R&D investments, 2016

288

people working in R&D (incl. some 50 consultants)*

719

Number of employees*

1,053

SEK m in sales, 2016

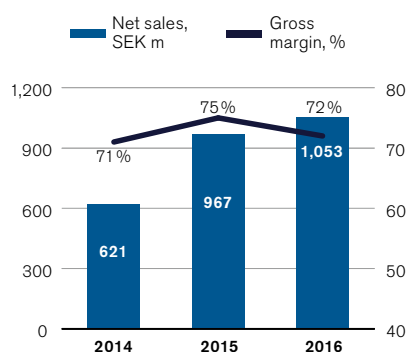
98%

of sales outside Sweden, 2016

250

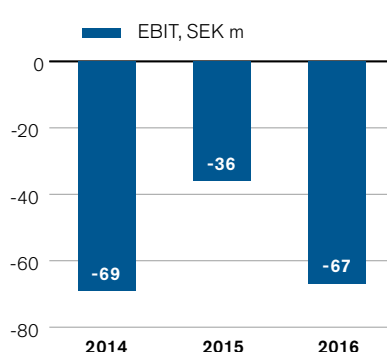
Total registered of pending patents

Net sales and gross margin



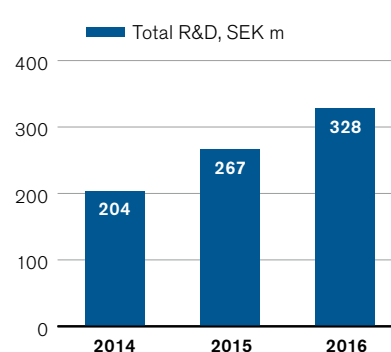
Since 2014, the Group's net sales have increased by SEK 432 million to SEK 1,053 million. All three business units have contributed to the growth, particularly Tobii Dynavox, which increased substantially through the Dynavox acquisition.

Operating profit/loss (EBIT)



Tobii Dynavox and Tobii Pro reported good profit margins, but the Group's operating profit was impacted by major investments in Tobii Tech.

Research & development



The Group's total R&D expenditure has increased by 61% over the past two years, and amounted to MSEK 320 million in 2016.

* Full time equivalents at the period end.

Business unit overview

tobii dynavox



Offering and target groups

Sells proprietary eye-controlled and touchscreen-based communication devices, software and related services for alternative communication. These products are often financed by public or private funding systems, but Tobii Dynavox also offers solutions that are sold directly to end users. The business unit's own sales organization handles sales in some of the largest markets, while resellers handle sales in other countries.

Goal and mission

Power to be you

To give people the ability to live a richer and more independent life by providing a voice of their own and access to everyday technologies, regardless of circumstances or impediments.

Net sales, SEK m

762

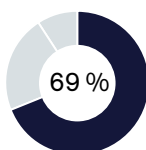
Operating profit/loss, SEK m

125

Operating margin

16 %

Share of the Group's sales



tobii pro



Sells complete solutions that include proprietary eye-tracking hardware and analytics software to companies and researchers that study human behavior. The software is sold as a one-time license or on a subscription basis. Tobii Pro also offers services such as customized market research services and user studies with eye tracking. Sales are mostly direct but also via a number of smaller resellers.

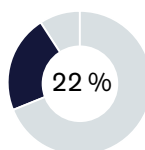
Envision human behavior

To help businesses and science professionals gain real insights into human behavior using world-leading eye tracking and analytics.

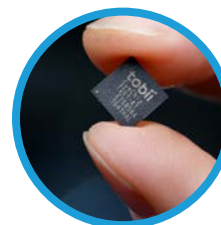
245

16

6 %



tobii tech



Tobii Tech offers eye-tracking technology to integration customers in areas such as gaming PCs, mainstream computers, virtual reality, smartphones and other specialized applications. The business model includes various combinations of hardware components, algorithm software, systems design licenses, IP and application software. Tobii Tech also sells its own computer accessory to end consumers.

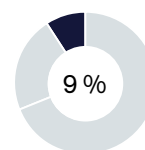
Humanize your product

To provide the leading eye-tracking technology giving its customers the power to develop products that intuitively understand the user and create truly natural experiences.

96

-207

n/a



Tobii Dynavox – the world's leading supplier of assistive technology for people with reduced ability to speak and communicate

Tobii Dynavox's assistive technology solutions help people with a reduced ability to speak and communicate to communicate and use computers effectively. This gives users the opportunity to lead more independent lives and often has a dramatic impact on their quality of life and those around them. The products include both specially designed communication devices that use either eye control or touch, and a range of software. Several products are registered as medical devices and are often financed through public or private funding systems.

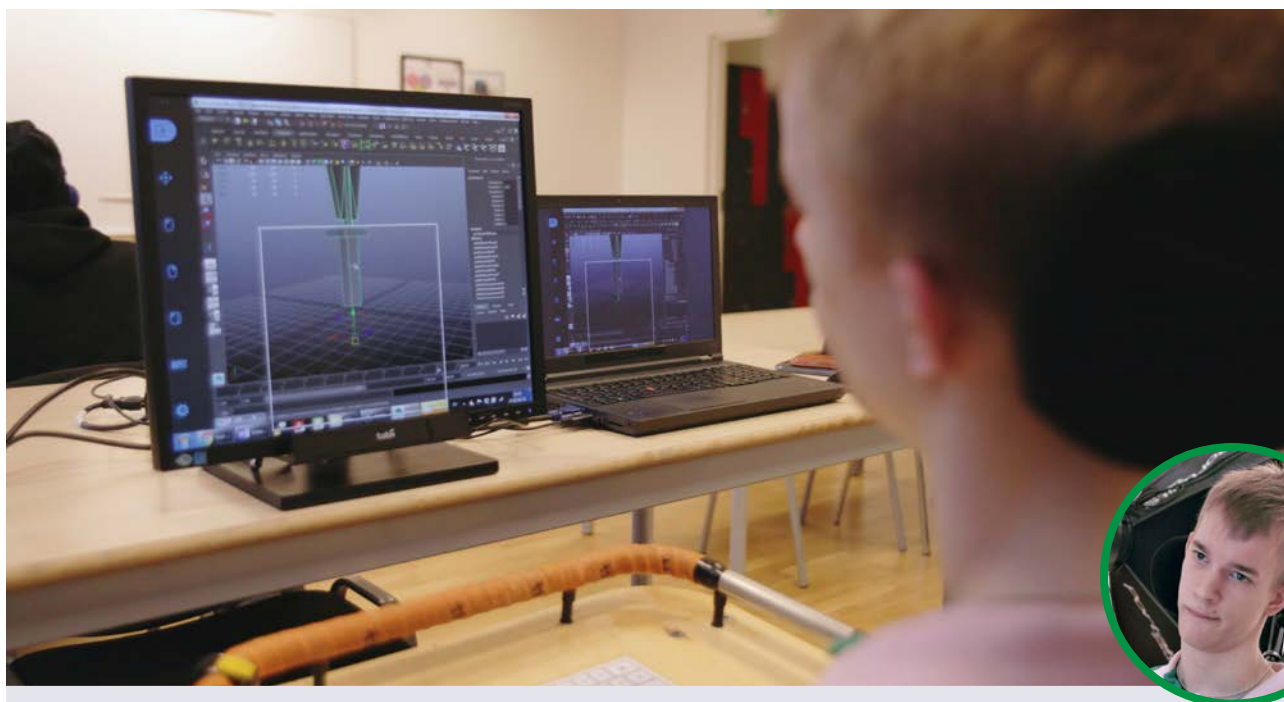
Tobii Dynavox is the clear market leader in the market for assistive technology for communication and sees good growth potential in the long term in both established and new markets.

Events during the year

- Several product launches and product updates in the field of communication devices, including the upgrade to Tobii's latest eye-tracking platform, IS4, in the eye-controlled computers of I-Series+. The computer access products PCEye Mini and EyeMobile Mini were also launched.
- Launched several important communication and special education software programs, including Communicator 5.3, which is used together with the eye-controlled devices, and Snap Scene, an app for children in the early stages of language development. Several software programs were also enhanced to include new functionality, improved performance and additional language versions.
- An organization and infrastructure for direct sales were established in the UK.
- Launched the first product specially adapted for the Chinese market.



Sixteen-year-old James has the rare disease Lennox-Gastaut's syndrome and was unable to speak before he had the chance to try an eye-controlled computer at school. Thanks to a local crowd funding campaign, they could finance a unit for James. The first words that his mother Gina heard were "Hello mum".



Sebastian has communicated and used computers with the assistance of eye tracking since he was ten. It has provided him with invaluable opportunities to live a more independent life. Today he studies graphic design. He can express his imagination and creativity and be seen as the smart guy he is. In his free time, he plays computer games online with people all over the world. Thanks to technology, Sebastian believes that in a not too distant future there will be a job for him, despite the limitation imposed on him by cerebral palsy – and he is aiming for a job in IT.

Financial performance

In 2016, Tobii Dynavox increased net sales by 3% to SEK 762 million (740), primarily due to the number of eye-controlled products increasing at a good pace. The effects of this were partly offset by the price reductions on parts of the range carried out during the year. Sales for the year were also impacted negatively by the fact that several touchscreen products were in the later stages of their product life cycles and by lower sales in the UK, where sales via resellers declined following the establishment of direct sales by Tobii Dynavox. Adjusted for currency effects, the increase was also 3%.

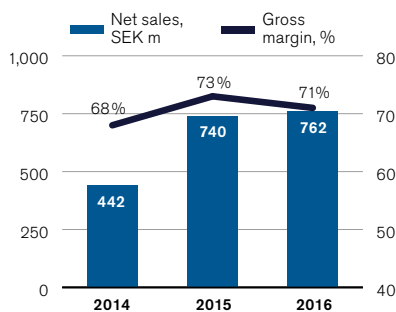
Gross margin was 71% (73%). The main reason for this was the price reduction mentioned above. Operating profit

rose to SEK 125 million (119) and the EBIT margin was 16% (16%). The business unit's R&D expenses reported in the income statement increased to SEK 96 million (92) and total R&D expenditures increased by SEK 17 million to SEK 108 million (91). Total R&D expenditures corresponded to 14% of sales.

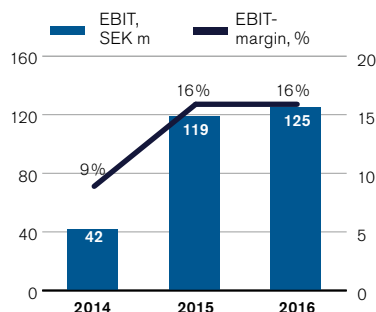
Financial goal

Tobii Dynavox's long-term goal is to deliver revenue growth in excess of 10% per year and to reach an EBIT margin of 20%.

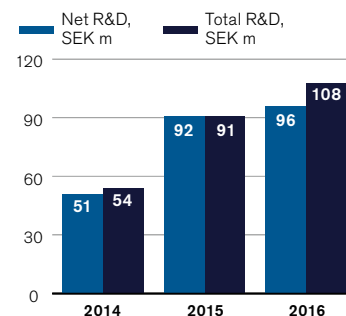
Sales and gross margin



EBIT and EBIT margin



Research and development



Market

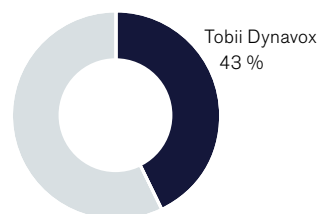
Target groups and markets

The target group for Tobii Dynavox's products includes individuals who have a reduced ability to speak or those with motor impairments that limit their ability to communicate and interact with the world around them. Common diagnoses among Tobii Dynavox's end users are ALS, cerebral palsy, spinal cord injuries, autism and aphasia.

More than 0.5% of the world's population have such severely impaired speech capacity that they require assistive technology to communicate effectively and interact with others¹⁾. According to the UN Declaration of Human Rights and the UN Convention on the Rights of Persons with Disabilities, access to assistive technology for communication is a fundamental right for all individuals. In addition to verbal communication, Tobii Dynavox's products also provide people with access to essentially all of the functions offered by computers, including communication, entertainment and work tools.

Tobii Dynavox's main markets currently comprise some ten countries with functioning systems for prescribing and funding assistive technology. According to Tobii's assessment, a few hundred thousand people in these countries are born or diagnosed with functional disabilities every year and require assistive technology to communicate effectively. Within the Company's main markets there are significant variations with respect to the proportion of people who actually do obtain suitable devices. Differences arise depending on the individual's country, diagnosis and access to insurance coverage as well as the willingness and ability of the individual and his/her relatives to engage in a dialogue with therapists, doctors and insurance institutes.

Market shares for assistive technology for communication²⁾



Position and competition

Most of Tobii Dynavox's competitors are specialized companies that focus on the development and sale of assistive technology in the form of hardware and/or software. Tobii Dynavox was the clear market leader with a 43% share of the total value of technology sold. The market share in the sub-segment eye-controlled assistive technology is approximately 75%²⁾.

Market outlook

The currently low penetration level means that there is good potential for market growth over a long period. Tobii estimates that the market for assistive technology for communication will grow between 5% and 10% per year over the next few years. The market trend is impacted by the level of knowledge among prescribers, therapists and doctors, political decisions pertaining to funding and access to assistive technology as well as awareness of the existing need for assistive technology. A positive development is that individuals with special needs are now being shown in a new light in the media through TV series, movies and social media.

Common diagnoses among Tobii Dynavox's end users



Cerebral palsy



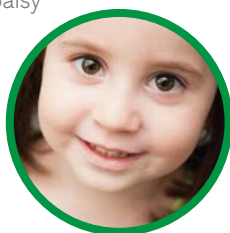
ALS



Autism



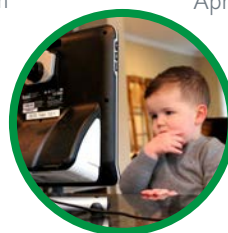
Aphasia/stroke



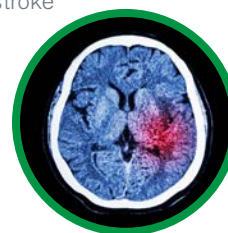
Rett syndrome



Spinal cord injuries



Neurological diseases

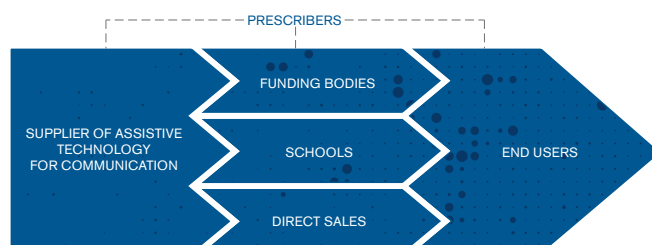


Traumatic brain injuries

1) Arthur D. Little, 2014

2) Arthur D. Little, 2017

Industry structure



Tobii Dynavox's end users are individuals with various impairments that affect speech and motoric abilities. The suppliers of communication solutions comprise a few specialized companies that provide hardware and software for communication. The solutions are often sold through funding institutes such as government or private insurance companies, or through schools that provide communication aids to their students. Some solutions are sold directly to the end user. A key role in the value chain is that of the prescriber, usually a therapist or doctor, who evaluates the end user's needs and makes recommendations for suitable assistive technology solutions.

Growth strategies

Tobii Dynavox's key initiatives to drive long-term growth are presented below:

- **Increase awareness:** Increased knowledge of the possibilities created by Tobii Dynavox's products is key to individuals gaining access to such assistive technologies and contributes to long-term market growth. Tobii Dynavox has started to work with more large-scale training about its products and their uses, geared to prescribers and people in healthcare services and schools. Moreover, Tobii Dynavox is active in PR and lobbying activities to reach the general public and decision-makers.
- **Address specific needs:** Tobii Dynavox's end users have a wide range of diagnoses and varying degrees of abilities and needs. By offering products adapted for specific target groups, the business unit can increase its level of penetration where the current level of use is low, for example among users who have aphasia and autism.
- **Address more geographic markets:** There are many countries where the degree of penetration is low due to, for example, the limited funding systems for assistive technology. To address these markets, Tobii Dynavox is expanding its portfolio with products that can be sold at a lower price directly to end users. The business unit also adapts software for additional languages and invests in gradually strengthening its sales and market presence in more countries.
- **Increase market shares in touchscreen-based solutions:** Many schools purchase mainstream tablets for students who need assistive communication solutions today. Tobii Dynavox sees potential to increase its market share in this sub-segment through competitively priced products with more purposeful functionality.
- **Invest in even better software for communication:** Learning to use software for communication is like learning a new language. When one has learned the structure of the language the barriers to changing software are high. Tobii Dynavox invests in further improving its communication software to strengthen its market shares, increase the rate of repeat customers and thereby also drive sales of hardware products.

Products



Eye-controlled products and computer peripherals

Eye-controlled communication devices account for the largest portion of Tobii Dynavox's sales. These specially designed, medical-grade computers are used by individuals who have speech impairments and severe motor impairments and are therefore unable to use their hands. Tobii Dynavox also offers computer peripherals for eye control that enable individuals with motor impairments to use a computer.

Touch-based products

Tobii Dynavox's touchscreen-based communication devices are used by individuals who have reduced ability to speak but adequate or good motor skills. These are different from

mainstream tablets because they are more durable, have modified ergonomics and powerful speakers that help the users make themselves heard.

Software for alternative communication and special education

Tobii Dynavox also sells several advanced software programs that enable users to communicate effectively with the help of text, phrases, symbols or pictures. These software programs are used together with Tobii Dynavox's hardware or mainstream tablets. The business unit also offers software for special education.



Symbol-based communication is common among Tobii Dynavox's younger users and others who have limited reading and writing skills. With the help of a touchscreen or eye-controlled communication device, the symbols can be converted into speech.

Organization

Research & development

Tobii Dynavox's R&D organization is focused on creating market-leading, effective and clinically proven assistive technology devices that are easy to use and have a sleek and appealing design. The R&D team also develops several important software programs for alternative communication. A group of experienced clinical language experts, often working together with leading university researchers, develop the symbols and language systems that form the core of the software.

The R&D organization, which comprises just over 90 individuals and is based in Pittsburgh (the USA), Stockholm (Sweden) and Bergen (Norway), design and develop communication devices and integrate eye-control technology in some of the products. Tobii Dynavox buys eye-tracker platforms from Tobii Tech for its eye-controlled products. Hardware development is carried out in close collaboration with contract manufacturers who also manage industrial-scale production. However, Tobii Dynavox retains ownership over its product designs.

Sales and marketing

The business unit operates globally through some 120 sales representatives in the USA, Canada, Sweden, Norway and the UK and more than 120 resellers in approximately 60 markets worldwide. Marketing is primarily targeted at speech language pathologists, therapists, hospitals, rehabilitation and evaluation centers, and schools. PR and social media activities are also carried out to increase public awareness about the business unit's products in order to reach users and their relatives.

In the USA, Tobii Dynavox has developed an effective support system to help end users secure funding for their devices. The Company has a special team of some 40 employees devoted to this area and agreements with more than 200 insurance companies and other funding agencies, including Blue Cross/Blue Shield, Kaiser, Tricare, Atena and Cigna as well as the two federally and state-funded health care financing programs Medicare and Medicaid.



Tobii Dynavox's staff and users together at a "Power to be You"-conference. Meeting users and receiving feedback about the products provides important input for continued product development.

Tobii Pro – the world's leading provider of eye-tracking solutions for studying and understanding human behavior

Tobii Pro develops and sells eye-tracking hardware and analysis software that help researchers and scientists around the world to study human behavior. The business unit also has a growing service organization that performs market research for customers on a global basis.

Studies of what people look at and pay attention to provide objective data and unique insights that can often not be accessed otherwise. One clear trend in the academic research and consumer insights markets is that researchers and companies want to use objective methods instead of, or as complement to, traditional surveys and interviews. Eye tracking has therefore become a key component in a growing range of studies.

Tobii Pro is the clear market leader in its niche. In addition to the established markets for academic research and market research, the business unit is also investing in establishing eye tracking in new areas, such as simulators as well as performance analysis in sports and professional training.

Events during the year

- Launched Tobii Pro Spectrum, the Company's most powerful and sophisticated eye tracker to date, primarily developed for researchers requiring very precise data.
- Launch Tobii Pro Lab, the next generation of analysis software that enables even more varied studies and more powerful analyses of eye-tracking data.
- Expanded the offering related to the Glasses 2 eye-tracking glasses. For instance, the Company released a new 100 Hz version, which provides twice the sampling rate (images per second) compared with the standard version. Tobii Pro also added prescription glass, which enables studies of people requiring vision correction, and a new software development kit (SDK). New functionality in the related analysis software was launched, which among other things simplifies data processing and analysis in quantitative studies. In addition, new cloud services for data management were launched.
- Launched Tobii Pro X3-120, a small, powerful screen-based eye tracker.
- Started the roll-out of the world's first large-scale survey panel for collection of attention data, with a few hundred Swedish households that have equipped their computers with eye tracking. Through the panel, media companies and advertisers can evaluate how web content is consumed or measure the effects of digital campaigns.
- Initiated direct sales in Taiwan.



Unilever is one of many companies in retail that use eye tracking to better understand consumer behavior. The eye-tracking glasses Tobii Pro Glasses 2 enable effective studies that provide valuable insights into how to optimize products and product packaging and how to make communication more effective in stores and online.



The new analysis platform Tobii Pro Lab facilitates studies where eye tracking is combined with other input methods, such as EEG. This makes it possible to study both what people pay attention to and how they react.

Financial performance

In 2016, Tobii Pro increased sales by 17% to SEK 245 million (209) and by 15% adjusted for currency effects compared with 2015. Growth was driven by increased sales in all regions and product categories. The Glasses 2 eye-tracking glasses product was a best-seller for the business unit throughout 2016 and drove growth in existing and new areas of application.

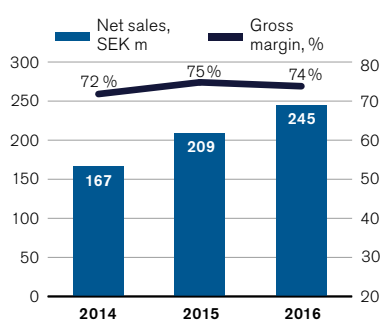
The gross margin was 74% (75%). Operating profit totaled SEK 15 million (21) and the EBIT margin was 6% (10%). The decrease in gross margin was driven mainly by a changed product mix with a higher share of service sales. The

EBIT margin was impacted by increased R&D expenditures and market initiatives. The business unit's R&D expenses reported in the income statement increased to SEK 53 million (41) and total R&D expenditures increased to SEK 57 million (43). Total R&D expenditures corresponded to 23% of sales.

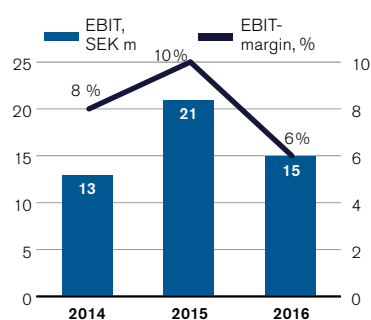
Financial goal

Tobii Pro's long-term goal is to deliver revenue growth in excess of 15% per year and to reach an EBIT margin in excess of 15%.

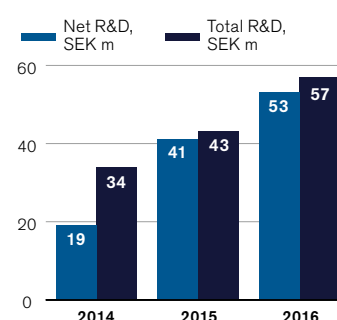
Sales and gross margin



EBIT and EBIT margin



Research and development



Market

Target groups and markets

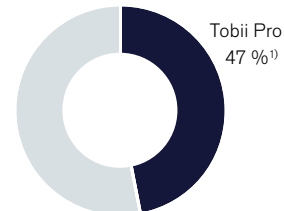
Eye movements are a subconscious, spontaneous reaction and the brain receives many more impressions through vision than through any other sense. Registering eye movements can therefore provide objective, measurable data and deep insights into human behavior that cannot be accessed otherwise. The method is used by academic researchers in disciplines such as psychology, cognitive science, ophthalmology, neurology and infant research as well as by commercial companies conducting studies of package design, advertising, website optimization and surveys concerning print, outdoor, online and TV advertising.

Tobii Pro's customer base currently includes more than 3,000 companies and 2,000 academic institutions, including numerous large corporations such as Procter & Gamble and Microsoft, leading market research companies such as Ipsos and GfK, and all of the world's 50 top-rated universities.

Position and competition

Tobii Pro is the leading supplier of eye-tracking solutions used in the study of behavior, with a global market share of approximately 50%¹⁾. Its main competitors also supply various hardware and software for behavioral research.

Market shares – eye-tracking solutions in behavioral research¹⁾



Market outlook

According to Tobii's assessment, the market for eye-tracking research offers favorable potential for future growth in both new and existing sub-segments. For example, the total market for commercial market research is very large, with annual sales totaling approximately USD 40 billion²⁾. Although the use of eye tracking as a research method has grown rapidly, it is still only used in a very small portion of market research. The same applies for several other areas. Clear trends in the market are an increased demand for objective measuring methods, the desire to carry out behavior studies in natural environments and that eye tracking is starting to be seen as a standard method in many areas of research.

Examples of research fields that use eye tracking



Consumer behavior



Neurology



Human performance



Clinical research



Website and software optimization



Psychology and infant research



Education and skills transfer

¹⁾ Arthur D. Little, 2017

²⁾ Esomar Report, 2014

Industry structure



Tobii Pro's end customers are both universities and companies within many different industries who want to study human behavior. The suppliers are a few specialized eye-tracking companies who provide hardware and software for the collection and analysis of data. The solutions are sold either directly to the end customer who perform inhouse research, or to research companies who conduct studies for the end customer. In the value chain, Tobii Pro's service offering can be compared to the latter, providing research for the end customer.

Growth strategies

Tobii Pro's strategies for increased penetration and growth are to:

- Raise awareness of eye tracking and its advantages as an objective research method so that it becomes more accepted and in demand.
- Develop new products and services that make it easier and cheaper to conduct eye-tracking studies, for example, more cost-efficient and easy-to-use software solutions.
- Make eye tracking available in large survey panels to enable highly efficient large-scale studies, to make it possible to integrate eye-tracking data into various web-based advertising platforms and to create new types of data-driven product and service offerings featuring eye tracking.
- Use eye tracking in new areas and applications. For example, Tobii Pro's eye-tracking glasses are used in many different areas, from studies to determine how consumers use various types of media to simulator environments and performance analysis in sports and professional training.



Eye tracking plays an important role when studying how children interact with people and the world around them. Researchers use eye tracking to for instance study perceptual, cognitive and social development. Through unobtrusive and reliable data collection, researchers get a deeper understanding for when children develop specific functions and capabilities, and how this changes over time.

Products and services



Eye-tracking hardware

Tobii Pro offers eye-tracking hardware for screen-based research, including high-frequency eye trackers for scientific research and simpler models used in advertising research and usability studies. The business unit's product portfolio also includes eye-tracking glasses for studies that require that test subjects can move around freely in real-world environments.



Analysis software

Tobii Pro's specially developed software enables customers to effectively design tests, collect data and analyze results in a variety of ways. The software is often sold as part of a complete solution together with eye-tracking hardware, either as a one-time license or on a subscription basis.



Services

The service organization Tobii Pro Insight conducts market research and other consumer behavior studies using eye tracking on a global basis, either directly for end customers or in partnership with market research companies. These services are in high demand and the service organization is expected to continue to grow rapidly. Additionally, the service organization often acts as a catalyst when it comes to increasing demand for the business unit's system solutions.

Organization

Research & development

Tobii Pro's R&D organization is aimed at designing and further developing market-leading eye-tracking solutions for scientific and market research. The solutions are to be easy and cost efficient to use and provide customers with superior data quality.

The R&D organization, which comprises approximately 60 individuals based in Stockholm (Sweden) and Kyiv (Ukraine), develops software for design, data collection and analysis of eye-tracking studies as well as various types of differentiated eye-tracking hardware, from highly sophisticated, precise systems to more basic, lower-priced solutions. Tobii Pro purchases eye-tracker platforms from Tobii Tech for most of its hardware products but is responsible for developing its own complete products based on these platforms. Such development is carried out in collaboration with external development partners and subcontractors, but Tobii Pro retains ownership over its product designs.

Sales and marketing

Tobii Pro addresses a global market through both direct sales and resellers. The business unit has some 50 sales representatives working from one of the Group's offices in Sweden, the USA, Japan, China, Germany, South Korea and Taiwan, or from home offices in other countries. In addition, Tobii Pro works with about 15 resellers, typically smaller companies that focus on selling Tobii Pro's products and services. All in all, the business unit covers over 40 countries.

Marketing efforts are primarily focused on activities to drive sales and increase awareness of the opportunities associated with eye tracking as a research method. This includes physical events, digital marketing and PR.



The launch of Tobii Pro Spectrum, the Company's most powerful and sophisticated eye tracker to date, and the analytics platform, Tobii Pro Lab, took place in conjunction with the Society for Neuroscience Meeting in November 2016. The launch gathered representatives from all parts of the organization who are involved – from R&D and product management to marketing and sales.

Tobii Tech – leading eye-tracking technology for integration into consumer electronics and other volume products

Tobii Tech is focused on technology and market development aimed at integrating eye tracking into consumer electronics and other volume products. Primary focus areas include gaming computers, mainstream computers, virtual reality and smartphones.

Natural and intuitive user interfaces have had a significant impact on how we use consumer electronics in recent years. This development has been made possible through new, innovative sensor technologies, such as touchscreens, motion detection, voice recognition and fingerprint recognition. Eye tracking provides unique information about the user's presence, focus and interest and has the potential to significantly change and improve the way in which we interact with these products. Accordingly, Tobii estimates that the long-term potential for eye tracking in these volume markets is very large.

The business unit also addresses specialized markets where customers develop complete solutions for a wide variety of applications, such as more effective methods for measuring and diagnosing vision problems, diseases or cognitive functions, or in safety features in surgery and manufacturing industry. Tobii Tech also delivers technology to the other two business units in the Tobii Group.

The business unit is still at an early stage commercially. Within the focus area of gaming computers, Tobii Tech has achieved several important milestones through the integration of eye tracking into gaming computers and monitors and into a number of major games. Tobii has also announced its first design win in the smartphone area. In addition, Tobii Tech has a handful of small integration customers in the fields of diagnostics, robotic surgery and optometry.

Events during the year

- Tobii Tech began delivering the new IS4 eye-tracking platform to integration customers during the second quarter of 2016. Tobii Dynavox was first to launch eye-controlled products upgraded with the new platform. The first external customer to integrate the platform was Dell,

in the gaming notebook Alienware 17.

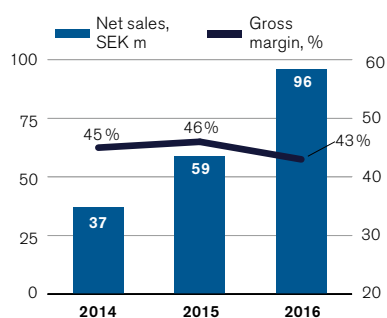
- The first gaming products with integrated eye tracking from Tobii were launched in 2016, including a gaming notebook from MSI, a gaming notebook from Alienware – Dell's brand for specialized gaming computers – and a gaming computer and three monitors in Acer's Predator series. In addition, Acer launched the premium computer Aspire V 17 Nitro in January 2017.
- Launched Tobii Eye Tracker 4C, a new version of Tobii Tech's own computer peripheral for game developers and tech enthusiasts.
- Several of Tobii Tech's products have been approved by Microsoft for face recognition in Windows Hello, which facilitates faster, simpler and more secure logins. Tobii is thus able to offer face recognition in Windows 10 and eye-tracking functionality through one and the same sensor.
- Some 50 game titles with support for eye tracking have been launched, including some of the biggest titles from 2016 such as *Tom Clancy's The Division*, *Assassin's Creed Syndicate*, *Deus Ex: Mankind Divided*, *Watch Dogs 2* and *Steep* as well as *Rise of the Tomb Raider* and *Dying Light* after the close of 2016.
- Tobii announced its first smartphone design win with the launch of Huawei Honor Magic.

Financial performance

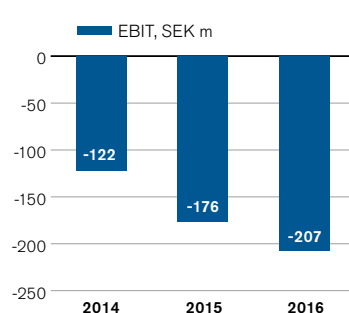
In 2016, Tobii Tech increased its net sales by 63% to SEK 96 million (59). The share of external sales rose during the year and accounted for almost half of sales, corresponding to SEK 46 million (18). Eye-tracking platform sales to Tobii Dynavox and Tobii Pro rose to SEK 50 million (41).

The gross margin was 43% compared with 46% in 2015. Tobii Tech's EBIT remained negative as a result of the planned expanded investments. Operating loss amounted to

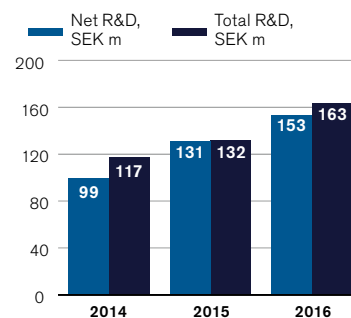
Sales and gross margin



EBIT



Research and development



SEK -207 million (-176). During the year, the business unit increased its R&D investments, primarily through the development of the next-generation eye-tracking platform, customized technology for smartphones and VR, and several customer projects. The business unit's total R&D expenditure amounted to SEK 163 million (132).

Financial goal

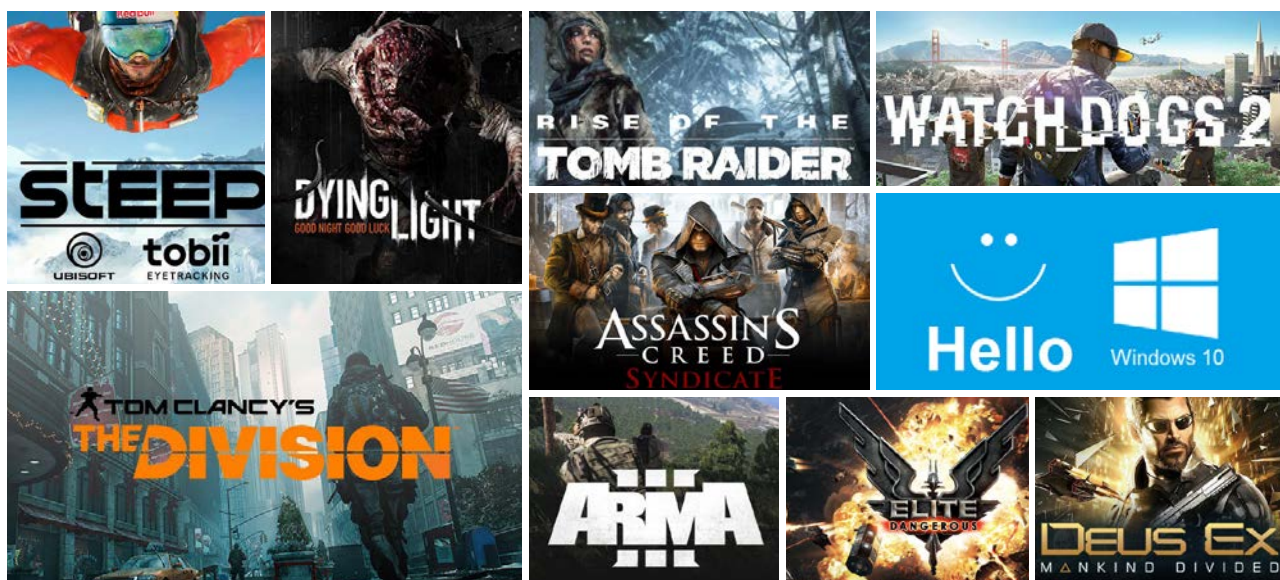
Tobii Tech's long-term goal is to be the leading provider of eye-tracking technology for integration into high-volume products.

Market outlook for Tobii Tech

Since the market for integration of eye tracking in volume products is at an early stage, Tobii has chosen not to formulate a specific financial goal for Tobii Tech, but rather to define a strategic long-term goal relating to the market position of the business unit. The goal is to be the market-leading

supplier of eye-tracking technology for integration in high-volume products. This goal is supplemented with the Company's assessments of market development for Tobii Tech.

A central part of Tobii's vision is that most computers, smartphones, VR headsets and vehicles will be equipped with built-in eye tracking in the future. However, the Company estimates that it will take time for the market to develop. Given a high penetration in these areas, Tobii estimates the total market can amount to more than a billion units annually. Thus, the total sales value of eye-tracking technology in the form of hardware components, algorithms and IP could amount to several tens of billions of SEK per year. The Company's assessment is that the total market for eye-tracking technology for integration in products within these areas could surpass a sales value of SEK 10 billion per year sometime between 2021 and 2024.



Following the launch of gaming notebooks from MSI, Dell and Acer, Tobii eye tracking is now integrated into products from three of the five largest gaming computer manufacturers. Acer has also launched several monitors with built-in eye tracking and announced at the beginning of 2017 that the premium computer Acer Aspire V17 Nitro will integrate the technology. Some 50 computer games were launched with support for Tobii eye tracking. The number of games with support for eye tracking and the quality of the additional gaming experiences enabled by eye tracking in these games are the most important factors for driving the long-term growth in demand for gaming products with eye tracking.

Tobii Tech's focus areas

Gaming computers

Among the many markets offering significant potential, Tobii Tech has initially chosen to focus on the computer gaming market. Eye tracking can provide a more immersive experience, realism and intensity in many different types of computer games. Combining eye tracking with traditional gaming controls makes it possible to, for instance, move in one direction and aim in another at the same time. You can make the scene move to where you are looking just as you can when looking around in reality. Different effects or events can also be created depending on where the player is looking.

Approximately 550 million people use their PC for gaming. The annual sales of gaming computers costing more than USD 1,000 amount to approximately 20 million units, of which about 5 million units are gaming notebooks¹⁾.

Through the past year's launches of computer gaming products that feature eye tracking – both hardware and game titles – Tobii has taken a market-leading position in the field. Tobii also sells eye trackers as monitor accessories under its own brand. The degree of market penetration for eye tracking in the gaming computer area is still very low. Tobii intends to continue making substantial investments in this area in order to drive market development and strengthen its position as the leading eye-tracking supplier.

Gaming computers represent in itself a large potential market for Tobii Tech but also serves as an early adopter market for the even larger market for mainstream computers.



Mainstream computers

Eye tracking has the potential to create more intuitive and user-friendly interfaces for computers and tablets by providing the computer with information about where the user is looking. For example, touchpads and eye control can be combined to make it easier to move the cursor, scroll and zoom. Eye tracking can also enable improvements such as lower power consumption by turning off the screen when the user is not looking at it. The same sensor can also be used for biometric face recognition of the user, as is the case in Windows Hello.

An eye-tracking sensor can either be integrated into a notebook, monitor or tablet, or be connected to the monitor as a peripheral.

Some 260 million desktop computers and notebooks and 180 million tablets are sold annually²⁾. In the long term, a substantial portion of these may be equipped with eye tracking.

Integration into small notebooks requires very small and power-efficient components. Tobii is investing substantially in technology development to enable integration of eye tracking into such products and has started developing the next generation's eye-tracking platform for computer integration. Tobii also researches and further develops eye-control functions for mainstream computer use.

Tobii intends to continue to be an eye-tracking technology supplier to computer manufacturers and provide both algorithms and specialized hardware components, such as image sensors, cameras and chips for eye tracking.



¹⁾ IDC, 2016

²⁾ IDC, 2016

Virtual reality

Eye tracking can add significant advantages and value to VR headsets, ranging from games and entertainment to a number of professional application areas. In games, eye tracking can create a more immersive experience, realism and intensity. It can also simplify and improve user interaction when it comes to menus and tools in other types of VR environments. Eye tracking is also expected to contribute to solving major technical challenges related to graphics handling and more accurate 3D rendering. Consequently, many view it as a key component in future product generations of VR headsets.

Several major consumer technology companies have launched VR headsets in 2016 and the market is expected to continue to grow at a rapid rate. An estimated 20-60 million VR headsets will be sold in 2020¹⁾.

Tobii is one of several specialized eye-tracking companies whose ambition is to take a position in the VR market. It is also likely that some VR headset manufacturers intend to develop proprietary eye-tracking technology. For example, Google and Facebook acquired small eye-tracking companies in 2016. This is expected to accelerate market development and further boost interest in integrated eye tracking among VR headset manufacturers.

Tobii considers itself well positioned in this area and in 2016 developed a foundation for eye-tracking technology for VR. Tobii intends to accelerate its investments so that it will be able to offer integration solutions for second and third-generation VR headsets, and position itself as a leading eye-tracking supplier in the area.



Smartphones

Eye tracking can create significant user value in smartphones by making the device more intuitive and better adapted to the user. A device that knows where the user is looking becomes aware of the user's presence, what the user is doing and is interested in. Based on that, it can, for example, begin loading content that the user has shown an interest in or keep the screen on as long as the user is looking at it. Certain forms of interaction can also be triggered, such as auto play or preview. Combined with touch and other interaction methods, the user can perceive the device as more intelligent and engaging.

The number of smartphones sold in 2016 is estimated to exceed 1.4 billion²⁾. The intense competition between manufacturers is driving a rapid rate of innovation of products and functions.

The market for eye tracking in smartphones is still relatively unexplored. It is a new focus area for Tobii in which there is good long-term potential for broad-scale integration of eye tracking.

At the close of 2016, Tobii presented its first design win in smartphones from Huawei. The Company licenses Tobii algorithm software that enables a subset of Tobii's full eye-tracking capacity. The goal is to gradually improve the technical performance and thereby enable a more immersive user experience.

Tobii intends to increase its investments in the smartphone area in order to in future offer an optimized system solution with high eye-tracking performance along with algorithms and IP. In parallel, Tobii focuses on exploring and developing various applications and user benefits in smartphones.

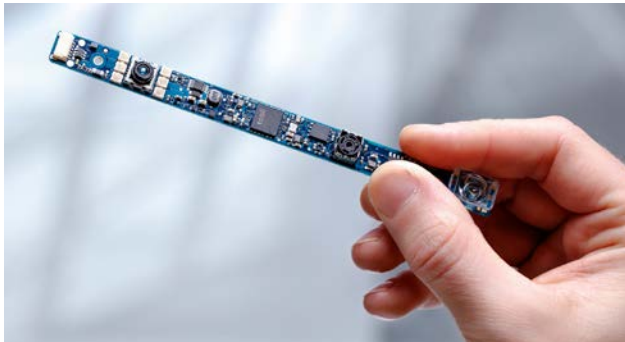


¹⁾ Analysis Group, 2016 och IDC, 2016

²⁾ Gfk, 2016

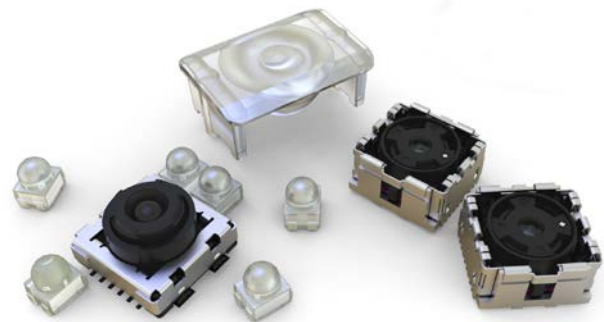
Products and business model

Tobii Tech applies several different business models for its sales of eye-tracking technology. Tobii strives to achieve a position where it supplies a combination of hardware, algorithms, system design, IP and application software.



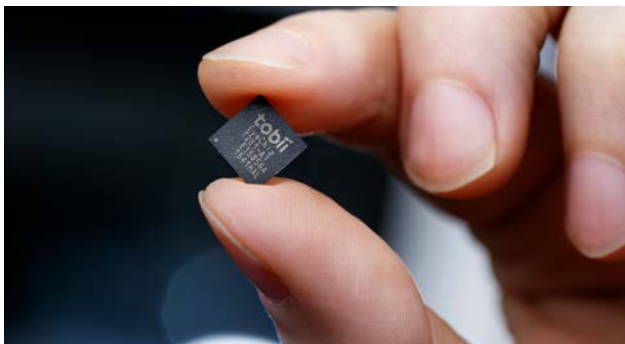
Eye-tracking platforms

Tobii Tech provides complete eye-tracking platforms for integration into its customers' products. These platforms are complete circuit boards containing Tobii's specially developed components and algorithms, and are sold together with IP and application software licenses. Examples of platforms include Tobii IS4-B, designed for integration into notebooks, and Tobii IS4-L, designed for integration into monitors and peripherals.



Hardware components

Tobii Tech offers large integration customers the option to buy the specially designed components in an eye tracker separately. The customer assembles the components into a system based on Tobii's reference design. In addition, Tobii licenses IP and application software. Examples of components include Tobii EyeChip (custom-designed processor, ASIC, containing Tobii's eye-tracking algorithms) and Tobii's specially designed eye-tracking cameras.



Eye-tracking algorithms

Tobii Tech's comprehensive eye-tracking algorithms are referred to as Tobii EyeCore. These are sold embedded in the Tobii EyeChip, but can also be licensed separately in the form of software that can be executed on computers, VR headsets or smartphones.



Application software

Tobii Tech's software offering includes various development tools as well as application software for computer interaction that combines eye tracking with other established interaction methods such as the touchpad, mouse or keyboard.

Organization

Research & development

A key investment area for Tobii Tech is to continuously develop the core eye-tracking technology to reduce size, power consumption and cost, and to improve its performance in order to enable cost-effective integration into various volume products. This work is carried out through long-term research and the development of new platform generations, specialized hardware components and algorithms for eye tracking. Hardware components include image sensors, cameras and illuminators as well as various processing solutions. One example of a hardware component is Tobii Eye-Chip, the world's first ASIC for eye-tracking.

The technology must also be adapted to the various types of products into which it will be integrated. For example, VR requires different cameras and illumination systems than those used in gaming computers or smartphones. Algorithms also need to be adapted and optimized based on the varying requirements of different product integrations. An important part of the development work is also interaction concepts and application software for various types of products. Major adaptations are often required in order to realize different types of end-user functions. Tobii Tech works closely with its customers in both the integration process itself and in the

development of the end-user experience.

Tobii Tech's R&D organization is made up of approximately 150 people. The team includes experts in optronics, machine vision, mathematics, software development, interaction design, mechatronics and ASIC design.

Sales and marketing

Tobii Tech's sales and marketing teams operate from the Company's offices in Sweden, the USA, Taiwan and Japan. Sales of eye-tracking platforms and components to integration customers are mainly conducted directly and through targeted marketing activities such as trade shows and PR.

One important aspect involves stimulating the ecosystem of game developers and helping game studios to optimize the eye-tracking functionality implemented in specific games. Another involves working together with integration customers to develop launch plans and marketing activities that highlight eye tracking in a relevant and attractive manner.

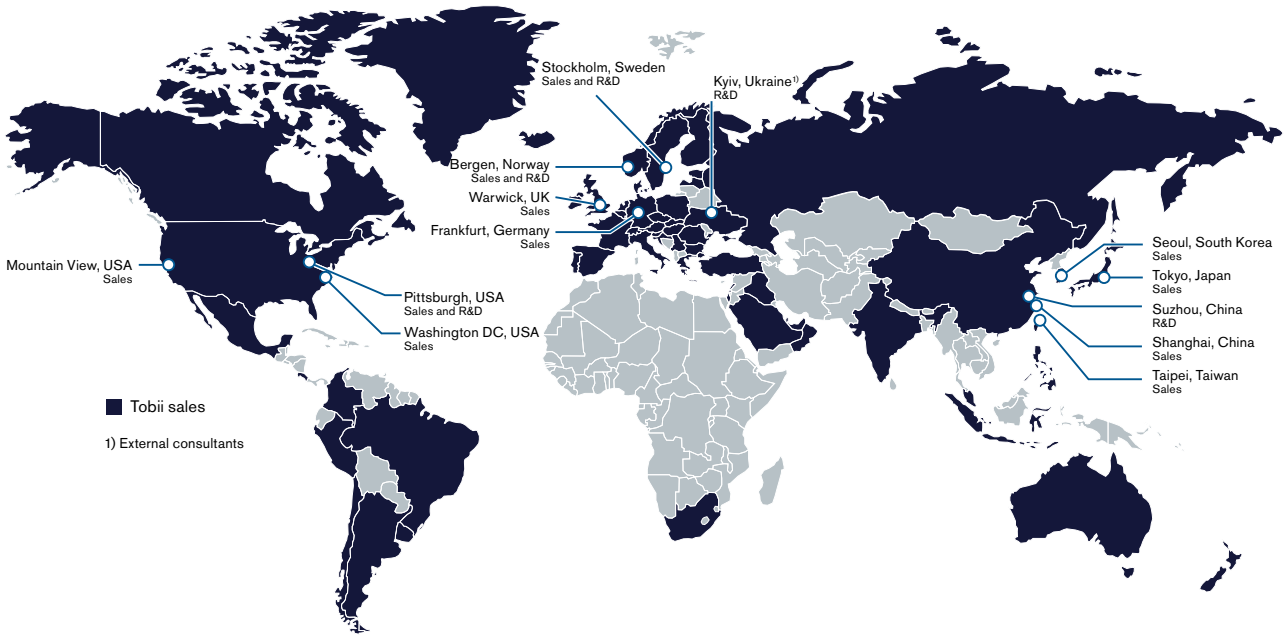
Tobii's integration customers sell their products through their own established sales channels. Tobii Tech also sells eye-tracking hardware in the form of computer monitor accessories via its own website tobiigaming.com and external channels such as dell.com, amazon.com and inet.se.



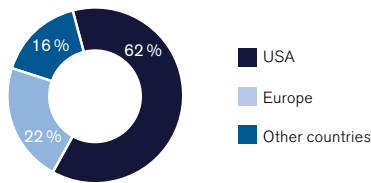
The Consumer Electronics Show CES in Las Vegas is the business unit's largest sales and marketing event. Tobii shows off its latest innovations, customer integrations and interaction concepts for media and the consumer electronics industry. Together with Tobii Tech, representatives for the other two business units participate, allowing Tobii to present its full scope and leading position in eye tracking.

Global presence

Tobii has a global presence through direct sales in its primary markets and resellers in other countries. During the year, Tobii opened a new office in Taipei, Taiwan, and closed one in Boston, USA, and now has a total of 13 offices.



Sales per region



Direct sales and resellers

	Tobii Dynavox	Tobii Pro	Tobii Tech
Directly employed sales reps	120	50	8
No. of resellers*	120	15	n/a

* Refers to the number of reselling businesses.

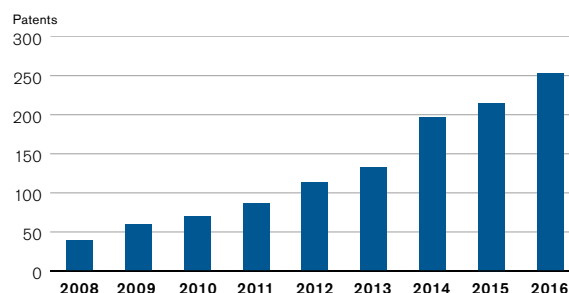
Patents

Continuously strengthening the Company's patent portfolio is an important and integral part of Tobii's R&D process. Tobii invests significant resources in research into new technologies and in the protection of innovations considered to be of strategic significance or that will be part of future products.

Tobii has a leading portfolio of eye-tracking-related patents and patent applications (Source: ClearViewIP, 2016) comprising over 250 granted patents or registered patent applications. The patent portfolio covers more than 100 distinct inventions that address many different aspects of eye tracking and eye control.

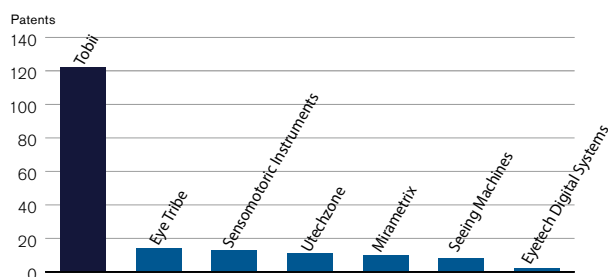
Tobii aims to have a well-rounded patent portfolio covering both the core technology and its different areas of application. One important area covered is various techniques for achieving reliable and consistent eye tracking at a low cost and low power consumption. Another key area is application-specific patents in areas such as user interface and interaction, computer games, virtual reality and automotive applications.

Number of patents and patent applications¹



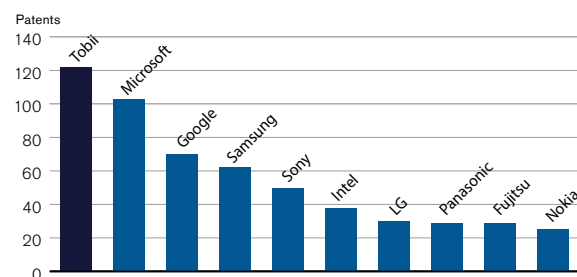
Tobii files the majority of its patent applications in the USA and Europe, with some filings in China, South Korea, Japan, India, Singapore and Canada. Tobii classifies as confidential all information regarding technological advancements that are not considered suitable for patent protection.

Tobii and its direct competitors' patents granted and applied for, related to eye tracking, as published by the US Patent and Trademark Office and the European Patent Office, Nov. 2016²



The diagrams above show the estimated number of publicly available US and European patents and patent specifically pertaining to eye-tracking inventions, not including medical/ophthalmological technology. Please note that the diagrams

Largest portfolios of patents granted and applied for related to eye tracking, as published by the US Patent and Trademark Office and the European Patent Office, Nov. 2016²



above only show publicly available patents and applications (patent applications are typically not made public until 18 months after filing).

¹ The data is based on an internal estimate of the number of patents and patent applications, and is displayed in the chart dated as of the date when the respective patent application or granted patent was added to the portfolio. All patent applications and granted patents in various countries have been included.

² A review of Tobii's patent position was conducted by independent intellectual property consultancy ClearViewIP Ltd. The review comprised searching for patents and patent applications related to eye tracking published by the United States Patent and Trademark Office and the European Patent Office. The results of the search were analyzed and reviewed by ClearViewIP Ltd, and those patents not related to eye tracking and those that did not have eye tracking as their core invention were removed from the results. Patents relating to medicinal/ophthalmological technology were removed from the results. As with all human analysis, particularly analysis of intellectual property rights, the reviewer was required to make certain subjective judgment calls. Accordingly, it is impossible to guarantee that 100% of the relevant results have been considered.

The share and owners

The Tobii share has been listed on Nasdaq Stockholm since April 24, 2015, where it is traded under the TOBII ticker. At December 31, 2016, the number of shareholders amounted to almost 25,000 and the proportion of foreign-owned shares to 23%.

Rights issue 2016

During the fourth quarter, Tobii carried out a rights issue, primarily to finance increased investments in virtual reality and smartphones. The rights issue, which was oversubscribed by 96%, generated proceeds for the Company of approximately SEK 449 million after deductions for issue costs.

Share class and number of shares

There is only one class of shares and all shares have the same right to dividends and carry entitlement to one vote per share at shareholders' meetings. The number of outstanding shares on December 31, 2016 was 96,954,036 and 100,270,036 million shares after full dilution. The dilution is attributed to the 3.3 million warrants and employee stock options within the framework of the Company's incentive programs that entitles subscription for an equal number of shares. The subscription price for these options varies depending on when the option series are issued. The series with the lowest subscription price entitles holders to subscribe for shares at SEK 19.00 and the series with the highest right entitles holders to subscribe for shares at SEK 73.30 per share, see Note 8.

Share data

Marketplace	Nasdaq Stockholm
Listed	April 24, 2015
Segment	Mid cap
Sector	Technology
Ticker	TOBII
ISIN Code	SE0002591420.
Currency	SEK
Number of shares	96,954,036 ²⁾
52-week high 2016	SEK 82.52
52-week low 2016	SEK 40.63
Closing rate 2016	SEK 68.25
Share price performance 2016	+5.9%

Price trend

The share price reached a 52-week high of SEK 82.52 (October) and a 52-week low of SEK 40.63 (February).

Tobii's market capitalization at December 31, 2016 was SEK 5,892 million. In 2015, 82,614,932 Tobii shares were traded on Nasdaq Stockholm, which corresponds to an average daily turnover per trading day of 474,798 shares.

Ownership structure

At December 31, 2016, Tobii had almost 25,000 shareholders, a 55% increase since last year. The ten largest shareholders' share amounted to 42.9%. The Board of Directors and Group Management had 13.9% of the shares in the Company, of which the company's three founders accounted for 10.4%¹⁾. Of the shareholders, slightly more than 23,000 or 95% are registered in Sweden.

Dividend policy

All shares carry equal rights to dividends and to the Company's assets and potential surpluses in the event of liquidation. It is the intention of the Board of Directors to give priority to Tobii's development and expansion plans for the business unit Tobii Tech over dividends to shareholders over the next few years.

Analysts who regularly monitor Tobii's performance

ABG Sundal Collier	Anders Hillerborg
ABG Sundal Collier	Morten Larsen
Carnegie	Mikael Laséen
Swedbank	Mathias Lundberg

¹⁾ Excluding 2,835 shares owned by Henrik Eskilsson AB, a company wholly owned by Henrik Eskilsson, and 1,565,511 shares owned by Eskilsson Consulting AB, a company where Henrik Eskilsson is a minority shareholder with 22.5% of the shares.

²⁾ Through the rights issue carried out during the year's fourth quarter, the number of shares increased to 96,954,036, which was registered in the share register maintained by Euroclear Sweden in January 2017.

What makes Tobii an interesting investment

Strong market position

- Tobii has a leading technology and patent portfolio in eye tracking
- The Tobii Dynavox and Tobii Pro business units are established market leaders in their respective niche markets

Market potential

- Tobii Tech addresses a number of mass markets where the long-term potential is substantial
- Tobii Dynavox and Tobii Pro have good long-term growth potential through increased market penetration

Offering and position in the value chain

- Highly refined proprietary technology that includes proprietary eye-tracking hardware, algorithms and software that create unique user benefits within several different areas of application

- Proprietary solutions within Tobii Dynavox and Tobii Pro
- The industry's most powerful R&D organization in eye tracking
- One of Sweden's most attractive employers according to Universum's ranking

Finances

- Profitability and positive cash flows from Tobii Dynavox and Tobii Pro
- High growth rate within Tobii Tech, albeit from low levels
- Fully financed to implement the current business plan with large-scale investments in PC gaming, VR and smartphones

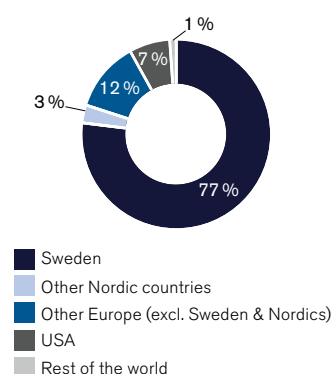
Shareholder structure

Shareholding	No. of shareholders	Number of shares	Shares/votes, %	Market value, SEK 000
1-500	18,560	2,932,786	3.33	200,163
501-1,000	2,929	2,435,710	2.76	166,237
1,001-5,000	2,485	5,608,937	6.36	382,81
5,001-10,000	312	2,375,606	2.70	162,135
10,001-15,000	74	925,179	1.05	63,143
15,001-20,000	44	798,439	0.91	54,493
20,001-	196	73,063,376	82.89	4,986,575
Total December 31, 2016	24,600	88,140,033²⁾	100	6,015,557

The ten largest shareholders

Shareholder	Number of shares	Share, %
Swedbank Robur Fonder	7,831,610	8.89
Invifed AB	7,529,267	8.54
Eskilsson, Henrik ¹⁾	4,201,433	4.77
Sjätte AP-fonden	4,000,630	4.54
Handelsbanken Fonder	3,427,265	3.89
Amadeus General Partner Limited	2,823,301	3.20
Elvesjö, John	2,731,501	3.10
SSB Client Omnibus AC OM07 (15 PCT)	2,718,436	3.08
Catella Fondförvaltning	2,552,038	2.90
Skogö, Mårten	2,533,395	2.87
Total ten largest shareholders	37,815,481	42.91
Other shareholders	50,324,552	57.09
Total December 31, 2016²⁾	88,140,033	100

Holding per region



Source: Shareholder data from Euroclear.

¹⁾ Excluding 2,835 shares owned by Henrik Eskilsson AB, a company wholly owned by Henrik Eskilsson, and 1,565,511 shares owned by Eskilsson Consulting AB, a company where Henrik Eskilsson is a minority shareholder with 22.5 % of the shares.

²⁾ Through the rights issue carried out during the year's fourth quarter, the number of shares increased to 96,954,036, which was registered in the share register maintained by Euroclear Sweden in January 2017.



tobii

Sustainability Report 2016

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Sustainability

Tobii's first Sustainability Report

The basis of Tobii's sustainability agenda is to create long-term sustainable value and, through humanized technology, transform and improve lives and entire industries. One of the strongest driving forces at Tobii is to provide first-class products and services to our customers and users. As a rapidly growing organization, we have great responsibility as an employer. Tobii's employees should have a fun, stimulating and sustainable work life, and every individual should act in accordance with our values and principles of business ethics. Moreover, Tobii should advocate good work conditions among its suppliers and assume environmental responsibility in production and product handling.

In many significant aspects, our sustainability agenda is integrated in our operations, and has been for several years. In 2016, Tobii initiated a more structured sustainability program aimed at mapping and highlighting material aspects and formulating clear targets for the future.

Tobii's Sustainability Report has been prepared in accordance with the Global Reporting Initiatives (GRI) guidelines, version G4 at the Core level, refers to fiscal year 2016 and addresses primarily Tobii's operations. Tobii's efforts to exert an influence beyond the Group mainly relate to suppliers. Our ambition is to present a sustainability report every

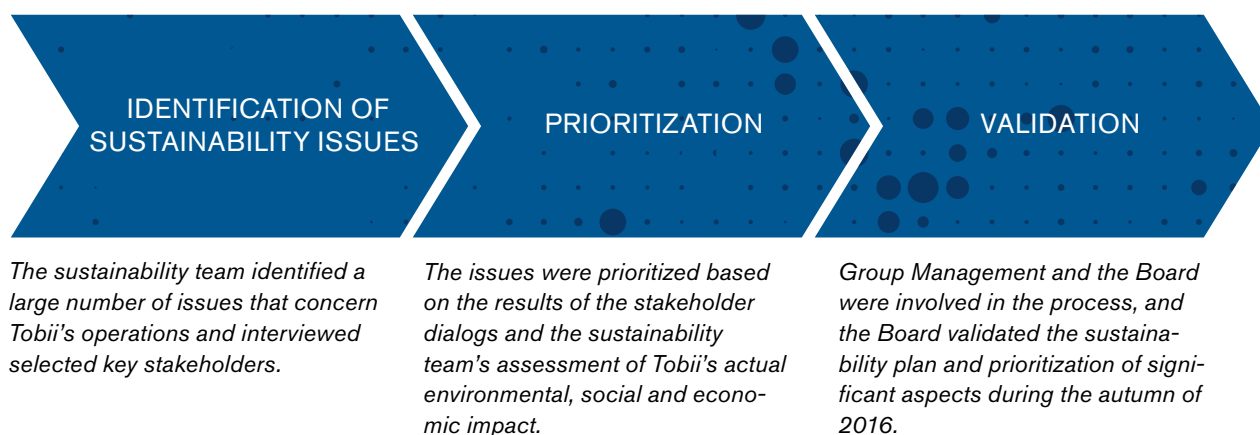
year that details both positive and negative impacts and developments.

Sustainability organization and governance

Tobii's sustainability team comprises representatives from several departments such as HR, Communications, Finance and Production. The team is responsible for coordinating the Group's sustainability agenda, mapping significant aspects in the operations, engaging in stakeholder dialogues, and measuring and monitoring Tobii's key sustainability issues. The team also involves Group Management and other operational areas of the organization to develop support for strategies and the implementation of practical initiatives. The sustainability plan for 2016 has been reviewed and approved by the Company's Board.

[READ MORE](#) [Questions to Tobii's Chairman of the Board on page 81.](#)

Materiality analysis



In the initial phase, the sustainability team identified overall sustainability contexts and relevant stakeholders. To ascertain the most important sustainability issues, Tobii conducted a three-step materiality analysis, see illustration above.

The work of the sustainability team, the stakeholder dialogues and Tobii's day-to-day operations, values, policies and guidelines led to the identification of the following focus areas:

- Our employees
- Our social responsibility
- Business ethics at Tobii and the supply chain
- Sustainable product design and environmental impact

Stakeholders dialogue

An ongoing, transparent stakeholder dialogue is important to Tobii. Key stakeholders that were involved in the 2016 Sustainability Report included a selection of customers, employees, owners and investors. In addition to the interviews performed by the sustainability team, feedback was gathered through continuous dialogues in various parts of the operations. Suppliers were also involved through dialogues and mutual policy compliance requirements.

	Dialogue form	Sustainability aspects	Tobii's response
Customers	Interviews	Customer service	More frequent contact with customers, also in the development phase
	Customer satisfaction surveys	Availability	Improved online support pages
	Ongoing dialogues	Energy consumption and CO ₂ emissions	Online trainings
	Customer service	Quality Business ethics and environmental aspects in production and supply chain	
Employees	Interviews	Health and work environment	Skills development and leadership training
	Employee performance reviews	Skills development and career	Health and fitness initiatives
	Employee satisfaction surveys	Equality and diversity	Diversity team formed in Stockholm
		Business ethics and environmental aspects in production and supply chain	Refurbishment of parts of our offices
Owners and investors		Energy consumption and CO ₂ emissions	Launched updated Tobii values
	Interviews	Equality and diversity	
	Meetings and dialogues about compliance, and investor surveys	Business ethics and environmental aspects in production and supply chain	Decision on the sustainability agenda and reporting in accordance with GRI as of 2016
	Roadshows and individual meetings	Energy consumption and CO ₂ emissions	
Suppliers	Continuous regulatory communication	Policies and internal controls	
	Board meetings	Use of materials	
	Annual General Meeting		
	Meetings and dialogues with first-tier suppliers about compliance with Tobii's Code of Business Conduct and Ethics	Working conditions	Updated Code of Business Conduct and Ethics for suppliers
	Compliance requirement with Electronics Industry Citizenship Coalition (EICC) Code of Conduct	Health and safety	Supplier review program
		Energy consumption and CO ₂ emissions	Decision to start working on achieving ISO 9001 and 14001:2015 certification
		Business ethics	Implementation of and compliance with EICC Code of Conduct
		Internal controls	

Our employees

Tobii's foremost success factors are our ambitious and passionate employees combined with the open, innovative and dedicated culture that is reflected throughout our entire organization. All employees are given a high degree of freedom and responsibility, which empowers us to work toward Tobii's long-term vision: to create a world where all technology works in harmony with natural human behavior. Tobiiians are driven by curiosity and a constant will to improve, renew and surpass themselves, making Tobii a world-leading pioneer in eye tracking. To continue to attract top talent and deliver on our ambitious goals, a central focus for Tobii is to offer our employees a sustainable and inspiring work life.

Culture and values

Our shared values provide guidance to all our employees in how we act to achieve commercial success and to be a world-class workplace. By doing things "the Tobii way", we reinforce our culture shaped by ambitious, resourceful employees, teamwork and passion.

In 2016, we reformulated the Tobii values that are reflected throughout our organization and that we use as guidance for the behavior of all Tobiiians.

the
tobii
way



Amaze our customers

Happy and successful customers and end users are the keys to our own long-term success. We combine a profound understanding of our customers' needs with an exceptional ambition to deliver amazing products, services and experiences in every detail.



Succeed together

Success is always a united effort. We work as one team with a shared purpose. We strive to keep our organization flat and informal, free from turf wars and internal politics. We are open and honest in our communication and go the extra mile to share information and help each other.



Make it real

We want to create a better reality. We each take responsibility for bringing our ideas to life, and we have the freedom and the courage to take decisions. Once we have decided, we do it. We dig in and do the hard work needed to make ideas real.



Beat yesterday

Challenging goals are in our DNA. To stay in the lead, we are bold and relentless in improving what we do and how we do it. Visionary innovations are just part of it – we have to drive forward in every detail. To be better today, and better still tomorrow.



Share passion

Our passion and positive energy are contagious. By sharing them, we make our adventure together even more fun, exciting and meaningful.

Learning culture and skills development

All Tobiiians are encouraged to develop and learn new things, both to improve their own skills and also to bring new knowledge to Tobii. Development can happen through as well we challenging work tasks, the opportunity to transition between projects and roles, but also through in-house and external training and conferences. Employees can rotate among business units at Tobii to learn new industries, broaden the exchange of knowledge and enable further career development.

Regular dialogues between managers and employees coupled with annual performance reviews ensure that employees receive the right skills development. In 2016, 93% of those who had been employed for more than one year had a performance review, and we are aiming even higher so that 100% will be included.

Growth puts leadership in focus

Inspiring, focused leadership is central to Tobii's continued growth and success. As a result of our rapidly growing organization in 2016, an unusually high number of new managers were appointed. A key area of focus was therefore the introduction of good leadership skills to these individuals. Tobii Dynavox carried out a leadership initiative for all managers in

2016 with a follow-up scheduled for 2017. We have even higher ambitions in 2017 with respect to the introduction for new managers and additional training for existing managers. A new modular leadership program will be introduced and Tobii's leadership forum will continue to meet every sixth week to discuss relevant leadership issues and exchange best practices.

A top-ranked employer

Tobii's strives to be a top-ranked employer in Sweden and internationally. We are very happy that Tobii since 2010, has been on Universum's ranking list of Sweden's Top 100 most popular employers. Furthermore, Tobii Dynavox received the "Top places to work" award in Pittsburgh in 2016.



Tobii advocates active knowledge sharing among colleagues. In 2016, developers from all three business units gathered at the joint developer conference Develop Beyond to inspire and learn from each other.

Diversity and inclusion

Tobii is a highly international workplace characterized by diversity – something we consider to be a strength for both our results and work environment. A mix of individuals who have different backgrounds, experience and perspectives is key in both attracting and retaining employees, and bringing new ideas and viewpoints to Tobii.

At Tobii, we naturally treat each other with respect and curiosity to make everyone in our diversified workplace contribute with their full potential. The knowledge, skills and abilities of every individual is respected and valued, regardless of gender, gender identity, ethnicity, religion, disability, sexual orientation or age.

Tobii has zero tolerance for bullying and harassment. Tobii takes a very serious stand should anyone be exposed to such treatment. Our Work Environment Policy clearly stipulates in its guidelines how such situations are to be handled. These guidelines are explained to all employees through introductory lectures and courses regarding Tobii's Code of Business Conduct and Ethics.

Gender equality

Tobii has high ambitions in terms of gender equality and diversity. A good mix of men and women is important to create a workplace where everyone feels comfortable and to attract new top talents to Tobii. In the Group, women make up 40% of the employees, but this varies greatly between the different business units and teams. This is particularly evident in R&D where women are underrepresented.

A series of initiatives were carried out in 2016 to boost gender equality at Tobii and to attract more women to us. An equality team was formed in the Group Management Team, we studied our recruitment processes and job vacancy ads and we set goals on external recruitment companies to present more women candidates. We also held numerous events and activities to boost interest in Tobii and the engineering industry among women engineers and job applicants. In 2016, women made up 41% of the new recruits.



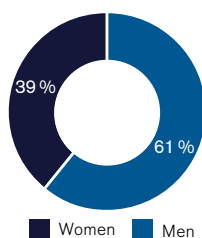
Tobii's employees often get involved in various industry events to present Tobii and the ground-breaking activities of which they are a part. In the picture: Gülis Zengin and Jenny Melander at Female Engineer Network in Stockholm, Sweden.

Strong results in our annual employee survey

Annual employee surveys are conducted throughout the company to gather structured and quantitative feedback from Tobii's employees. All the business units and teams review the results to identify potential for further improvement, as well as to highlight areas where Tobii excels.

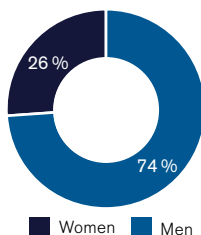
The employee survey 2016 showed a continued strong result for Tobii. The employee index, which is the proportion of questions where Tobii was given a score of 4 or 5 on a scale of 1–5, increased from 77% to 79%, which can be compared with the industry average of 63%. On top of that, Tobii's ratings improved in all categories. For instance, 87% of the employees thought their work is engaging and 90% said that they find their work meaningful.

Gender distribution, total



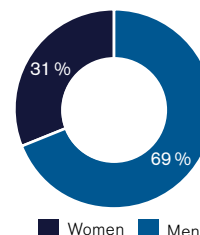
At year end, 299 of a total of 759 employees globally were women.

Gender distribution, Sweden



At year end, 83 of 313 employees at Tobii in Sweden were women.

Managers, total



Health and fitness

Tobii strives to provide employees with a fun place to work and an excellent physical and psychosocial work environment. We want to make it easy for our employees to have time for exercise and physical activity in their daily lives. Therefore, we offer health and fitness benefits, subsidized gym memberships and free massage to all employees in Stockholm.

Through the Team Tobii health and fitness initiative, our Stockholm-based employees may opt to undergo an annual health checkup, attend lectures and take part in physical activities such as running technique practices, mindfulness, step-counting competitions, soccer, ping-pong, volleyball, horseback riding and yoga. The most popular activity in 2016 was the Bellmanstafetten relay race for runners in which 104 Tobiians participated.

Similar initiatives also exist at Tobii's second-largest office in Pittsburgh, where employees have had access to yoga, courses about sleep and healthy cooking, as well as weight-loss motivating activities, and at the offices in China.

Facts about our employees

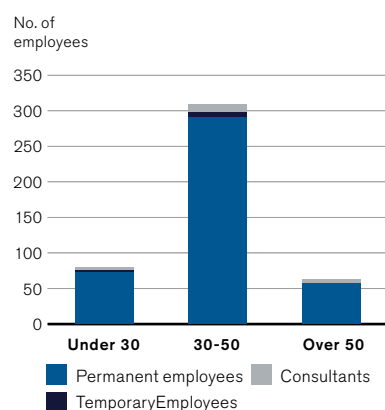
Tobii is currently in a strong phase of growth and grew by 107 full-time equivalents or 17% in 2016. At the end of the period, the Tobii Group had a total of 759 employees, corresponding to 719 recalculated to fulltime equivalents. In addition to permanent and project employees, Tobii also engages some 60 consultants. Employee turnover for permanent employees within the Tobii Group was 12% in 2016. In Sweden and USA, the countries where Tobii has the most employees, turnover was 9% and 14%, respectively. These figures can be compared with an industry standard in the IT sector in Sweden of some 15% and around 30% in the USA.



Focus 2017

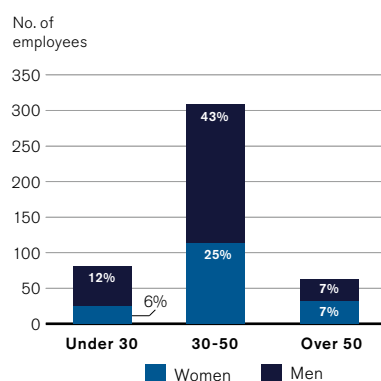
Leadership training for new and established managers
Set up an equality team, with employees from all parts of the organization, whose aim is to define targets and strategies for Tobii's equality agenda
Events and recruitment campaigns to attract female engineers
Continued health and fitness initiatives

Number of employees by age and form of employment



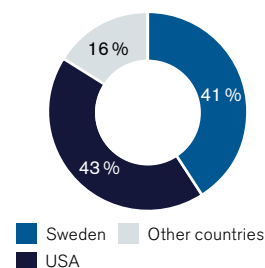
The number of employees by age and form of employment is based on employee responses in the employee survey.

Share of employees, women/men



The share of women and men per age group is based on employee responses in the employee survey.

Total number of employees by region



Business ethics

Tobii strives to be a transparent and responsible company that cultivates confidence, collaboration and commitment. High standards in terms of business ethics are crucial in maintaining a good reputation and repeat customers. Accordingly, Tobii is steadfast in advocating good work conditions for our employees and those of our suppliers, and has zero tolerance for corruption and violations of human rights.

Tobii's Code of Business Conduct and Ethics

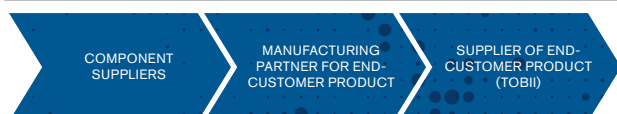
Tobii's Code of Business Conduct and Ethics defines the principles and policies of business ethics that the organization is to follow. This includes the Environmental Policy, Employer Policy, Anti-corruption Policy, Export Policy, Information Policy, Insider Trading Policy, Supplier Policy and Whistle Blower Policy. Our Code of Business Conduct and Ethics is based on the Universal Declaration of Human Rights adopted by the UN, the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the International Labor Organization's Conventions and Recommendations and the Swedish Corporate Governance Code.

Training in the Code of Business Conduct and Ethics is compulsory for all Tobii employees and is arranged through introductory lectures for new employees as well as an online course in which each employee confirms that they will comply with the Code of Business Conduct and Ethics.

Community engagement at the heart of our business

Communication is a fundamental human need and a basic human right. The ability to communicate is also essential in terms of freedom of speech and participation in society. Every day, Tobii Dynavox's assistive technology for

Supply chain for production of hardware products to end customers for Tobii Dynavox, Tobii Pro and Tobii Tech



Supply chain for eye-tracker platform production

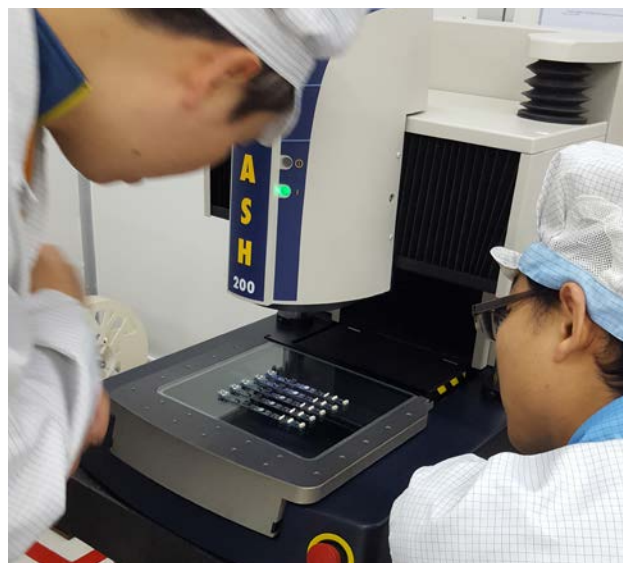


Focus 2017

Carry out audits at Tobii's suppliers based on criticality and share of Tobii's purchases

Quarterly follow-up to measure supplier improvements

Training for all new employees in Tobii's Code of Business Conduct and Ethics



communication helps tens of thousands of people to express themselves and live more independent lives. In 2016, close to 15,000 more people were given the opportunity to communicate aided by one of our communication solutions.

Tobii is committed to spreading knowledge and influencing perceptions and laws to promote changes in a society where communication is far from a given right for all. In 2015, Tobii backed an amendment to a law in the USA that made it easier to secure funding for assistive technology for communication. The dialogue with decision-makers and politicians continued in 2016. Our ambition is to increase our activities to influence public opinion and decision-makers in the future.

Business ethics in the supply chain

Tobii's Code of Business Conduct and Ethics stipulates that Tobii will always comply with the highest applicable standard in all areas in which the Company operates. The EICC Code of Conduct is a code of conduct for companies in the electronics industry. It aims to establish that all companies throughout the supply chain assume environmental and ethical responsibility, that working conditions within the supply chain are safe and that workers are treated with respect and dignity. In 2016, Tobii implemented and complied to the EICC Code of Conduct and updated its own Code of Business Conduct and Ethics and Supplier Policy in accordance with the EICC Standard.

Tobii started to roll out its revised Supplier Policy in 2016. Initially, Tobii prioritized suppliers that account for the largest portion of Tobii's purchases. Together with an external consulting agency, Tobii prepared an audit tool to ensure that the suppliers meet the code of conduct. As the audit of sub-contractors' compliance will begin in 2017, data on labor and human rights in the supply chain is not available for 2016.

Sustainable product design and environmental impact

For Tobii, sustainable product design means offering high-quality products with economic and environmental efficiency throughout the entire supply chain, from design and production to sales and delivery. Tobii's environmental impact is relatively small, but it is still a priority to continuously strive toward reducing our footprint. Tobii takes the entire value chain into account, but recognizes transportation and product design are areas where we have the greatest impact.

Customer experience

Satisfied, committed customers are key to Tobii's long-term economic sustainability and an important aspect for the organization. Tobii maintains an ongoing dialogue with its customers to improve commitment and customer satisfaction and thereby boost the levels of repeat customers and recommendations. Customer feedback represents extremely valuable input to Tobii's product development process in terms of optimizing our products to meet the needs of the end users.

In 2016, all three of Tobii's business units carried out customer satisfaction surveys. The format ranged from surveys via software or e-mail to qualitative interviews. Another important channel for feedback is customer support via phone, e-mail, online and social media. The surveys revealed that, aside from Tobii's products and services, the customers put a premium on friendly response and service, delivery times and support.

Product design

Tobii strives to use materials that are renewable and recyclable whenever possible. Tobii complies with the regulations for the production of consumer electronics and uses only components that meet the RoHS2 and REACH standards.

As far as Tobii is aware, no conflict minerals are used in Tobii's products.

The choice of materials is defined in the early phase of product development and design. Therefore, it is important that hardware developers and product owners are aware of the consequences of the choice of design and materials. In 2016, Tobii identified a need for an eco-design training activity for the relevant staff to ensure that the environmental aspect is an integral part of future product development.

Recycling

Scrapping of Tobii's products adheres to the recycling rules that apply for consumer electronics. Tobii complies with the European WEE, battery and packaging directives since 2015.

CO₂ emissions from travel and transportation

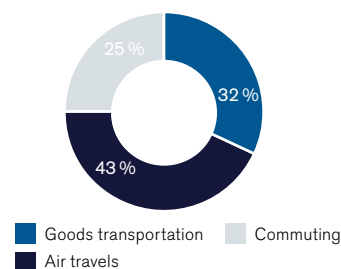
The transportation sector accounts for a large part of the world's CO₂ emissions. Assuming responsibility for minimizing these emissions is an important and prioritized issue for Tobii. In 2016, Tobii carried out a situation analysis of its CO₂ emissions. The analysis included Tobii's transport activities and its employees' travel to and from work as well as business travel by plane. Tobii offset the CO₂ emissions that arose in conjunction with the transportation of products in 2016 through a system approved by The Carbon Neutral Company.

The majority of Tobii's products are manufactured in South East Asia and are shipped to customers in Asia, Europe and North America. In 2016, Tobii worked to streamline its transport activities through volume freight to logistics hubs in Europe and North America, and by using transportation alternatives that have less environmental impact.

Focus 2017

- Continue customer satisfaction surveys
- Eco-design training for the relevant employees
- Reduce travel by improving tools for video conferencing
- Start ISO 14001 and 9001:2015 certification
- Analyze the renewable and recyclable materials in Tobii's products
- Review the environmental impact of product packaging

Tobii's CO₂ emissions, %



GRI-Index

Standard disclosures

Indicator	Description	Page	Comments
<i>Strategy and analysis</i>			
G4-1	Statement from the most senior decision-maker about the relevance of sustainability and the Company's strategy for addressing sustainability	81	Comments from Kent Sander, Chairman of the Board.
<i>Organizational profile</i>			
G4-3	The name of the company	45	
G4-4	The primary brands, products and/or services	7	Tobii Dynavox, Tobii Pro, Tobii Tech
G4-5	Location of headquarters	45	
G4-6	Countries where the company operates, and name of countries where either the company has significant operations or that are specifically relevant to the sustainability topics covered in the report	26	
G4-7	Nature of ownership and legal form	28	
G4-8	Markets served by the company	10, 16, 21	
G4-9	The reported scale of the organization	45-46, 51	
G4-10	The total number of employees by employment contract, employment conditions, region and gender	36	
G4-11	Percentage of employees covered by collective bargaining agreements		Not applicable. Tobii has no collective bargaining agreements, but offers employment terms and benefits that are on par with or exceed the industry's collective bargaining agreements such as ITP-2.
G4-12	Description of the company's supply chain	37	In its operations, Tobii makes use of two supply chains; one chain is for Tobii Dynavox, Tobii Pro and Tobii Tech and their production of the end-consumer hardware, and the other chain is for the manufacturing of integration platforms.
G4-13	Significant changes during the reporting period regarding size, structure, ownership or supply chain		Not applicable
G4-14	Description of whether and how the precautionary approach is addressed by the company.	38	
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives to which the company subscribes or endorses	37	In 2016, Tobii signed the EICC Code of Conduct.
G4-16	Membership of organizations and industry associations		Khronos, VCCI, Swedish Optical Society, Swedish Society for Automated Image Analysis (SSBA) and ISAAC.
<i>Identified material aspects and boundaries</i>			
G4-17	Entities included in the company's financial statements and information as to whether any entity is not included in the non-financial statements	45	
G4-18	Process for defining the report content and relevant aspects	31	
G4-19	Identified material aspects	31	
G4-20	Material aspects' boundaries within the company	31	
G4-21	Material aspects' boundaries outside the company	31	
G4-22	Report the effect of restatements of information provided in previous reports and the reasons for such restatements		Not applicable
G4-23	Significant changes from previous periods in the scope and aspect boundaries		Not applicable
<i>Stakeholder engagement</i>			
G4-24	List of stakeholder groups	32	

G4-25	Basis for identification and selection of stakeholders	31-32
G4-26	Approach to communication with stakeholders	32
G4-27	Key topics raised through stakeholder engagement	32

Report profile

G4-28	Reporting period	45	January 1 – December 31, 2016
G4-29	Publication date of most recent report		Not applicable
G4-30	Reporting cycle		Calendar year
G4-31	Contact point regarding the report	40	Sara Hyléen, Corporate Communications Director, sara.hyleen@tobii.com
G4-32	CRI Content Index for 'In accordance' – Core	40	
G4-33	Policy and practice for external audit		The report is not externally audited.

Governance

G4-34	Report the governance structure for the company	82-87	Corporate Governance Report
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Ethics and integrity

G4-56	The company's values, principles, standards and norms of behavior	33, 37	
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Specific standard disclosures

Indicator	Description	Page	Comments
<i>Environmental</i>			
G4-DMA	Materials	38	
G4-EN2	Percentage of recycled input materials	38	Due to an absence of collected data, full disclosure is not possible. The collection of data is planned to be conducted in 2017.
G4-DMA	Transport	38	
G4-EN30	Significant environmental impacts of transporting products and employees as well as business trips	38	
<i>Labor practices and terms</i>			
G4-DMA	Training and education	34	
G4-LA11	Percentage of employees that have had a performance review, by employee category and gender	34	Is not reported per employment terms or gender.
G4-DMA	Diversity and equal opportunities	35	
G4-LA12	Composition of the board, management and employees according to gender, age group and employment category	35-36, 88-89	
G4-DMA	Supplier assessment for labor practices	37	
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	37	Due to an absence of collected data, full disclosure is not possible. The review of sub-contractors' compliance with labour practices criteria will begin during 2017.
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	37	Due to an absence of collected data, full disclosure is not possible. The review of sub-contractors' compliance with labour practices criteria will begin during 2017.
<i>Human rights</i>			
G4-DMA	Supplier human rights assessment	37	
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	37	Due to an absence of collected data, full disclosure is not possible. The review of sub-contractors' compliance with human rights criteria will begin during 2017.
G4-HR11	Significant actual and potential negative human rights impact in the supply chain and actions taken	37	Due to an absence of collected data, full disclosure is not possible. The review of sub-contractors' compliance with human rights criteria will begin during 2017.
<i>Product responsibility</i>			
G4-DMA	Product and service labeling	38	
G4-PR5	Results of customer satisfaction surveys	38	

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Multi-year overview – the Group

	2016	2015	2014	2013	2012
Net Sales, SEK m	1,053.3	967.3	620.6	412.1	369.5
EBITDA, SEK m	50.3	81.1	5.6	26.5	2.1
Operating profit/loss (EBIT), SEK m	-67.0	-35.7	-68.9	-37.5	-53.0
Net profit/loss for the year, SEK m	-49.8	-24.6	-50.9	-45.1	-58.4
Gross margin, %	72.3	74.8	70.8	65.2	63.5
EBITDA margin, %	4.8	8.4	0.9	6.4	0.6
EBIT margin, %	-6.4	-3.7	-11.1	-9.1	-14.3
Cash flow from operating activities, SEK m	67.6	79.9	0.7	48.2	36.5
Cash flow after continuous investments, SEK m	-74.5	-40.7	-117.7	-61.8	-54.5
Earnings per share, SEK	-0.57	-0.30	-0.82	-0.76	-0.92
Earnings per share, diluted, SEK	-0.57	-0.30	-0.82	-0.76	-0.92
Equity per share, SEK	12.5	9.1	5.6	4.6	5.5
Working capital, SEK m	16.8	22.9	18.7	25.5	54.7
Total assets, SEK m	1,486.6	1,035.4	752.9	386.5	424.6
Net cash (+)/net debt (-), SEK m	771.7	370.9	-15.1	39.2	112.3
Equity, SEK m	1,215.1	793.8	389.0	275.6	329.0
Equity/assets ratio, %	81.7	76.7	51.7	71.3	77.5
Net debt/equity, %	neg	neg	3.9	neg	neg
Return on total equity, %	-6.3	-3.6	-17.2	-15.0	-18.4
Average number of outstanding shares, million	87.9	81.8	61.9	59.5	58.7
Number of outstanding shares at period-end, million	97.0	87.6	68.9	59.5	59.5
Average number of employees	682	582	467	372	332

Multi-year overview – the business units

SEK million	2016	2015	2014	2013	2012
Net sales					
Tobii Dynavox	761.7	740.3	441.7	233.9	206.3
Tobii Pro	244.9	209.5	167.3	170.9	147.0
Tobii Tech	96.4	58.6	36.6	20.5	3.3
Other and eliminations ¹⁾	-49.7	-41.1	-25.0	-13.2	12.9
Group	1,053.3	967.3	620.6	412.1	369.5
Gross margin, %					
Tobii Dynavox	70.9	72.9	68.3	61.3	57.6
Tobii Pro	73.5	75.1	71.6	68.3	72.9
Tobii Tech	43.4	45.8	44.5	38.0	20.4
Group	72.3	74.8	70.8	65.2	63.5
EBITDA					
Tobii Dynavox	184.9	182.1	74.4	46.7	30.5
Tobii Pro	45.1	44.3	23.6	39.2	22.9
Tobii Tech	-179.7	-145.2	-90.6	-67.8	-37.1
Other and eliminations ¹⁾	0.0	-0.2	-1.9	8.4	-14.1
Group	50.3	81.1	5.6	26.5	2.1
EBITDA margin, %					
Tobii Dynavox	24.3	24.6	16.9	20.0	14.8
Tobii Pro	18.4	21.2	14.1	22.9	15.6
Tobii Tech	neg	neg	neg	neg	neg
Group	4.8	8.4	0.9	6.4	0.6
Operating profit/loss (EBIT)					
Tobii Dynavox	124.7	119.0	41.9	20.6	3.0
Tobii Pro	15.5	21.2	12.9	18.6	0.5
Tobii Tech	-207.2	-175.7	-121.6	-84.9	-41.0
Other and eliminations ¹⁾	0.0	-0.2	-2.0	8.3	-15.5
Group	-67.0	-35.7	-68.9	-37.5	-53.0
Operating margin (EBIT margin), %					
Tobii Dynavox	16.4	16.1	9.5	8.8	1.4
Tobii Pro	6.3	10.1	7.7	10.9	0.4
Tobii Tech	neg	neg	neg	neg	neg
Group	-6.4	-3.7	-11.1	-9.1	-14.3

¹⁾ Other and eliminations refers primarily to subsidiary Sticky AB for 2012, while for 2013 thru 2016 it refers entirely to internal sales from Tobii Tech to Tobii Dynavox and Tobii Pro.

Definitions

Some performance measures presented here are alternative performance measures that are not defined in accordance with IFRS. The Company believes that these financial performance measures provide a better understanding of trends relating to financial results and that alternative performance measures are useful information to investors in conjunction with other performance measures that are defined in accordance with IFRS. A financial performance measure that is not defined in accordance with IFRS is defined as a performance measure which measures historical or future financial

performance, financial position or cash flows but excludes or includes amounts that would not be adjusted in the same way as they would with the closest comparable IFRS measure. These financial measures should not be seen isolated from or as a substitute to the performance measures that have been developed in accordance with IFRS. Such performance measures, as defined by Tobii, may also not be comparable with other performance measures with similar names used by other companies.

	Definition	Purpose
EBITDA	Operating profit/loss before depreciation, amortization and impairment relative to net sales.	EBITDA is used to measure earnings from operating activities excluding depreciation, amortization and impairment.
EBIT	Operating profit/loss before financial income and expenses, and taxes. Also known as EBIT – Earnings before interest and taxes.	EBIT is used to measure operating profitability.
Gross margin	Gross profit relative to net sales.	Gross margin is used to measure production profitability.
EBITDA margin	Operating profit/loss before depreciation, amortization and impairment relative to net sales.	The EBITDA margin is used to illustrate EBITDA in relation to sales.
EBIT margin	Operating profit/loss relative to net sales.	The EBIT margin is used to illustrate EBIT in relation to sales and is a measure of the Company's profitability.
Cash flow from operating activities	Cash flow from operating activities including change in working capital and before cash flow from investing and financing activities.	Cash flow from operating activities is used as a measure of the cash flow the Company generates before investments and financing.
Cash flow after continuous investments	Cash flow from operating activities less investments in intangible, tangible and financial fixed assets excluding investments in subsidiaries and associates.	Cash flows after continuous investments is used as a measure of the cash flow the Company generates before the acquisition of companies and financing activities.
Equity per share	Equity at the end of the period attributable to the parent company's shareholders divided by the number of shares at the end of the period.	Equity per share measures the Company's net value per share.
Working capital	Inventories, accounts receivable and other current receivables less accounts payable and other current non-interest-bearing liabilities.	Working capital is used to measure the Company's capacity to meet its current capital requirements.
Total assets	Total assets at the end of the period.	Total assets is a measure of the value of the Company's assets at the end of the period.
Net debt/cash	Cash and cash equivalents less interest-bearing liabilities.	Net debt represents the Company's capacity to pay off all of its debts should they fall due for payment as of the balance sheet date using the Company's available cash and cash equivalents on the balance sheet date.
Equity/assets ratio	Equity as a percentage of total assets.	The equity/assets ratio shows the percentage of total assets financed by the shareholders through equity.
Net debt/equity ratio	Interest-bearing liabilities divided by shareholders' equity.	The net debt/equity ratio measures the extent to which the Company is financed through loans.
Return on equity	Profit after tax relative to average equity during the period.	Return on equity is used to analyze profitability over time.
Number of outstanding shares at the end of the period	The number of outstanding shares at the end of the period.	The number of outstanding shares at the end of the period shows the number of shares across which any profit is to be distributed.
Number of outstanding shares after dilution at the end of the period	Total number of shares outstanding and all potential ordinary shares outstanding at the end of the period.	Number of outstanding shares after dilution at the end of the period show the number of shares that any distributed profits are divided amongst if all potential ordinary shares are converted into shares.
Average number of employees	The average number of permanent employees, including part-time employees converted to full-time employment.	Average number of employees measures the number of full-time employees in the company needed to generate the period's earnings.

Directors' Report

The Board of Directors of Tobii AB (publ) (corp. id no. 556613-9654) hereby presents the following annual report and consolidated financial statements for fiscal year January 1, 2016 to December 31, 2016. The Company's registered office is in Danderyd, Sweden.

The Company's shares have been listed on Nasdaq Stockholm since April 24, 2015.

The Group's operations

Tobii AB (publ) and its subsidiaries ("the Group") are global market leaders in eye-tracking solutions. Eye tracking is a technology that, with a high level of precision, shows where a person is looking. This information can be used to design natural and effective user interfaces for computers and other devices, or to gain deep insights into human behavior.

The Group conducts its business through three business units, each with its own distinct markets, products and organizations. The business units are accounted for as separate segments.

- Tobii Dynavox is the world's leading provider of assistive technology for communication, so-called augmentative and alternative communication.
- Tobii Pro is the world's leading provider of eye-tracking solutions for behavioral research studies.
- Tobii Tech is a leading provider of eye-tracking technology for integration into consumer electronics and other volume products.

Tobii AB was founded in 2001 and the Group operates globally with over 700 employees and thirteen offices in eleven countries. Sales are conducted directly and via resellers.

Changes in the structure of the Group

There have been no significant changes in the structure of the Group.

Sales

The Group's net sales rose by 9% in 2016 to SEK 1,053 million (967). Adjusted for currency effects, the increase was also 9%.

The North American market accounted for 62% (64%) of the consolidated sales, the European market for 22% (23%), and the rest of the world for 16% (13%).

Tobii Dynavox's net sales rose by 3% to SEK 762 million (740), primarily due to the number of eye-controlled products increasing at a good pace. The effects of this were partly offset by the price reductions on parts of the range carried out during the year, that several touchscreen products were in the later stages of their product life cycles and by lower sales in the UK, where sales via resellers declined following the establishment of direct sales by Tobii Dynavox. Adjusted for currency effects, the increase was also 3%.

Tobii Pro's net sales rose by 17% to SEK 245 million (209) and by 15% adjusted for currency effects. Growth

was driven by increased sales in all regions and product categories. The Glasses 2 eye-tracking glasses product was a best-seller for the business unit throughout 2016 and drove growth in existing and new areas of application. The service organization Tobii Pro Insight also grew strongly, albeit from low levels.

Tobii Tech's net sales rose by 63% to SEK 96 million (59). Sales of eye-tracking platforms to Tobii Dynavox and Tobii Pro accounted for slightly more than half of sales and rose to SEK 50 million (41). External sales rose to SEK 46 million (18).

Gross profit

Gross profit for the Group rose by 5% to SEK 762 million (723) and gross margin was 72% (75%). The decline in gross margin was driven by an increased 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.

Operating profit/loss (EBIT)

The operating loss for the Group was SEK -67 million (-36) and operating margin was -6% (-4%). Tobii Dynavox contributed SEK 125 million (119) and Tobii Pro SEK 15 million (21), while investments in Tobii Tech had a negative impact of SEK -207 million (-176) on the Group's operating loss. The operating loss was negatively impacted by increased investments in R&D, sales and marketing in all three business units and positively by increased capitalization. Currency effects had a slight positive impact on operating loss.

The Group's total R&D expenditures rose by SEK 61 million to SEK 328 million (267), of which SEK 121 million (90) or 37% (34%) was capitalized in the balance sheet, while R&D amortization increased by SEK 6 million to SEK 94 million (88). Consequently, R&D expenses reported in the income statement rose to SEK 302 million (265), corresponding to 29% (27%) of net sales.

Tobii Dynavox's operating profit rose to SEK 125 million (119) and operating margin to 16% (16%). Currency effects had a slight positive impact on operating profit. The business unit's R&D expenses reported in the income statement rose to SEK 96 million (92), corresponding to 13% (12%) of the business unit's net sales. Expenses for selling and administration increased to 42% (44%) of net sales.

Tobii Pro's operating profit totaled SEK 15 million (21) and the operating margin was 6% (10%). The operating margin was impacted by increased R&D expenditures and marketing initiatives. The business unit's R&D expenses reported in the income statement rose to SEK 53 million (41), corresponding to 21% (20%) of its net sales. Selling and administration expenses rose to SEK 113 million (97), corresponding to 46% (47%) of net sales.

Tobii Tech's operating loss amounted to SEK -207 million (-176). During the year, the business unit increased its R&D investments, and its initiatives to collaborate with game studios to stimulate development of games that integrate eye tracking. The business unit also started development of the

next-generation eye-tracking platform for computer integration and customized eye-tracking solutions for VR and smartphones. R&D expenses reported in the income statement increased to SEK 153 million (131). Selling and administration expenses rose to SEK 94 million (67).

Profit/loss before tax

The Group's pretax loss was SEK -48 million (-27). Net financial items increased to SEK 19 million (8), primarily generated by currency effects that raised the value of the Group's dollar-based (USD) financial assets.

Net profit/loss and earnings per share

Net loss was SEK -50 million (-25) and earnings per share was SEK -0.57, compared with SEK -0.30 in the corresponding period in 2015. The average number of outstanding shares during the year was 88 million, and the number of shares at period-end was 97 million.

Cash flow, liquidity and financial position

Cash flow after continuous investments was SEK -74 million (-41). Operations generated a positive cash flow of SEK 57 million (85), while the change in working capital had a positive effect of SEK 10 million (-5). Continuous investments amounted to SEK 142 million (121), of which SEK 121 million referred to capitalization of R&D.

The rights issue carried out in December 2016 generated proceeds for the Company of SEK 449 million before deductions for issue costs.

At the close of the period, the Group had SEK 772 million (371) in net cash and a maximum of SEK 170 million (170) in unutilized overdraft facilities.

Personnel

The average number of employees in the Group in 2016 grew by 100 to 682 and the number of employees, both recalculated to full-time equivalents at the close of the year, rose by 107 to 719. The increase is mainly due to the expansion of R&D, sales and marketing organizations.

sion of R&D, sales and marketing organizations.

Guidelines for salaries and remuneration to the Group's senior executives resolved by the General Meeting are presented in the Corporate Governance Report on pages 81–87. The guidelines proposed by the Board to the 2017 Annual General Meeting are to all intents and purposes identical to earlier resolved guidelines.

Details about the actual amounts paid during the period 2015–2016 are presented in Note 8.

Sustainability

In 2016, Tobii formed a sustainability team with the objective to further improve Tobii's sustainability agenda and to publish Tobii's first sustainability report in accordance with the Global Reporting Initiative's (GRI) guidelines, version G4 at the Core level for 2016. The Sustainability Report and a description of Tobii's sustainability agenda are on pages 30–40.

Research and development

To preserve and further strengthen the Group's leading position, every business unit invests significant resources in research and development (R&D). Of the Group's more than 700 employees as per December 31, 2016, nearly 290 worked in R&D. The R&D organization also includes some 50 consultants.

The Group's total R&D expenditures rose by SEK 61 million to SEK 328 million (267), of which SEK 121 million (90) or 37% (34%) was capitalized in the balance sheet, while R&D amortization rose by SEK 6 million to SEK 94 million (88).

Consequently, R&D expenses reported in the income statement rose to SEK 302 million (265), corresponding to 29% (27%) of net sales.

Business-related risks and uncertainties

Tobii is exposed to certain risks that can influence the Group's business, profit or financial position. Below is a summary of the most important operational risks and how they are managed. Note that the risk description does not claim to be exhaustive, but only addresses a selection of the

risks to which the Group is exposed or may become exposed.

A description of financial risks and risk management is presented in Note 3. The Group's management of risks is also addressed in the Corporate Governance Report on page 86.

Risk	Probability*	Significance*	Management
<p><i>Rapid technological changes</i></p> <p>The markets that Tobii addresses are characterized by rapid technological changes. Consequently, each business unit's ability to predict technical advances and market needs, and to adapt its products accordingly is critical for the continued success of both the business units and the Group as a whole.</p>	● ● ●	● ● ●	Monitor market trends and investments in development of core technology and products in all three business units
<p><i>Increasing competition</i></p> <p>If Tobii's competitors or new players develop technologies and products that offer a better price and performance, there is a risk that they take market shares from Tobii. Moreover, it is likely that Tobii, in the future will, to a greater extent, encounter competition from large, well-established and well-financed entities.</p>	● ● ●	● ● ●	Investments in R&D that focus on developing technology that provides better performance at a lower price.
<p><i>Price pressure and competition from consumer products</i></p> <p>Both Tobii Dynavox and Tobii Pro offer specialized products that encounter competition from simpler and cheaper consumer products. There is a risk that this trend will continue and also impact more product categories.</p>	● ● ●	● ● ●	Price-differentiated products and investments in software and other parts of the bundled offerings within Tobii Dynavox and Tobii Pro.
<p><i>Untested benefit within new segments</i></p> <p>For Tobii Tech, there is a risk that the strategy of entering new volume markets could fail, for example, if customers do not feel that user benefits warrant the cost or if the technology's performance is insufficient.</p>	● ● ○	● ● ●	Investments in development of applications which creates user benefits of eye tracking technology through proprietary concepts and product development. Collaborations with game and development companies to generate a large number of games and applications integrating eye tracking. Customer satisfaction surveys among early adopters.
<p><i>Dependence on important customers</i></p> <p>Tobii Tech enters certain contracts with large integration customers without binding volume commitments or guarantees. There is a risk that customers might choose not to realize their planned integrations, even if they have been announced as so-called "design wins".</p>	● ● ○	● ● ○	Close collaboration with key customers and cultivate relations with more integration customers. Address more sub-segments.
<p><i>Changes in funding and insurance systems</i></p> <p>Most of Tobii Dynavox's end users depend on reimbursement from public and private funding systems to buy the Company's products. Changes in such systems could have both positive and negative effects. Tobii may also be affected by changes in applicable legislation and in procurement processes.</p>	● ● ○	● ● ●	Proactive initiatives within Tobii Dynavox to lobby and build relationships with legislative or governing bodies and to improve the long-term opportunities for funding assistive technology for communication.
<p><i>Quality problems and warranty claims</i></p> <p>Defects in Tobii's own products or the components that Tobii supplies to integration customers could lead to considerable warranty claims, costly recall programs and lowered confidence in the Company and its products.</p>	● ○ ○	● ● ●	Comprehensive quality program during the product development process and control of suppliers.

<p><i>Personal injury</i></p> <p>If faults in Tobii's products should cause personal injury, it could lead to substantial damage claims, costly recall programs or that the product can no longer be sold.</p>		<p>Comprehensive quality program during the product development process, and verification and certification of the products against current standards.</p>
<p><i>Delivery problems and inefficient inventory management</i></p> <p>Tobii is dependent on a small number of external providers for the supply of components and product assembly. If these do not deliver according to the Company's requirements, it could lead to quality issues, delayed deliveries, loss of revenue or higher costs. Faults or omissions in forecasts or orders from Tobii or its customers could result in excess or insufficient inventories of a particular component or product, which in turn could lead to loss of revenue or higher costs</p>		<p>Collaborate with large, highly reputable suppliers. Strive for parallel suppliers. Make continuous forecasts and measure sales to adapt inventory and delivery capacity.</p>
<p><i>Insurance coverage in the event of liability</i></p> <p>Tobii has insured its businesses against loss and/or potential liability in case of third-party claims relating, for example, to property damage, business interruption, occupational injuries, product liability or product recall. There is a risk that Tobii's insurance coverage may not fully reimburse Tobii for any and all liability.</p>		<p>Regular review and, when needed, alter insurance coverage.</p>
<p><i>Dependence on key personnel</i></p> <p>Tobii is dependent on a variety of expert competencies and key individuals. If Tobii fails to retain senior executives and key personnel or to recruit highly skilled personnel, this could hamper the Group's future expansion.</p>		<p>Offer market terms and conditions, incentive programs for key personnel, and initiatives to strengthen Tobii's appeal as a workplace.</p>
<p><i>IT security</i></p> <p>A significant breakdown or other disruption in the IT systems could affect Tobii's ability to conduct its operations and fulfill its customer commitments. There is also a risk that personal data and other sensitive employee and customer data handled by the Company is used incorrectly or disclosed if Tobii were exposed to data hacking.</p>		<p>An action plan is in place for disruptions due to unforeseen events in the form of adopted contingency plans, as well as systems and routines surrounding personal data.</p>
<p><i>Intellectual property</i></p> <p>Tobii deems that the importance of intellectual property will increase in pace with the establishment of eye tracking in volume markets. If patent protection does not provide the market benefits the Company expects, or if Tobii is sued for infringement of others' intellectual property, it could lead to costly legal and administrative processes, claims, licensing fees, or sales stops of Tobii's products.</p>		<p>Map patents within new product areas. Further development of the Company's own patent portfolio.</p>
<p><i>Impairment of intangible assets</i></p> <p>A large part of Tobii's R&D expenditures is capitalized as intangible assets. If Tobii's technology and product development initiatives result in products that do not fulfill Tobii's or the market's requirements and therefore do not become commercial successes, this may lead to significant impairments</p>		<p>Regularly perform impairment tests through analysis of future expected earnings related to the projects and brands that are included in the balance sheet. For more, see note 14.</p>
<p><i>Regulatory compliance</i></p> <p>Irregularities in Tobii's compliance and routines can expose the Company to considerable financial risks, market risks or operational risks. For example, many of Tobii Dynavox's products are registered as medical devices, which places particular demands on certification.</p>		<p>Regularly review certifications and personal data handling routines.</p>
<p><i>Tax risk</i></p> <p>Tobii's sales are realized primarily through subsidiaries in several countries. Transactions are made in accordance with the Group's Transfer Pricing Policy. If local tax authorities make an assessment of transfer pricing that deviates from the Company's, there is a risk of higher tax costs.</p>		<p>Annual review of tax risks together with external tax experts. Adjust tax appropriations on the basis of this review.</p>

*This refers to the Company's assessment where ● corresponds to low, ●● to medium and ●●● to high probability and significance respectively.

Parent Company

The Group's Parent Company, Tobii AB (publ) with more than 290 employees, is involved in sales, marketing, R&D, procurement, manufacturing, technical support and IT. Net sales for the full year amounted to SEK 633 million (544) and operating loss to SEK -50 million (-27). As of December 31, 2016, the Parent Company had SEK 686 million (284) in cash and cash equivalents as well as unutilized bank overdraft facilities in the amount of SEK 170 million (170).

Changes in the Board

Heli Arantola and Jan Wäreby were elected to Tobii's Board of Directors and Anders Ösund resigned his position on the Board of his own accord at the Annual General Meeting held on May 11, 2016. Accordingly, the number of members on the Board changed from six to seven.

Events after the end of the reporting period

In January 2017, Acer announced its plans to launch its premium computer Aspire 17 Nitro that will integrate Tobii eye tracking.

During the first quarter of 2017, Tobii also announced three more major game titles with support for Tobii eye tracking: *Rise of the Tomb Raider*, *Dying Light* and *Tom Clancy's Ghost Recon Wildlands*.

Tobii's Group management was expanded in January with the addition of Cecilia Eriksson, Global HR Director. HR is a central and strategic function for Tobii, which aims to continue strengthening its organization and its position as an attractive and top-ranked employer internationally. Tobii's CFO Esben Olesen resigned his position in March 2017 and will be succeeded by Johan Wilsby, who will join the Company in August at the latest.

Outlook

Tobii estimates that the long-term market potential for Tobii's business units is good. All three took several important steps during the year, and Tobii made significant R&D and market investments to consolidate its leading position in established areas and to introduce eye tracking in new areas.

In December 2016 Tobii conducted a rights issue to finance increased investment in VR and smartphones within Tobii Tech, as well as to give the company greater flexibility and ability to make acquisitions. The financial goals for Tobii Dynavox and Tobii Pro that were adopted by the Board of Directors prior to the listing on the stock exchange are unchanged, while the financial goal for Tobii Tech was updated in connection with the rights issue. The business units' financial goals are described on page 7.

Dividends

Tobii's Board of Directors has decided to give priority over the next few years to Tobii's development and expansion plans for the business unit Tobii Tech over dividends to shareholders.

Proposed appropriation of non-restricted equity

Non-restricted equity in the parent company at the disposal of the Annual General Meeting:

Premium reserve	1,560,917
Retained earnings	-147,594
Profit for the year	92
Total	1,413,415

The Board of Directors and the CEO propose this amount be appropriated as follows:

Amount carried forward	1,413,415
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Consolidated statement of comprehensive income

SEK million	Note	2016	2015
Net sales	5	1,053.3	967.3
Cost of goods and services sold		-291.5	-243.8
Gross profit		761.8	723.4
Selling expenses		-429.1	-393.3
Research and development expenses		-301.8	-265.0
Administrative expenses	7	-101.6	-95.9
Other operating income and operating expenses	11	3.6	-5.0
Operating profit/loss	5,6,7,8,9,10	-67.0	-35.7
Profit/loss from financial items			
Financial income	12	38.2	18.5
Financial expenses	12	-18.8	-10.1
Total financial income and expenses		19.4	8.4
Profit/Loss before tax		-47.6	-27.3
Taxes	13	-2.2	2.7
Profit/Loss for the year		-49.8	-24.6
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Translation differences from foreign operations		-0.7	-3.6
Other comprehensive income, net after tax		-0.7	-3.6
Total comprehensive income for the year		-50.5	-28.2
<i>Attributable to:</i>			
Parent company shareholders		-49.7	-24.7
Non-controlling interests		-0.1	0.1
Total Loss for the year		-49.8	-24.6
<i>Attributable to:</i>			
Parent company shareholders		-50.4	-28.4
Non-controlling interests		-0.1	0.1
Total comprehensive income for the year		-50.5	-28.2
<i>Earnings per share, SEK</i>			
Basic earnings per share		-0.57	-0.30
Earnings per share after dilution		-0.57	-0.30
Average number of outstanding shares (thousands)		87,927	81,823
Average number of outstanding shares after dilution (thousands)		91,589	85,070

Consolidated balance sheet

SEK million	Note	2016-12-31	2015-12-31
Non-current assets			
Goodwill	14	0.3	0.3
Capitalized expenses for product development	14	255.2	223.0
Trademarks	14	102.5	95.8
Other intangible assets	14	12.4	12.6
Property, plant and equipment	15	28.1	31.8
Financial assets			
Deferred tax assets	13	54.9	54.9
Other financial assets		3.5	1.6
Total non-current assets		456.8	420.1
Current assets			
Accounts receivable	17	151.7	168.7
Inventories	18	67.3	45.8
Other receivables		13.6	8.2
Prepaid expenses and accrued income	19	25.6	21.7
Cash and cash equivalents	20	771.7	370.9
Total current assets		1,029.8	615.3
Total assets		1,486.6	1,035.4
Equity			
Share capital	22	0.7	0.6
Other paid-in capital		1,566.2	1,095.2
Reserves	23	-1.6	-0.9
Retained earnings		-350.5	-301.4
Total equity attributable to parent company's shareholders		1,214.8	793.5
Non-controlling interests		0.3	0.3
Total equity		1,215.1	793.8
Non-current liabilities			
Deferred tax liabilities	13	0.3	0.9
Provisions	24	8.4	1.5
Other non-current liabilities	25	21.6	17.6
Total non-current liabilities		30.2	20.0
Current liabilities			
Accounts payable	25	59.0	44.2
Other liabilities	25	22.7	23.6
Accrued expenses and deferred income	26	159.6	153.8
Total current liabilities		241.3	221.6
Total liabilities		271.5	241.5
Total equity and liabilities		1,486.6	1,035.4

Consolidated statement of changes in equity

SEK million	Note	Attributable to parent company shareholders					Non-controlling interest	Total equity
		Share capital	Other paid-in capital	Reserves	Accumulated retained earnings	Total		
Opening balance Jan 1, 2015		0.3	663.1	2.7	-277.4	388.8	0.2	389.0
Profit/Loss for the year					-24.7	-24.7	0.1	
Other comprehensive income				-3.6		-3.6		
Comprehensive income for the year				-3.6	-24.7	-28.4	0.1	
Bonus issue		0.2				0.2		
New share issue		0.1	429.0			429.1		
Sale of warrants, incentive program			3.2			3.2		
Equity-settled share-based payment transactions under IFRS 2	8				0.7	0.7		
Closing balance Dec 31, 2015		0.6	1,095.2	-0.9	-301.4	793.5	0.3	793.9
Profit/Loss for the year					-49.7	-49.7	0.0	
Other comprehensive income				-0.7		-0.7		
Comprehensive income for the year				-0.7	-49.7	-50.4	0.0	
Rights issue		0.1	448.8			448.9		
New share issue, exercise of warrants incentive program		0.0	16.4			16.4		
Sale of warrants, incentive program			5.8			5.8		
Equity-settled share-based payment transactions under IFRS 2	8				0.6	0.6		
Closing balance Dec 31, 2016		0.7	1,566.2	-1.6	-350.5	1,214.8	0.3	1,215.1

Consolidate cash flow statement

SEK million	Note	2016	2015
Operating activities			
Profit/loss after financial items		-47.6	-27.3
Adjustment for items not included in the cash flow:			
Amortization and write downs on intangible assets	9	94.4	88.4
Depreciation and write downs on property, plant and equipment	9	22.9	28.4
Unrealized exchange rate differences		-19.3	-10.5
Changes in provisions		6.9	-
Other items not affecting the cash flow		3.8	5.6
Taxes paid		-3.8	0.3
Cash flow from operating activities before changes in working capital		57.3	85.0
Cash flow from changes in working capital			
Increase(-)/decrease(+) in inventories		-19.6	9.1
Increase(-)/decrease(+) in operating receivables		16.5	-11.2
Increase(+)/decrease(-) in operating liabilities		13.4	-3.0
Cash flow from operating activities		67.6	79.9
Investments			
Continuous investments:			
Investments in intangible assets	14	-120.9	-92.4
Investments in property, plant and equipment	15	-19.4	-30.4
Investments in financial assets		-1.7	2.1
Cash flow after continuous investments		-74.5	-40.7
Acquisition of subsidiary company		-	-
Cash flow after investments		-74.5	-40.7
Financing activities			
Rights issue 2016; New share issue 2015		458.3	461.9
Expenses related to rights issue and IPO		-9.4	-32.6
Sales/exercise of warrants, incentive program		22.2	3.1
Repayment of bank loan		-	-142.1
Cash flow from financing activities		471.1	290.3
Cash flow for the year		396.6	249.6
Exchange rate difference in cash and cash equivalents		4.2	1.9
Cash and cash equivalents at the beginning of the year		370.9	119.4
Cash and cash equivalents at year-end	20	771.7	370.9

Parent company income statement

SEK m	Note	2016	2015
Net sales		632.9	544,5
Cost of goods and services sold		-274.0	-226,2
Gross profit		358.9	318,3
Selling expenses		-135.0	-106,3
Research and development expenses		-225.1	-191,9
Administrative expenses	7	-55.9	-52,2
Other operating income	11	36.9	50,4
Other operating expenses	11	-30.1	-45,2
Operating profit/loss	6,7,8,9,10	-50.3	-26,9
<i>Profit/Loss from financial items</i>			
Interest income and similar items	12	60.0	39,6
Interest expense and similar items	12	-13.9	-10,0
Total financial income and expenses		46.1	29,7
Profit/Loss before tax		-4.2	2,8
Taxes	13	4.3	6,4
Profit/Loss for the year		0.1	9,2

The parent company has no items 2016 or 2015 reported in Other comprehensive income. The profit/loss for the year for the parent company is thus also the year's comprehensive income. Therefore, the parent company does not present a separate "Statement of comprehensive income".

Parent company balance sheet

SEK million	Note	2016-12-31	2015-12-31
Non-current assets			
Capitalized expenses for product development	14	180.2	156.1
Other intangible assets	14	12.4	12.6
Property, plant and equipment	15	7.7	7.4
<i>Financial assets</i>			
Participations in Group companies	16	157.2	155.9
Deferred tax assets	13	32.4	28.1
Receivables from Group companies	29	373.0	309.1
Other financial assets		1.8	0.0
Total non-current assets		764.7	669.2
Currents assets			
Accounts receivable	17	48.5	36.1
Receivables from Group companies	29	100.3	118.9
Inventories	18	43.7	24.7
Other receivables		9.5	6.9
Prepaid expenses and accrued income	19	10.9	10.4
Cash and cash equivalents	20	685.7	283.9
Total currents assets		898.6	480.8
Total assets		1,663.3	1,150.0
Equity			
Share capital	22	0.7	0.6
Statutory reserve		85.7	5.3
Total restricted equity		86.4	5.9
Premium reserve		1,560.9	1,089.9
Retained earnings		-147.6	-76.9
Profit for the year		0.1	9.2
Total unrestricted equity		1,413.4	1,022.2
Total equity		1,499.8	1,028.1
Provisions	24	8.3	1.4
Non-current liabilities			
Other non-current liabilities	25	3.7	3.7
Total non-current liabilities		3.7	3.7
Current liabilities			
Accounts payable	25	38.2	27.8
Liabilities to Group companies	29	20.0	3.3
Other liabilities	25	18.6	17.3
Accrued expenses and deferred income	26	74.6	68.3
Total current liabilities		151.4	116.8
Total liabilities		163.5	121.9
Total equity and liabilities		1,663.3	1,150.0

Parent company statement of changes in equity

MSEK	Not	Restricted equity		Unrestricted equity		Summa eget kapital
		Aktie-kapital	Reserv-fond	Överkurs-fond	Balanserat resultat	
Opening balance Jan 1, 2015		0.3	5.3	657.8	-77.6	585.8
Profit/Loss for the year ¹⁾					9.2	9.2
Transactions with shareholders						
Bonus issue		0.2				0.2
New share issue		0.1		429.0		429.1
Sale of warrants, incentive program				3.2		3.2
Equity-settled share-based payment transactions under IFRS	8				0.7	0.7
Total transactions with shareholders		0.3		432.2	0.7	433.1
Closing balance Dec 31, 2015		0.6	5.3	1,089.9	-67.7	1,028.1
Profit/Loss for the year¹⁾					0.1	0.1
Transfer from restricted to unrestricted equity, fund for development expenses			80.4		-80.4	0.0
Transactions with shareholders						
Rights issue		0.1		448.8		448.9
New share issue, exercise of warrants incentive program		0.0		16.4		16.4
Sale of warrants, incentive program				5.8		5.8
Equity-settled share-based payment transactions under IFRS 2	8				0.6	0.6
Total transactions with shareholders		0.1		471.0	0.6	471.7
Closing balance Dec 31, 2016		0.7	85.7	1,560.9	-147.5	1,499.8

¹⁾The parent company has no items 2016 or 2015 reported in Other comprehensive income. The profit/loss for the year for the parent company is thus also the year's comprehensive income.

Parent company cash flow statement

SEK million	Note	2016	2015
Operating activities			
Profit/Loss after financial items		-4.2	2.8
Adjustment for items not included in the cash flow:			
Amortization and write downs on intangible assets	9	62.3	62.4
Depreciation and write downs on property, plant and equipment	9	6.8	6.9
Unrealized exchange rate differences		-24.0	-10.5
Changes in provisions		6.9	-
Other items not affecting the cash flow		2.1	-0.5
Taxes paid		-	-
Cash flow from operating activities before changes in working capital		49.9	61.2
Cash flow from changes in working capital			
Increase(-)/decrease(+) in inventories		-19.0	-4.6
Increase(-)/decrease(+) in operating receivables		3.0	-37.3
Increase(+)/decrease(-) in operating liabilities		34.7	9.8
Cash flow from operating activities		68.6	29.1
Investments			
Continuous investments:			
Investments in intangible fixed assets	14	-86.2	-64.7
Investments in property, plant and equipment	15	-8.8	-8.2
Investments in financial assets		-43.0	-36.1
Cash flow after continuous investments		-69.4	-80.0
Acquisition of subsidiary company		-	-
Cash flow after investments		-69.4	-80.0
Financing activities			
Rights issue 2016; New share issue 2015		458.3	461.9
Expenses related to rights issue and new share issue		-9.4	-32.6
Sale of warrants, incentive program		22.2	3.1
Repayment of bank loan		-	-142.1
Cash flow from financing activities		471.1	290.3
Cash flow for the year		401.7	210.4
Cash and cash equivalents at the beginning of the year		283.9	73.5
Cash and cash equivalents at year-end	20	685.7	283.9

Notes

Note 1 General information

Tobii AB (publ) (the parent company), corporate identity number 556613-9654, is a Swedish limited liability company with its registered office in Danderyd, Sweden. The address of the head office is Karlsrovägen 2D, Danderyd, Sweden. Tobii AB (publ) and its subsidiaries (referred to collectively as the Group) is a global market-leading provider of eye-tracking solutions. A product with an integrated eye-tracking sensor knows what a user is looking at. This makes it possible to interact with computers and equipment using the eyes.

Tobii operates globally from its offices in Sweden, the USA (offices in Washington D.C., Pittsburgh and Mountain view), China, Japan, the UK, Germany, Norway, South Korea and Taiwan.

Note 2 Summary of important accounting principles

Basis on which the statements have been prepared

The consolidated financial statements have been prepared in accordance with international Financial Reporting standards (IFRs), issued by the international accounting standards Board (IASB) and the interpretation statements of the international Financial Reporting interpretations Committee (IFRIC) as approved by the European Commission for application within the EU. Furthermore, the Swedish Financial Reporting Board's Recommendation RFR 1, "supplementary accounting Rules for Groups" has also been applied. The preparation of reports in accordance with IFRs requires the use of a number of important estimates for accounting purposes. It also requires that management carry out certain assessments when applying the Group's accounting policies. For areas that involve a high degree of assessment, which are complex or where assumptions and estimates are of material importance for the consolidated financial statements, see note 3.

Changes in accounting principles and disclosures

New standards applied by the Group from January 1, 2016:

No new standards with material impact on the financial reports have been applied from January 1, 2016. A number of new standards and interpretations come into effect for the fiscal year starting after January 1, 2016 and have not been applied in the preparation of these financial statements. None are expected to have any material effect on the consolidated financial statements, with the exception of those presented below:

New standards and interpretations not yet adopted by the Group:

IFRS 9, "Financial instruments" addresses classification, measurement and recognition of financial assets and liabilities. The complete version of IFRs 9 was issued in July 2014 and replaces those parts of IAS 39 that address classification and measurement of financial instruments. The standard is to be adopted for the fiscal year beginning January 1, 2018. Early adoption is permitted. The Group has yet to assess the effects of implementation of the standard.

IFRS 15, "Revenue from contracts with customers" regulates recognition of revenue. The principles on which IFRS 15 are based will give users of financial statements more useful information about the company's revenue. The new standard replaces IAS 18, "Revenue", and IAS 11, "Construction contracts" as well as related SIC and IFRIC. IFRS 15 comes into effect on January 1, 2018. Early adoption is permitted. The Group has yet to assess the effects of implementation of the standard.

IFRS 16 leases" in January 2016, IASB issued a new lease standard that will replace IAS 17 leases and the related interpretations

IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognized on the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. The accounting for lessors will in all material aspects be unchanged. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted. EU has not yet adopted the standard. The group has not yet assessed the impact of IFRS 16.

No other IFRS or IFRIC interpretations that have not yet come into effect are expected to have any material impact on the Group.

Guidelines on Alternative Performance Measures

On December 8, 2015 the Swedish Financial Supervisory Authority (FSA) ("Finansinspektionen") announced its intention to follow the ESMA (European Securities and Markets Authority) guidelines on Alternative Performance Measures (APMs). These guidelines are applicable for financial statements published after July 3, 2016. In accordance with these guidelines additional information on the use of APMs, including explanations of use has been included in these financial statements. APMs presented in these financial statements should not be considered a substitute for measures of performance in accordance with IFRS and may not be comparable to similarly titled measures by other companies.

Functional currency and dates

The parent company's functional currency is the Swedish krona (SEK), which is also the reporting currency for the parent company and the Group. This means that the financial statements are presented in Swedish krona. Unless otherwise stated, all amounts are rounded to the nearest million (SEK million). Amounts in parentheses refer to the previous year. Income statement items refer to the period January 1 – December 31, while balance sheet items refer to December 31.

Consolidation principles

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to or has rights to variable returns from its interest in the entity and can affect the returns through its control in the entity. Subsidiaries are included in the consolidated financial statements as of the date on which control was transferred to the Group. They are excluded from the consolidated financial statements as of the date on which control ceases.

Subsidiaries are recognized according to the acquisition method. Cost consists of the fair value of transferred assets, liabilities and shares issued by the Group. The purchase price also includes the fair value of all assets or liabilities arising as a result of an agreement on conditional purchase price. Acquisition-related costs are recognized as an expense when they arise. Identifiable acquired assets and assumed liabilities in a business combination are initially measured at fair value on the date of acquisition.

When cost in a business combination exceeds the fair value of the acquired assets and assumed liabilities, as well as any contingent liabilities recognized separately, the difference is recognized as goodwill. When the difference is negative, it is recognized in the statement of comprehensive income.

The subsidiaries' financial statements are included in the consolidated financial statements from the date of acquisition until such time as controlling interest is relinquished. When the Group no longer has controlling interest, all remaining holdings are recognized at fair value

from the date on when controlling interest ceases. Changes in the carrying amount are recognized in the income statement. The fair value is applied as the initial carrying amount and is the basis for continued recognition of the remaining interest as an associated company, joint venture or financial asset. All amounts referring to the divested entity previously recognized in Other comprehensive income are recognized as though the Group had directly divested the related assets or liabilities. Amounts previously recognized in Other comprehensive income may consequently be reclassified to profit/loss.

Transactions eliminated on consolidation

Intra-Group receivables and liabilities, income or expense, unrealized gains or losses that arise from intra-Group transactions are eliminated in their entirety in the preparation of the consolidated financial statements.

Segment reporting

The Group conducts its business through three business units, Tobii Dynavox, Tobii Pro and Tobii Tech, each of which has its own distinct markets, products and organizations. The Company reports each business unit as a separate segment. For further description of each segment see pages 7-25.

Operating segments are reported in a manner consistent with the internal reporting presented to the chief operating decision-maker. The chief operating decision-maker is the function responsible for allocation of resources and analyzing the segment's profit/loss. This function has been identified as Group management in this Group.

Group Management used primarily net sales, operating profit/loss before depreciation, amortization and write-downs (EBITDA), operating profit/loss and investments in research and development in its analysis of the business units' performance.

Net sales per geographic market are separated into the following markets: North America, Europe and other countries. The same accounting principles applied to the consolidated Group also apply to the business segments.

Foreign currency

Transactions in foreign currency

Transactions in foreign currency are translated into the functional currency at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rates prevailing on the balance sheet date. Non-monetary assets and liabilities recognized at historic cost are translated at the exchange rates prevailing on the date of the transaction. Non-monetary assets and liabilities recognized at fair value are translated into the functional currency at the exchange rate prevailing on the date fair value measurement was applied. Exchange rate differences that arise on the translations are recognized in the income statement, both in operating profit/loss and in net financial items depending on the nature of the underlying transactions.

	Closing rate		Average rate	
	2016	2015	2016	2015
EUR	9.567	9.231	9.466	9.455
USD	9.097	8.507	8.566	8.541
JPY	0.078	0.070	0.079	0.070

Foreign entities' financial statements

The functional currency is the currency in the primary economic environment in which the entity operates. Assets and liabilities in foreign operations, including goodwill and other consolidated surpluses and deficits, are translated from the foreign entities' functional currency to

the Group's presentation currency, Swedish krona, at the exchange rate prevailing on balance sheet date. Income and expenses in a foreign entity is translated to Swedish krona at an average rate that is an approximation of the exchange rates pertaining on the dates of the transactions respectively. Translation differences that arise on the translation of foreign entities are recognized in Other comprehensive income as a translation reserve. When a foreign entity is divested, the accumulated translation differences attributable to the entity are recognized in the consolidated statement of comprehensive income.

Income

General

The Group recognizes an income in the statement of comprehensive income when its amount can be measured reliably and it is probable that future economic benefits will accrue to the Group. Income is recognized net after VAT at the fair value of the amounts received or expected to be received, less any granted discounts.

Sale of goods

Tobii's income from goods consists primarily of the sale of self-manufactured products at fixed prices. Income from the sale of goods is recognized when a Group company has delivered the products and all significant risks and benefits associated with ownership of the goods have been transferred to the buyer. If there is significant uncertainty regarding payment, associated expenses or risk of return, income is not recognized.

Service assignments

Income from services consists primarily of support, service contracts, installations, consultancy assignments and training. These services are provided either based on time and material, and income is recognized in the period during which the service is rendered—or as fixed-price agreements during a defined period and income is recognized in the period during which the service is rendered, allocated on a straight-line basis over the term of the agreement.

Rental income

Income and corresponding expenses regarding the renting out of Tobii's products are recognized in the period to which the rental refers.

Royalty income

Income from royalties is allocated in line with economic implications of the agreement in question.

Government grants

Government grants are recognized in the balance sheet as deferred income when there is reasonable assurance that the grant will be received and the Group will fulfill the terms associated with the grant. Grants are allocated systematically in the income statement in the same manner and over the same periods as the expenses for which the grants are intended to compensate.

Government grants related to assets are reported in the balance sheet as deferred income and allocated over the asset's useful life as operating income.

Leasing

Tobii has no assets leased through finance leases, i.e. leases where all significant risks and benefits associated with ownership of the leased asset have been transferred to the Group.

Leases where all significant risks and benefits associated with ownership are retained by the lessor are classified as operating leases. All leases are classified and recognized as rental agreements, meaning that the lease fees are recognized as expenses and allocated

ted over the duration of the agreement based on utilization, which may differ from what is actually paid as lease fees during the year. Tobii's leases refer primarily to the rental of offices.

Financial income and expenses

Financial income and expenses consist of interest income on funds in banks, receivables and interest expenses on borrowings, exchange rate differences, and unrealized and realized gains on financial investments within the financial activities.

Exchange rate differences attributable to financial receivables and liabilities are recognized among financial items in the income statement. Exchange rate differences attributed to operating items are recognized in the respective item in the income statement and included in operating profit/loss.

Interest expenses on costs of assets (according to IAS 23) for so called qualified assets are capitalized if it can be traced without difficulty to the specific asset and interest expenses can be considered of material significance. Expenses for borrowing are recognized in the period to which they refer.

Taxes

Income tax comprises current tax and deferred tax. Income tax is recognized in the income statement except when the underlying transaction is recognized directed in equity or other comprehensive income, in which case the associated tax effect is recognized in equity or other comprehensive income respectively. Current tax is tax that is to be paid or received the current year, with application of the tax rates adopted, or adopted in practice, on the balance sheet date.

Also included in current tax are adjustments to current tax attributable to previous periods.

Deferred tax is calculated according to the balance sheet method on the basis of temporary differences between the recognized and tax values and carrying amounts of assets and liabilities. The following temporary differences are not considered: temporary differences arising on initial recognition of goodwill, the initial recognition of assets and liabilities that are not business combinations and do not influence either recognized or taxable profit/loss on the date of transaction.

Furthermore, temporary differences attributable to interests in subsidiaries and associated companies that are not expected to be reversed within the foreseeable future. The measurement of deferred tax is based on how the carrying amounts of assets or liabilities are expected to be realized or settled.

Deferred tax is measured at the tax rate expected to be applied and tax laws that have been enacted or in practice by the balance sheet date. Deferred tax assets on deductible temporary differences and loss carry-forwards are recognized only to the extent it is likely they can be utilized. The value of deferred tax receivables is reduced when it is no longer considered likely that they can be utilized.

Any income tax surcharges arising in conjunction with the payment of dividends are recognized at the same time the dividend is recognized as a liability.

Financial instruments

Recognition and measurement of financial instruments

Financial instruments recognized in the Tobii Group's balance sheet includes among the assets accounts receivable, cash and cash equivalents and other financial assets. Among the liabilities are accounts payable, non-current liabilities and other financial liabilities.

The Group classifies its financial instruments in the following categories: Loans receivable and accounts receivable; and Other financial liabilities. Tobii has no instruments in the category Financial assets and liabilities measured at fair value via profit or loss.

Loans receivables and accounts receivable are non-derivative financial assets with fixed or determinable payments and that are not listed in an active market. These receivables arise when companies

provide money, goods and services directly to borrowers with no intention of trading in the rights to the receivables.

Other financial liabilities are liabilities not held for trading and measured in subsequent periods at accrued cost.

Accounts receivable

Accounts receivable are classified into the categories accounts receivable and loans receivable. Accounts receivable are recognized at the amounts expected to be received after deductions for assessed doubtful receivables. The expected maturity of accounts receivable is short, and values are recognized at nominal amount with no discounts. A provision for impairment of accounts receivable is made when there is objective evidence that the Group will not receive all amounts due under the original terms and conditions of the receivables. Impairment of account receivable is recognized in operating expenses.

Cash and cash equivalents

The Group's cash and cash equivalents consist of cash and bank balances, as well as short-term liquid investments with a remaining maturity of three months or less that are exposed to only an insignificant risk of fluctuation in value.

Accounts payable

Account payables are classified into the category Other financial liabilities. These are commitments to pay for goods or services acquired in operating activities from suppliers and are classified as current liabilities if they mature within one year. The expected maturities of accounts payable are short and values are recognized at nominal amount with no discounts.

Inventories

Inventories are measured at the lower of the cost and the net realizable value. Net realizable value is the estimated selling price from operating activities less the estimated cost of production and sales.

Cost for inventories is calculated using the first-in-first-out method (FIFO) and includes expenses that arise on acquisition and transportation of the inventory assets to their current location and condition. Cost for manufactured goods and work in progress includes a reasonable proportion of overhead based on normal capacity.

Property, plant and equipment

Property, plant and equipment is recognized as assets in the balance sheet if it is probable that future economic benefits will accrue to the Group and cost for the asset can be calculated reliably.

Property, plant and equipment is recognized in the Group at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and expenses directly related to transporting the asset to its location and in a condition so that it can be utilized as intended. Examples of directly related expenses included in cost are delivery and handling, installation, registration of title, and consultant and legal services.

Depreciation principles

The straight-line basis for depreciation is used for all property, plant and equipment. The following periods of depreciation are applied:

- Equipment, tools and installations.....5 yrs
- Demonstration units2 yrs

Computer equipment used in the Group are recognized as an expense when they arise.

Assets' residual value and useful lives are estimated every year and adjusted as required

Intangible assets

Goodwill

Goodwill consists of the difference between cost and the Group's share of the fair value of an acquired subsidiary's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill has an indeterminate useful life and is not amortized, but tested annually for any possible impairment.

Research & development

Research and development costs are recognized as an expense immediately. Expenses for development projects (related to the design and testing of new or improved products) are capitalized in the balance sheet as intangible assets to the extent these expenses are expected to generate future economic benefits. Other development costs are recognized as expenses as they arise. Development costs previously recognized as expenses are not capitalized as assets in the balance sheet in subsequent periods. Direct expenses include personnel costs for development employees and a proportion of the indirect costs. Amortization of capitalized development costs commences when the product is available for general use and reassessment of the useful life amortization is done annually. The unamortized amount of capitalized development is tested for impairment annually (in accordance with IAS 36) when the products resulting from the development are not yet available for sale.

- Capitalized development costs, amortization period 2–4 yrs

Trademarks

Trademarks acquired through business combinations are recognized at fair value on the day of acquisition. The Group's acquired trademarks have an indeterminate useful life and are not amortized, but tested annually for any possible impairment.

Patents

Expenses for patents are capitalized in the balance sheet and amortized on a straight-line basis over its estimated useful life.

Impairment

The recognized values of the Group's assets are tested at each balance sheet date to assess whether there is evidence of impairment. The Group applies IAS 36 for impairment testing of assets other than financial assets, inventories and deferred tax assets. The asset's recoverable amount is calculated if there is indication of impairment loss. Assets exempted according to the above are tested in accordance with the relevant standard.

Impairment testing for property, plant and equipment, intangible assets and participations in subsidiaries.

If there is indication of impairment, the asset's recoverable amount is calculated according to IAS 36 (see below). The recoverable amount is calculated annually for goodwill and other intangible assets with indeterminate useful lives and intangible assets not yet ready for use. If it is not possible to determine largely independent cash flow to an individual asset when testing for impairment, then assets are to be grouped at the lowest level at which largely independent cash flows can be identified (cash-generating units). Impairment loss is recognized when an asset or cash-generating unit's carrying amount is higher than its recoverable amount. Impairment is recognized in the income statement. Impairment of assets attributable to cash-generating units (group of units) is initially allocated to goodwill. Thereafter, other assets included in the unit (group of units) are proportionally impaired.

Reversal of impairment

Impairment of goodwill is not reversed. Impairment of other assets is

reversed if there has been a change in the assumptions that formed the basis for calculating the recoverable amount. Impairment is reversed only to the extent the asset's carrying amount after reversal does not exceed the carrying amount the asset would have had if impairment had not been recognized, with consideration to the depreciation/amortization that would have been recognized.

Share capital

Dividends

Dividends are recognized as a liability after the shareholders' meeting has approved the dividends.

Earnings per share

The calculation of earnings per share is based on the year's profit/loss in the Group attributable to the parent company's shareholders and the weighted average number of outstanding shares during the year.

When calculating earnings per share after dilution, the profit/loss and average number of shares are adjusted to take into account the effects of potential dilutive ordinary shares that, during the reporting period, stem from the long-term incentive program.

Employee benefits

Defined-contribution retirement plans

Commitments concerning premiums for defined-contribution plans are recognized as an expense in the income statement as they arise. Defined-contribution plans are those plans where the company's obligations are limited to the contributions the company has committed to pay. In such cases, the size of the employee's retirement benefit is dependent on the contributions that the company pays into the plan or insurance company, and the returns on capital that these premiums generate. Subsequently, it is the employee who bears the actuarial risk (that benefits are lower than expected) and the investment risk (that invested assets will be insufficient to generate the expected benefits).

Defined-benefit retirement plans

The Group has no defined-benefit plans at present.

Severance pay

A provision is recognized in conjunction with terminations of employees only if the company is formally obliged to prematurely terminate employment or when remuneration is offered as an incentive to initiate voluntary redundancy.

Share-based compensation to employees

The Group applies IFRS 2 for a share-based remuneration plan that began in 2008 and is recognized as equity-settled share-based transactions in accordance with IFRS 2. Expenses for employee stock options and warrants are measured at fair value, allocated over the duration of the program and recognized in equity. The Group recognizes a reserve for accrued social security contributions for the program based on the calculated taxable benefits payable to participants. The fair value of the employee stock options and warrants are calculated using Black& Scholes pricing model.

Provisions

A provision differs from other liabilities in that there is a certain prevailing uncertainty about the date of payment or the amount required to clear the provision. A provision is recognized in the balance sheet when the Group has an existing legal or informal commitment as a result of an event that has occurred, and it is probable that an outflow of economic resources will be required to settle the commitment and

the amount required can be estimated reliably.

In those cases when the effect of when payment is made is material, discounting is made of expected future cash flow at an interest rate before tax that reflects actual market assessments of the time value of money and, if applicable, those risks associated with the liability.

Guarantees

A provision for guarantees is recognized when the underlying products or services are sold. The provision is based on historical data regarding guarantees and a considered evaluation of the potential outcomes in relation to the probabilities associated with those outcomes.

Parent company's accounting principles

The parent company has prepared its annual report in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 "Accounting for Legal Entities". The statements issued by the Swedish Financial Reporting Board that apply to publicly listed companies have also been applied. RFR 2 requires that the parent company in the annual report for the legal entity apply all the IFRS and statements adopted by the EU to the extent that these correspond with the framework of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act, taking account of the association between accounting and taxation. The recommendation specifies which exemptions from and additions to IFRS are to be observed.

Classification and presentation methods

The Parent Company's income statement and balance sheet are set out in accordance with the Swedish Annual Accounts Act's schedule. The difference compared with IAS 1, "Presentation of Financial statements" which is applied in the presentation of the consolidated financial statements, relates primarily to the recording of financial income and expenses, non-current and current assets, equity and the presence of provisions as a separate heading in the parent company's balance sheet.

At the close of 2016, the parent company had unutilized credit facilities for a total of SEK 170 million. Liquidity in the Group's operating companies, exceeding that which is required to manage the need for working capital, is regularly assessed by the Group-wide function regarding if and how this excess liquidity is to be invested in accordance with limits established by the Board.

Note 3 Financial risks and risk management

Tobii, through its international operations, is exposed to financial risks that are managed in accordance with the policies adopted by the Board of Directors. The exposure comprises mainly currency risk, interest rate risk, credit risk and financing and liquidity risk.

Currency Risk

Currency risk refers to the risk that fluctuating exchange rates will have a negative impact on the Group's net profit/loss, balance sheet or cash flows. The Group prepares its financial statements in SEK and SEK is the Group's functional currency. Currency exposure arises when products and services are bought or sold in other currencies than the local currencies used by the respective subsidiaries (transaction exposure), and when the balance and income statements from non-Swedish subsidiaries are converted to SEK (translation exposure). Tobii's global operations give rise to significant cash flows in currencies other than SEK. Tobii is mainly exposed to changes in EUR, USD and JPY in relation to SEK. The table below illustrates the effect of a (+/-) 10% exchange rate change of these three currencies against the SEK on the Group's 2016 operating profit.

Tobii continuously assesses the impact of the trends of the most important currencies. Presently Tobii does not use any currency hedge.

	Change	EBIT effect
USD	10 %	10.2 SEK million
EUR	10 %	10.4 SEK million
JPY	10 %	3.1 SEK million

Interest rate risk

Interest rate risk arises when changes in market interest rates affect interest income from the Group's interest-bearing assets and interest expense on the Group's interest-bearing liabilities, which affects the Group's net interest and cash flow.

Based on the interest-bearing assets and liabilities at the close of 2016, an increase of 1 percentage (100 basis points) is calculated to have reduced the Group's profit before tax by SEK 7.7 million in 2016 and 3.7 in 2015.

Credit risk

Credit risk is the risk that a customer or other party in a transaction involving a financial instrument is unable to fulfill its commitments. Credit risk arises in the context of cash and cash equivalents, other balances with banks and financial institutions, and credit exposure through accounts receivable.

The amount of the credit risk is assessed for each customer. In markets where Tobii has its own sales company, the company is responsible for marketing and sales to the customer. In other markets, Tobii collaborates with a network of agents and distributors, whose capacity to carry losses can impact the Group. The maximum exposure to credit risks regarding financial assets is equivalent to the reported value of each category, in note 21. The maturity profile of outstanding accounts receivable is presented in note 17.

Financing and liquidity risk

The Group's objective is to have a capital structure that secures its capacity to continue its operations while keeping the cost of capital low. As part of this strategy, Tobii carried out a rights issue in December of 2016 which provided 449 SEK million to finance investments in smartphone and virtual reality products with eye tracking. In the event that Tobii requires access to future external financing, it is dependent upon factors such as market conditions, general access to credit and Tobii's creditworthiness. There is a risk that Tobii is not able to secure such financing with favorable terms.

Liquidity risk pertains to the risk of not being able to cover payment obligations due to insufficient cash and cash equivalents or difficulties in obtaining external financing. To manage these uncertainties and risks all of the Group's operating companies prepare cash flow forecasts that are aggregated to consolidated Group values by the finance department. The forecasts are followed up regularly to ensure that the Group has sufficient cash funds to meet the estimated needs of its operations. At the close of 2016, Tobii had unutilized credit facilities for a total of SEK 170 million. To a certain extent the Group also has the option to change the rate at which investments are made so as to adapt the yearly capital needs to the Group's actual financial resources.

Note 4 Important estimates and assessments

When applying the accounting policies the preparation of financial statements in accordance with IFRS requires that corporate management make assessments when applying the accounting policies.

Management also makes estimates and assumptions about the future that are based on past experiences and a number of other factors that under the prevailing circumstances appear reasonable. The results of these estimates and assumptions are then used to determine the carrying amounts of assets and liabilities not otherwise clearly evident from other sources. The actual outcome may deviate from these estimates and assumptions.

These estimates and assumptions are reviewed regularly. Changes in estimates are recognized in the period in which the change is made if the change affects only that period, or in the period the change is made and future periods if the change affects both the actual period and future periods. Areas where estimates and assumptions could imply a significant risk for adjustments in the reported values of assets and liabilities during the coming fiscal year are primarily:

Capitalized expenses for product development

Expenses for development projects are capitalized to the extent the expenditure can be expected to generate economic benefits. Capitalization commences when management judges that the product will be technically or economically viable. Capitalization ceases and amortization of capitalized development expenses commences when the product is ready for sale. Capitalized development expenses are subject to annual impairment testing whereby an assessment is made on the technical and economic value of the product.

Testing of impairment for goodwill and trademarks

The Group tests annually for impairment for goodwill, capitalized expenses for product development and trademarks in accordance with the Company's accounting policies. The test requires an estimation of parameters that affect the future cash flow and determination of a discount factor. Forecasts for future cash flows are based on the best possible estimation of future income and operating expenses. For more information regarding intangible assets and a description of impairment testing, assumptions and sensitivity analysis, see note 14.

Measurement of loss carry-forwards

Deferred tax assets on loss carry-forwards are recognized to the extent that it is deemed probable that future tax surpluses will be available against which the deduction can be offset. Deferred tax assets in the balance sheet amounted to SEK 54.9 million (54.9) and the loss carry-forwards will, according to the Group's forecasts, be applied against future profits. The reported tax assets are impacted by the estimates and assessments used to forecast future taxable profits and tax regulations and our forecasts indicate that the loss carry-forwards can be applied to future surpluses. See note 13 for more information about the Group's deferred taxes.

Note 5 Sales and earnings per business unit

To manage operations, Group management monitors a number of key ratios, mainly net sales, operating profit/loss and operating profit/loss before depreciation and amortization and R&D expenditures and investments per business unit, as well as net sales per geographic area.

Sales per business unit

SEK m	2016	2015
Tobii Dynavox	761.7	740.3
Tobii Pro	244.9	209.5
Tobii Tech	96.4	58.6
Others	0.0	0.4
Eliminations ¹⁾	-49.7	-41.4
Group	1,053.3	967.3

¹⁾ Eliminations refer entirely to sales from business unit Tobii Tech to Tobii Dynavox and Tobii Pro.

Operating profit/loss before depreciation and amortization (EBITDA)

SEK m	2016	2015
Tobii Dynavox	184.9	182.1
Tobii Pro	45.1	44.3
Tobii Tech	-179.7	-145.2
Others	-0.0	-0.2
Group	50.3	81.1

Operating profit/loss (EBIT)

MSEK	2016	2015
Tobii Dynavox	124.7	119.0
Tobii Pro	15.5	21.2
Tobii Tech	-207.2	-175.7
Other	0.0	-0.2
Group	-67.0	-35.7

Financial items	19.4	8.4
Profit before tax	-47.6	-27.3

R&D per business unit 2016

SEK million	Total R&D expenditures	Capitalized R&D	R&D amortization and impairments	R&D expenses net, as in income statement
Tobii Dynavox	-107.8	53.7	-41.6	-95.7
Tobii Pro	-56.9	30.5	-26.2	-52.6
Tobii Tech	-163.2	36.7	-26.9	-153.5
Group	-328.0	120.9	-94.7	-301.8

2015

SEK million	Total R&D expenditures	Capitalized R&D	R&D amortization and impairments	R&D expenses net, as in income statement
Tobii Dynavox	-91.4	38.2	-39.1	-92.3
Tobii Pro	-43.3	22.1	-20.1	-41.4
Tobii Tech	-131.8	30.1	-29.6	-131.3
Group	-266.5	90.4	-88.9	-265.0

Net sales by geographic market

SEK million	2016	2015
Sweden	18.1	16.3
Europe	217.4	202.8
USA	650.2	599.2
Other countries	167.6	149.1
Total	1,053.3	967.3

Non-current assets by country

SEK million	2016	2015
Sweden	235.8	204.2
USA	198.0	192.8
Other countries	23.0	23.1
Total	456.8	420.1

Note 6 Rental commitments and significant leasing commitments

Committed future payments in the Group for non-cancellable operating leases.

SEK million	Group		Parent company	
	2016	2015	2016	2015
Within 1 year	22.3	21.3	11.1	10.6
Between 2 – 5 years	44.0	44.8	11.3	8.2
Later than 5 years	24.4	31.5	-	-
Total commitments	90.7	97.6	22.5	18.8

Tobii's operating leasing commitments consist primarily of rent for premises.

This year's cost for operating leases:	25.1	21.5	10.8	9.5
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Note 7 Auditors' fees

SEK million	Group		Parent company	
	2016	2015	2016	2015
PricewaterhouseCoopers, Sweden				
Audit engagement	2.4	2.7	1.2	0.8
Audit activities not included in audit engagement*	0.5	7.8	0.5	3.9
Tax consultancy services	-	-	-	-
Other services	0.3	0.1	0.3	0.1
Total	3.1	10.7	2.0	4.8

Other auditors

Audit engagement	0.6	0.5	-	-
Audit activities not included in audit engagement	0.0	0.1	-	-
Tax consultancy services	1.5	1.3	-	-
Other services	0.6	1.5	-	-
Total	2.6	3.5	-	-
Total audit fees	5.8	14.2	2.0	4.8

*2015 includes audit fees related to the IPO 2015

Note 8 Employees and personnel costs

Average no. Employees	2016	Of which women %	2015	Of which women %
Parent company				
Sweden	270	25 %	213	25 %
Other countries	-	-	-	-
Parent company total	270	25 %	213	25 %

Average no. Employees

Subsidiaries				
USA	309	53 %	281	53 %
Norway	14	11 %	14	15 %
UK	9	47 %	4	23 %
Germany	10	0 %	10	0 %
Japan	21	46 %	18	53 %
China	47	50 %	43	53 %
South Korea	2	33 %	2	50 %
Taiwan	2	21 %	-	-
Subsidiaries total	413	49 %	371	50 %
Total average no. of employees	683	40 %	584	41 %

Salaries, remunerations and social costs	Group		Parent company	
	2016	2015	2016	2015
SEK million				
Board, CEO and other senior executives	17.4	16.0	17.4	14.0
Other employees	400.9	348.2	145.3	121.4
Total salaries and remunerations	418.4	364.2	162.7	135.4
Defined-contribution retirement expenses	27.3	20.4	19.7	14.5
Other social costs	104.6	81.2	56.4	46.6
Total social costs	131.9	101.6	76.1	61.1
Total salaries, remunerations and social costs	550.2	465.8	238.9	196.5

Remuneration to the Parent Company's Board of Directors, Group CEO and other senior executives

2016

SEK m	Board fee/basic salary	Defined contribution benefits	Variable remuneration	Employee stock options	Total
Kent Sander	0.6	-	-	-	0.6
Heli Arantola	0.1	-	-	-	0.1
Åsa Hedin	0.3	-	-	-	0.3
Martin Gren	0.3	-	-	-	0.3
Nils Bernhard	0.3	-	-	-	0.3
Jan Wäreby	0.2	-	-	-	0.2
Anders Ösund ¹⁾	0.2	-	-	-	0.2
John Elvesjö, Board member	-	-	-	-	-
Total Board of Directors	2.0	-	-	-	2.0
Henrik Eskilsson, CEO	2.6	0.5	0.5	0.2	3.8
John Elvesjö, Deputy CEO	1.8	0.4	0.3	0.2	2.6
Other senior executives (5 individuals)	7.1	1.4	3.3	0.2	11.9
Total senior executives	11.5	2.3	4.0	0.6	18.3
Total remuneration to the Parent company's Board of Directors, Group CEO and other senior executives					
	13.5	2.3	4.0	0.6	20.3

¹⁾ Anders Ösund resigned from his positions as board member at the AGM 2016.

2015

SEK m	Board fee/basic salary	Defined contribution benefits	Variable remuneration	Employee stock options	Total
Kent Sander	0.6	-	-	-	0.6
Anders Ösund	0.3	-	-	-	0.3
Åsa Hedin	0.3	-	-	-	0.3
Martin Gren	0.3	-	-	-	0.3
Nils Bernhard	0.3	-	-	-	0.3
Magnus Ericsson	0.2	-	-	-	0.2
John Elvesjö, Board member	-	-	-	-	-
Total Board of Directors	1.9	-	-	-	1.9
Henrik Eskilsson, CEO	2.5	0.3	0.4	0.2	3.4
John Elvesjö, Deputy CEO	2.0	0.2	0.3	0.2	2.7
Other senior executives (5 individuals)	7.3	1.1	1.7	0.2	10.3
Total senior executives	11.8	1.5	2.3	0.7	16.4
Total remuneration to the Parent company's Board of Directors, Group CEO and other senior executives					
	13.7	1.5	2.3	0.7	18.2

Changes in the number of outstanding options in Tobii's incentive programs (thousands)

	Warrants		Employee stock options	
	2016	2015	2016	2015
At beginning of year	2,441	2,277	806	806
Allocated	730	164	140	-
Exercised	-190	-	-364	-
Forfeited	-130	-	-117	-
Reclassification	-616	-	616	-
At year-end	2,235	2,441	1,081	806

All warrants and employee stock options are held by senior executives, key employees and Board members.

Incentive program

Tobii has incentive programs for senior executives and a small group of key employees in the parent company. The programs include both warrants and employee stock options. The options are conditional on remaining in employment for large parts of the program's duration. Warrants are purchased by the employees at market price. The fair value of the warrants and employee stock options is calculated using the Black & scholes pricing model. Assumptions which are used include volatility between 30 and 34 %, interest rates between -0.3 % and 1 %, a time period from three years and six months to 10 years and exercise price from 0 % to 50 % mark-up relative to the share price at the grant date.

Subscription terms for warrants and employee stock option program

2010/2014 series 3 entitles the employee stock option holder to subscribe for one Tobii AB share at a price of SEK 19 per share during a fixed period in 2017/2018. There are a total of 169,000 employee stock options outstanding in the series.

2012:1 series entitles the warrant holder to subscribe for one Tobii AB share at a price of SEK 40 per share during a fixed period in 2016/2017. There are a total of 60,000 warrants outstanding in the series.

2012:2 series entitles the employee stock option holder to subscribe for one Tobii AB share at a price of SEK 20 per share during a fixed period in 2016/2017. There are a total of 78,000 employee stock options outstanding in the series.

2013:1 series entitles the warrant holder to subscribe for one Tobii AB share at a price of SEK 34.50 per share during a fixed period in 2017. There are a total of 40,000 warrants outstanding in the series.

2013:2 series entitles the employee stock option holder to subscribe for one Tobii AB share at a price of SEK 23 per share during a fixed period in 2017/2018. There are a total of 52,000 employee stock options outstanding in the series.

2014/18:1 series entitles the warrant/employee stock option holder to subscribe for one Tobii AB share at a price of SEK 26 per share during a fixed period in 2018. There are a total of 1,657,000 warrants/employee stock options outstanding in the series.

2014/18:2 series entitles the employee stock option holder to subscribe for one Tobii AB share at a price of SEK 20 per share during a fixed period in 2018. There are a total of 26,000 employee stock options outstanding in the series.

2014/24:1 series entitles the warrant holder to subscribe for one Tobii AB share at a price of SEK 20 per share during a fixed period between 2015 and 2024. There are a total of 200,000 warrants outstanding in the series.

2015/20:1 series entitles the warrant holder to subscribe for one Tobii AB share at a price of SEK 26 per share for the period up to and including February 2020. There are a total of 164,000 warrants outstanding in this series.

LTI 2016:1 series entitles the warrant holder to subscribe for one Tobii AB share at a price of SEK 73.3 per share during a fixed period in 2019/2020. There are a total of 730,000 warrants outstanding in this series.

LTI 2016:2 series entitles the warrant holder to subscribe for one Tobii AB share at a price of SEK 67.6 per share during a fixed period between 2020 och 2026. There are a total of 140,000 warrants outstanding in this series.

At December 31, 2016 there were a total of 3.3 million warrants outstanding, among which 2.9 million were transferred to participants in the incentive program. Full utilization of outstanding incentive program in the Group will entail a maximum dilution effect of approximately 3.3 % of the share capital.

Retirement benefits

Retirement benefits to the CEO and senior executives, as for all other Tobii employees, are paid to an insurance company or authority that assumes the obligations towards the employee, a defined- contribution plan. The Group has no defined-benefit plans, either in Sweden or in subsidiaries outside Sweden.

The CEO and the Company have a mutual notice period of four months and severance pay corresponding to four months' basic salary is to be paid on the condition that the Company is the party giving notice. Other senior executives have a mutual period of notice of three to six months, or longer period of notice that follows according to law. In addition, they have a right to severance pay corresponding to a maximum of six months' basic salary in some cases. The board of directors is entitled to deviate from these guidelines if there are specific grounds to do so. The CEO and other senior executives are not entitled to any additional compensation in conjunction with the termination of their employment.

Note 9 Depreciation/amortization and impairment of intangible assets and property, plant and equipment

SEK million	Group		Parent company	
	2016	2015	2016	2015
Intangible assets (note 14)	94.4	88.3	62.3	62.4
Property, plant and equipment (note 15)	22.9	28.4	6.8	6.9
Total depreciation/amortization	117.3	116.7	69.0	69.3
Impairment (note 14)	-	0.1	-	-
Total depreciation/amortization/impairment	117.3	116.8	69.0	69.3

Note 10 Expenses by type

SEK million	Group		Parent company	
	2016	2015	2016	2015
Cost for materials and changes in inventory	160.6	141.3	214.3	167.4
Cost for employee remuneration (note 8)	550.2	465.8	238.9	196.5
Other external expenses	296.5	277.9	167.9	143.3
Depreciation, amortization and impairments (note 9)	117.3	116.8	69.0	69.3
Total expenses	1 124.6	1 001.8	690.1	576.6

Note 11 Other operating income and operating expenses

SEK million	Group		Parent company	
	2016	2015	2016	2015
Other operating income				
Exchange rate differences in operating receivables and liabilities	35.2	46.0	35.1	45.7
Other income	2.2	1.4	1.8	4.7
Total other income	37.6	47.4	36.9	50.4
Other operating expenses				
Exchange rate differences in operating receivables and liabilities	-32.7	-48.1	-30.1	-45.2
Capital loss on sale of equipment	-0.4	-	-	-
Restructuring expenses	-	-3.6	-	-
Other expenses	-0.9	-0.7	-0.0	-0.1
Total other expenses	-34.0	-52.4	-30.1	-45.2
Total other income and expenses	3.6	-5.0	6.8	5.2

Note 12 Financial income and expenses

SEK million	Group		Parent company	
	2016	2015	2016	2015
Financial income				
Interest income and similar profit/loss items	0.3	0.3	0.1	0.1
Interest income, subsidiaries	-	-	22.0	21.4
Exchange rate differences	37.9	18.2	37.9	18.1
Total financial income	38.2	18.5	60.0	39.6
Financial expenses				
Interest expense and similar profit/loss items	-0.1	-2.5	0.0	-2.4
Exchange rate differences	-18.6	-7.6	-13.9	-7.6
Other	0.0	0.0	-	-
Total financial expenses	-18.8	-10.1	-13.9	-10.0
Total financial income and expenses	19.4	8.4	46.1	29.7

Note 13 Tax

SEK million	Group		Parent company	
	2016	2015	2016	2015
Current tax	-1,4	-1,6	-	-
Current tax attributable to previous years	0,0	0,0	-	-
Total current tax	-1,4	-1,6	-	-
Deferred tax				
Attributable to deferred tax assets	-1.4	4.5	4.3	6.4
Attributable to deferred tax liabilities	0.6	-0.3	-	-
Total deferred tax	-0.8	4.2	4.3	6.4
Total tax	-2.2	2.7	4.3	6.4

Deferred tax assets

Inventories	2.0	2.4	-	-
Non-current assets	2.4	2.7	-	-
Current liabilities	0.0	0.0	-	-
Loss carry-forwards	50.4	49.7	32.4	28.1
Total deferred tax assets	54.9	54.9	32.4	28.1

Deferred tax liabilities

Other	0.3	0.9	0.0	0.0
Total deferred tax liabilities	0.3	0.9	0.0	0.0

The Group's unutilized loss carry-forwards for which no deferred tax assets are recognized amounted to SEK 199.1 million and SEK 175.8 million at the close of 2016 and 2015 respectively. None of the unutilized loss carry-forwards expire within the coming 5-year period. The majority of loss carry-forwards refer to subsidiaries in the us where current tax regulations allow a 20-year utilization period after the year in which the loss occurred. Subsequently, these loss carry-forwards expire between the years 2031 and 2036.

Reconciliation of effective tax

SEK million	Group		Parent company	
	2016	2015	2016	2015
Reported profit/loss before tax	-47.6	-27.3	-4.2	2.8
Tax according to current tax rate	10.5	6.0	0.9	-0.6
Difference in tax rate in foreign operations	6.8	4.2	-	-
Tax effect of non-deductible expenses	-1.3	-0.2	-0.1	-0.2
Tax effect of IPO-related expenses in 2015 and expenses for rights issue in 2016, direct to equity.	3.5	7.2	3.5	7.2
Deficit without corresponding tax asset	-21.2	-15.4	-	-
Use of previous years' deficit without tax asset	-	0.9	-	-
Adjustment of taxes attributable to previous years	-0.5	0.0	-	-
Other	0.1	-0.1	-	-
Total reported tax expense (-)/tax income (+)	-2.2	2.7	4.3	6.4
Effective tax rate	5 %	-10 %	102 %	-232 %

Note 14 Intangible assets**Goodwill**

SEK million	2016	2015
Opening acquisition cost	11.7	12.0
Translation differences	1.1	-0.3
Closing acquisition cost	12.8	11.7
Opening accumulated impairment	-11.5	-11.7
Translation differences	-1.1	0.2
Closing accumulated impairment	-12.6	-11.5
Net carrying amount	0.3	0.3

Capitalized expenses for product development

SEK million	Group		Parent company	
	2016	2015	2016	2015
Opening acquisition cost	566.5	480.6	432.7	374.6
Investments	113.7	85.9	78.9	58.2
Disposals	-	-	-	-
Reclassifications	-	-0.8	-	-
Translation differences	12.9	0.8	-	-
Closing acquisition cost	693.0	566.5	511.6	432.7
Opening accumulated amortization	-343.5	-261.7	-276.6	-219.0
Disposals	-	0.0	-	-
Amortization for the year (note 9)	-86.9	-83.6	-54.8	-57.6
Impairment for the year (note 9)	-	-0.1	-	-
Reclassifications	-	0.6	-	-
Translation differences	-7.4	1.3	-	-
Closing accumulated amortization	-437.8	-343.5	-331.4	-276.6
Net carrying amount	255.2	223.0	180.2	156.1

Trademarks

SEK million	2016	2015
Opening acquisition cost	95.8	88.8
Translation differences	6.6	7.0
Closing acquisition cost	102.5	95.8
Net carrying amount	102.5	95.8

Other intangible assets 1¹⁾

SEK million	Group		Parent company	
	2016	2015	2016	2015
Opening acquisition cost	29.1	23.1	29.0	22.5
Investments	7.3	6.5	7.3	6.5
Translation differences	-	-0.4	-	-
Closing acquisition cost	36.4	29.1	36.3	29.0
Opening accumulated amortization	-16.5	-12.3	-16.4	-11.7
Amortization for the year (note 9)	-7.5	-4.7	-7.5	-4.7
Translation differences	-	0.4	-	-
Closing accumulated amortization	-24.0	-16.5	-23.9	-16.4
Net carrying amount	12.4	12.6	12.4	12.6

¹⁾ Other intangible assets consist mainly of patents.

Intangible assets with indeterminate useful lives are tested annually for impairment or more often if there is indication of impairment. The recoverable amount of a cash-generating unit is defined on the basis of calculations of value in use.

These calculations are based on estimated future cash flows before tax based on financial budgets and forecasts that have been approved by company management and cover a five-year period. Cash flow forecasts are based on evaluations of growth rate expecta-

tions and EBITA margin developments (operating margin before amortization and impairments of intangible assets) that are based on the budget for next year, forecasts for the coming four years based on management's long-term expectations on operations, as well as the historical development. The calculated value in use is most sensitive to changes in the assumptions about growth rate, EBITA margin and discount rates. Applied assumptions are based on previous experiences and market trends. Cash flow forecasts for years 2-5 are based on an annual growth rate of 22 percent. Cash flows beyond the five-year period are extrapolated using an estimated long-term growth rate of two percent. The discount rate used for calculating recoverable amounts is a maximum of 14.5 percent before tax. Required rates of return have been determined in view of the Group's future estimated capital structure and reflect the risks that apply for the different operating segments. According to the impairments tests carried out, there is no need of impairment for intangible assets with indeterminate useful lives as per December 31, 2016. A two percent increase in the discount rate, a two percent decrease in operating margin before amortization and impairment of intangible assets, or a two percent reduction of the assumed long-term growth rate do not, each by itself, mean a need for impairment would arise.

Trademarks with indeterminate useful lives and capitalized development expenses where amortization has not commenced:

SEK million	2016	2015
Tobii Dynavox	152.6	106.7
Tobii Pro	18.0	1.1
Tobii Tech	31.8	83.0
Total intangible assets subject to testing for impairment:	202.3	190.8

Note 15 Property, plant and equipment

SEK million	Group		Parent company	
	2016	2015	2016	2015
Opening acquisition cost	213.4	234.6	49.0	42.9
Investments	19.4	30.4	8.8	8.2
Sale/disposal	-49.5	-68.0	-2.9	-2.2
Reclassifications	-0.1	0.3	-	-
Translation differences	9.1	16.0	-	-
Closing acquisition cost	192.3	213.4	54.8	49.0
Opening accumulated depreciation	-181.6	-203.6	-41.6	-35.5
Sale/disposal	47.4	64.8	1.3	0.9
Depreciation for the year (note 9)	-22.9	-28.4	-6.8	-6.9
Reclassifications	-	-1.2	-	-
Translation differences	-7.2	-13.2	-	-
Closing accumulated depreciation	-164.3	-181.6	-47.0	-41.6
Net carrying amount	28.1	31.8	7.7	7.4

Note 16 Participations in Group Companies

SEK million	Parent Company	
	2016	2015
Acquisition cost		
Opening value at beginning of year	155,9	155,9
Acquisitions	1,3	-
Total acquisition cost	157,2	155,9

Subsidiary to Parent company	Carrying amount			
	No. of shares	Participating interest, %	Dec. 31 2016	31 dec 2015
Tobii Technology Inc., 20-3779947, Falls Church, VA, USA	100	100	0.2	0.2
Tobii Technology Norge AS, 834962322, Bergen, Norway	51	100	8.5	8.5
Tobii Technology GmbH, HRB 78844, Frankfurt, Germany	1	100	0.2	0.2
Tobii Technology Options AB, 556740-3364, Danderyd, Sweden	100,000	100	0.1	0.1
Tobii Assistive Technology Inc., 04-3284593, Boston, MA, USA	100	100	130.7	130.7
Tobii Electronics Technology Suzhou Co., Ltd., 91320594681609152B Suzhou, China	1	100	9.8	9.8
Tobii Electronics Trading Suzhou Co., Ltd., 913205945725628424 Suzhou, China	1	100	2.2	2.2
Tobii Co., Ltd., 4309404695, Taipei, Taiwan	1	100	1.3	-
Tobii Technology Japan Ltd., 0104-01-075455, Tokyo, Japan	524	87	4.1	4.1
T Analysis AB, 556914-7613, Stockholm, Sweden	50,000	100	0.1	0.1
T Assistive AB, 556914-7563, Stockholm, Sweden	50,000	100	0.1	0.1
Total acquisition costs in subsidiaries			157.2	155.9

Note 17 Accounts receivable

SEK million	Group		Parent company	
	2016	2015	2016	2015
Accounts receivable	193.9	224.0	52.9	41.3
Accounts receivable, subsidiaries	-	-	49.6	38.2
Bad debts provision	-42.2	-55.3	-4.4	-5.2
Total accounts receivable	151.7	168.7	98.1	74.3

Maturity analysis

Not yet due	135.1	136.5	41.4	33.1
1 – 30 days overdue	15.8	15.8	6.4	2.4
31 – 60 days overdue	5.3	10.0	0.1	0.8
61 – 90 days overdue	5.2	7.7	0.4	0.5
Over 90 days overdue	32.4	53.9	4.6	4.5
Closing balance	193.9	224.0	52.9	41.4

Changes in the reserve for doubtful accounts receivable:

As at January 1	55.3	28.3	5.2	5.4
Provision for bad debts	28.0	35.4	0.8	1.3
Receivables written off during the year as uncollectible	-31.3	-11.4	-	-
Reversal of unused amount	-8.0	-6.6	-1.5	-1.4
Exchange rate effect	-1.8	9.6	-0.1	-0.1
At December 31	42.2	55.3	4.4	5.2

Note 18 Inventories

SEK million	Group		Parent company	
	2016	2015	2016	2015
Raw materials and consumables	46.4	17.5	30.1	14.0
Finished products	12.2	25.0	9.2	10.6
Work in progress	4.8	0.5	4.4	0.1
Advances to suppliers	3.9	2.8	-	-
Total inventories	67.3	45.8	46.7	24.7

Costs for inventory which has been expensed are included in the item Cost of goods sold and amounts to SEK 160.6 million (141.3 for 2015).

Note 19 Prepaid expenses and accrued income

SEK million	Group		Parent company	
	2016	2015	2016	2015
Accrued income	1.1	0.4	-	0.0
Prepaid rent/leasing	3.3	3.2	2.9	2.5
Prepaid insurance	6.1	4.3	0.6	0.7
Prepaid license fees	1.5	2.2	0.0	1.3
Other items	13.6	11.7	7.3	5.8
Total prepaid expenses, accrued income	25.6	21.7	10.9	10.4

Note 20 Cash and cash equivalents

SEK million	Group		Parent company	
	2016	2015	2016	2015
Cash and bank balances	771.7	370.9	685.7	283.9
Total cash and cash equivalents	771.7	370.9	685.7	283.9

Note 21 Financial instruments by category in the Group

The Group classifies its financial instruments in the following categories: Loans receivable and Accounts receivable and Other financial liabilities. Tobii has no instruments in the category Financial assets and liabilities measured at fair value via profit or loss. For further information about Tobii's financial instruments see note 17 and note 25.

SEK million	Group	
	2016	2015
Accounts and loans receivables		
Accounts and other receivables, excl interim receivables ¹⁾	165.3	176.9
Other financial assets	3.5	1.6
Cash and cash equivalents	771.7	370.9
Total accounts and loans receivables	940.4	549.4

Other financial liabilities

The Tobii Group had no interest-bearing liabilities in 2015 and 2016.

SEK million	Group	
	2016	2015
Non interest-bearing liabilities		
Accounts payable and other financial liabilities, excl non-financial liabilities ²⁾	84.8	68.8
Total non interest-bearing liabilities	84.8	68.8
Total Other financial liabilities	84.8	68.8

1) Advance payments are excluded from accounts and other receivables as the analysis is required on for financial instruments.

2) Non-financial liabilities, including accrued social security contributions, are excluded as the analysis is required only for financial instruments.

Note 22 Development of share capital

Development of share capital	Change in share capital (SEK '000)	Share capital (SEK '000)	Total no. of shares
2001 Founding	100	100	10,000
2001 New share issue	2	102	11,768
2003 New share issue	28	130	13,014
2005 New share issue	0	130	15,222
2006 New share issue	3	133	15,501
2007 New share issue	40	173	19,451
2008 New share issue	3	176	19,751
2009 Split 1:2000	0	176	39,502,000
2009 New share issue	25	201	44,620,000
2010 New share issue	22	223	49,096,000
2011 New share issue	20	265	53,149,980
2012 New share issue	33	298	59,512,719
2014 New share issue	46	344	68,886,883
2015 Bonus issue	156	500	68,886,883
2015 New share issue (Initial Public Offering)	136	636	87,613,033
2016 New share issue exercise of warrants	4	640	88,140,033
2016 Rights issue	64	704	96,954,036

Equity in the Group comprises share capital, other contributed capital, reserves and earned profits (incl. net profit/loss for the year).

Group

Share capital

The number of shares amounts to 96,954,036 with a quotient value of SEK 0.0073 at December 31, 2016.

Reserves

Reserves comprise translation reserves that include all exchange rate differences that arise on translation to SEK of foreign operations' financial statements prepared in the currency used in the economic environment where the respective company operates (functional currency). The parent company and the Group prepare their financial statements in SEK.

Earned profits

Earned profits in the Group comprise the profit/loss for the year and previous year's earned profits after payment of any dividends. Dividends are proposed by the Board. The Board proposes that no dividends be paid for fiscal year 2016.

Note 23 Reserves in equity

The item Reserves in equity refers entirely to translation differences.

Note 24 Provisions

SEK million	Group		Parent company	
	2016	2015	2016	2015
Provisions for guarantees				
At beginning of year	1.5	3.6	1.4	3.0
Provisions during the year	0.5	-1.3	0.5	-1.1
Utilized during the year	0.0	-0.6	0.0	-0.6
Translation differences	-	-0.3	-	-
Total provisions for guarantees	2.0	1.5	1.9	1.4
Other provisions				
At beginning of year	-	-	-	-
Provisions during the year	6.4	-	6.4	-
Utilized during the year	-	-	-	-
Total other provisions	6.4	-	6.4	-
Total provisions	8.4	1.5	8.3	1.4

Tobii makes no provisions for retirement obligations as the Group's retirement plans are defined-contribution plans and all retirement obligations are settled through annual payments to retirement companies so that Tobii will not have future financial liabilities to employees or Board members. Tobii generally offers a one- to two-year guarantee on its products. Management estimates provisions for future guarantee commitments based on previous years' guarantee requirements.

Note 25 Other liabilities

SEK million	Group		Parent company	
	2016	2015	2016	2015
Interest-bearing liabilities				
Tobii Group and the parent company have no interest-bearing liabilities in 2016 and 2015.				
Non-interest-bearing liabilities				
Non-current non-interest-bearing liabilities				
Deferred income, non-current portion	18.4	16.6	3.7	3.7
Other non-current non-interest-bearing liabilities	3.1	1.0	-	-
Total non-interest-bearing liabilities	21.6	17.6	3.7	3.7
Current non-interest-bearing liabilities				
Accounts payable	59.0	44.2	38.2	27.8
Accounts payable, subsidiaries	-	-	20.0	3.3
Other non-interest-bearing liabilities ¹⁾	22.7	23.6	18.6	17.3
Total current non-interest-bearing liabilities	81.7	67.8	76.9	48.4
Total non-interest-bearing liabilities	103.2	85.4	80.6	52.2
Total other liabilities	103.2	85.4	80.6	52.2

1) Unutilized credit facilities amounted to SEK 170 million and SEK 170 million at the close of 2016 and 2015 respectively and refer entirely to the parent company. For information about the Group's financial liabilities see note 3.

Note 26 Accrued expenses and deferred income

SEK million	Group		Parent company	
	2016	2015	2016	2015
Deferred income, current portion	58.0	45.8	19.2	16.4
Accrued personnel expenses	55.5	52.0	32.9	32.8
Accrued commission, resellers	4.8	4.9	4.8	4.9
Other accrued expenses	41.3	51.1	17.6	14.2
Total accrued expenses and deferred income	159.6	153.8	74.6	68.3

Note 27 Pledged assets and contingent liabilities

SEK million	Group		Parent company	
	2016	2015	2016	2015
Pledged assets	135.0	135.0	85.1	85.1
Contingent liabilities	-	-	-	-

Pledged assets refer to floating charges on collateral.

Note 28 Supplementary disclosures to cash flow statement

SEK million	Group		Parent company	
	2016	2015	2016	2015
Interest paid and received				
Interest received	0.3	0.3	22.1	21.5
Interest paid	0.0	-2.4	0.0	-2.4
Total interest paid and received	0.3	-2.1	22.1	19.2

Note 29 Transactions with related parties

Tobii has neither pledged assets nor contingent liabilities related to senior executives or the Board of Directors. For information concerning remuneration to senior executives and Board members, refer to note 8. During 2016 Tobii Pro invoiced Mr. Green & Co. AB, where Tobii's director Kent Sander is also a board member, an amount of SEK 169,000 for analysis- and consulting services. No related-party transactions have taken place during

the 2015 period. The same price-setting principles applied for transactions with external parties apply also for intra-group purchases and sales.

Transactions between the parent company Tobii AB and its subsidiaries:

SEK million	Group		Parent company	
	2016	2015	2016	2015
Sales to related parties, subsidiaries	-	-	291.0	233.3
Purchases from related parties, subsidiaries	-	-	94.1	79.4
Receivables from related parties, subsidiaries	-	-	473.4	428.0
Liabilities to related parties, subsidiaries	-	-	20.0	3.3

Note 30 Events after the end of the reporting period

In January 2017, Tobii expanded its group management team with Cecilia Eriksson, Global HR Director. HR is a central and strategic function for Tobii, which intends to continue to strengthen its organization and its position as an attractive and top rated employer internationally.

Tobii announced that Johan Wilsby will be the new CFO and member of Tobii's group management team. Johan has several years' experience as CFO and Head of Finance for both technology and listed companies. He succeeds Esben Olesen who left his post in March, 2017, and takes his post in August at the latest.

Signatures

The board of Directors and CEO certify that these consolidated financial statements and Annual Report have been prepared in accordance with the International Financial Reporting Standards IFRS as adopted by the EU and generally accepted accounting principles, and gives a fair view of the Group's and Parent Company's financial position and

earnings. The Director's Report gives a fair overview of the development of the Group and Parent Company's operations, financial position and earnings, and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Danderyd, April 6, 2017

Tobii AB

Kent Sander
Chairman of the Board

Heli Arantola
Board member

Nils Bernhard
Board member

John Elvesjö
Board member

Martin Gren
Board member

Åsa Hedin
Board member

Jan Wäreby
Board member

Henrik Eskilsson
CEO

Our auditor's report was submitted on April 6, 2017

PricewaterhouseCoopers AB

Magnus Brändström
Authorized Public Accountant, Auditor in Charge

The consolidated statement of comprehensive income and the consolidated balance sheet and the Parent Company's income statement and balance sheet are subject to the approval of the Annual General Meeting on May 9, 2017.

This information is information that Tobii AB is obliged to make public pursuant to the Securities Markets Act. The information was submitted for publication on April 6, 2017.

Auditor's Report

To the meeting of shareholders in Tobii AB (publ), Corporate Identity Number 556613-9654

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Tobii AB (publ) for 2016. The annual accounts and consolidated accounts of the company are included on pages 41-74 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore, recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit activities

Materiality

- Overall materiality level: MSEK 10, which is equivalent to 1 % of the Group's net sales.

Focus and scope

- We have executed an audit covering all significant reporting units within the Tobii Group. The significant units comprise approximately 83 % of sales and 92 % of assets.

Key audit matters

- Valuation of capitalized costs for product development

- Valuation of terms impacting management's judgements, primarily as regards deferred tax
- Allocation of revenue

The focus and scope of the audit

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole (see table below). These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Group materiality level	MSEK 10 (9)
How we determined this level	The materiality level is based on 1 percent of the Group's net sales
Motivation behind the determination of the materiality level	We have chosen this method to determine the materiality level as it is, according to our opinion, the most relevant measure by which the group's development is usually assessed. The level of 1 % is seen in auditing standards to comprise an acceptable quantitative materiality threshold.

We agreed with Audit Committee that we would report identified errors in excess of the equivalent of 10% of the determined materiality level, as well as errors less than this amount but which we deemed should be reported for qualitative reasons.

Key audit matters

Key audit matters of the audit are those matters that, in our

professional judgment, were most significant in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter

Valuation of capitalized expenses for product development

We refer to Notes 4 Important estimates and assessments when applying the accounting policies, and 14, Intangible assets.

Capitalised expenses for product development comprise a significant portion of Tobii Group's balance sheet of MSEK 255.2 as at the end of December 2016. There is a risk that the future estimated cash flow will not be equivalent to the book value of capitalized expenses for product development and that, as a result, an impairment risk will arise.

The assets are subject to ongoing depreciation. According to the Tobii Group's routine, the value of capitalized expenses for product development is tested annually for impairment. Tobii has a process for executing this test. This testing is based on the recoverable amount, which is equivalent to the value of the discounted cash flows for the identified assets.

The calculated recoverable value is based on future budgets and forecasts, approved by the Board of Directors, for the next five years. The cash flows for the years after the third year are extrapolated based on the business plan. The process, consequently, includes assumptions of a major significance in the testing of impairment requirements. These include the assumptions regarding sales growth, margin developments and the discount rate (WACC).

The company's conclusion is that there is no impairment requirement regarding the above mentioned assets as at 31 December 2016.

How our audit addressed the Key audit matter

In evaluating the assumptions, as reported in Note 14, and in controlling to determine if the applied model agrees with IFRS, we have undertaken the following audit measures to assess, primarily, the valuation and correctness of such assumptions and model:

- We have obtained the assistance of PwC's valuation experts. We have tested and evaluated management's assumptions regarding the discount rate, growth and margins. These judgements included a significant degree of subjectivity. Regarding the discount rate, this is based on our own and our experts' review of the company's calculation of WACC and on an assessment of the inherent risks of undertaking operations in the markets in question.
- Tobii AB's assumptions regarding growth in sales, development of costs and margins and cash flow were tested against adopted budgets and business plans.
- We test the assumptions based on what is included in the budgets and business plans, the results of the units, our knowledge of the Tobii group's development and on verifiable information, such as newly signed agreements. In conjunction with the audit, we meet regularly with the individuals responsible for the company's business areas, providing us with a good understanding of earning trends in the company, which also provides us with information in conjunction with the testing of intangible assets. Similar information is obtained in conjunction with the audits of the group companies. This includes the follow-up of the accuracy of the forecasts for historical periods and provides us with a basis for testing the assumptions regarding future development.
- We have also, in conjunction with the testing of possible impairment requirements, checked the sensitivity of the valuations through sensitivity analyses, to determine if there are negative changes in significant parameters which individually, or on a collective basis, could imply the existence of an impairment requirement.
- We have also assessed the disclosures in the annual report to determine if they are correct in accordance with IFRS, based on an executed test of the valuation of capitalised expenses for product development.

No significant observations were made in the audit resulting in reporting to the Audit Committee.

Items impacting company management's judgements, primarily the valuation of deferred tax.

We refer to Notes 4 Important estimates and assessments when applying the accounting policies, 13 Taxes

The receivable for deferred tax amounted to MSEK 54.9 as at the end of December 2016. This is deemed to comprise a significant item in the group's balance sheet. There is a risk that future assessed results in a unit will, for a variety of reasons, decrease so that the losses carry forward cannot be utilised or that the right to utilise the losses carry forward will be lost, temporarily or permanently, as a result of restructuring within the group and the acquisition and sale of operations.

Companies within the group can also be subject to tax audits whereby fiscal income can entirely, or partially, be questioned, which can change the calculation basis of deferred tax. Management contracts legal or tax expertise to handle tax audits of a significant nature. There is also a risk that political decisions can change regulatory frameworks which, in turn, can impact judgements regarding and/or calculations of deferred tax.

In accordance with IAS 12, Tobii has assessed the amount of losses carry forwards referring to fiscal losses existing in group companies and which the group can utilize to reduce future tax payments during the period in which the losses carry forwards can reduce, entirely or partially, tax incurred by the units.

Particularly important assumptions in assessing deferred tax based on losses carried forward include management's assessment of future earnings. This is based, in its turn, on future budgets and forecasts, approved by the Board of Directors, for the next three years, where after extrapolation takes place for subsequent years. The risk refers primarily to the valuation of the losses carry forward.

Routines and processes and allocation of revenues.

We refer to the Notes 4 Important estimates and assessments when applying the accounting policies, 5 Net Sales and income per business area, 17 Accounts receivable and 26 Accrued expenses and deferred income.

One of our focus areas within the audit has been revenue recognition. The risk that there can exist a difference between the point in time at which Tobii executed services for clients and when the revenues are reported, is based on the allocation of these items. When the services are seen to have been executed on behalf of the clients, and when revenues can, then, be reported, is based on the contractual stipulations found in the established agreements. As there are manual components in the invoicing routines and there are a large number of transactions, there is an increased risk of error. It is the operational manager who is responsible for the invoicing documentation, while the invoicing is executed by a

In our audit, we have assessed the valuation of losses carry forward and deferred tax on these losses have been calculated according to the regulations in place. These executed audit activities included, amongst other things:

- We also evaluated the management's assumptions regarding assessed future results in conjunction with a review and analysis of the budgets and forecasts regarding future earnings trends, as this is a significant assumption due to the large amount of available losses carry forward which the management deems will be able to be utilised. This assessment also includes a significant component of subjectivity. This was also tested in conjunction with our review of a potential impairment requirement as regards capitalized costs for product development (see also above). The company's assumptions regarding the earnings trend was tested against adopted budgets and business plans. This testing takes place in the same manner as the testing of capitalized costs for product development, in the manner described in that part of this Auditor's Report.

The audit also includes the follow-up of possible ongoing tax audits or cases which impact the losses carry forward.

The results of these activities have produced no significant observations as regards the audit.

Our audit was based on both the evaluation of the internal control and substantive procedures of revenues and other analysis measures including data analysis of certain balance sheet and income statement items.

Our audit has focused both on the internal control and on the systems support in place regarding revenue recognition.

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Our audit has focused both on the internal control and on the systems support in place regarding revenue recognition.

- We have mapped the processes regarding revenue recognition and the assessment of prepaid revenue and

central function with detailed knowledge of what is stipulated in the agreements.

As not all of the invoiced revenues have been earned at a given bookclosing date but are reported as prepaid revenue, there is a subjective assessment made of those prepaid revenues in accordance with the agreements in place. The same subjective assessment must be made based on invoiced revenues as Tobii assesses, as at each bookclosing date, the risk of bad debts and provides for the risk that payment will not be received.

The majority of Tobii Group's revenues refer to the sale of goods and services, equivalent to slightly more than 96 %, respective 4 %, of total sales for 2016. The sale of goods is recognized when all significant risks and benefits have been transferred to the purchaser while services are recognized in revenue in the period or periods in which they are executed. Tobii also has rental income from products. This represents slightly more than 2 % of sales for 2016. These revenues are reported in the period in which the renting takes place as this is deemed to comprise the correct measure of when the revenue has been earned. The allocation of received compensation for renting implies an inherent risk of error. The Tobii Group also has royalty revenues equivalent to slightly more than 1 % of total sales in 2016. These are recognized in accordance with the economic implications of the agreements in place. This implies judgements with a subjective component in terms of the portion of the revenues which can be reported in the respective periods to which the agreements refer.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-40 and 81-89. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation

accounts receivables, and on the basis of this testing, have assessed key controls.

- We have also undertaken a test, on a random sample taken from randomly chosen clients, of reported revenue against agreements to determine if these items have been reported in the correct amounts in the correct periods.
- On the basis of the examination of prepaid income and the follow-up of invoicing after the annual bookclosing, we have assessed whether the reported items refer to the period in question, defined as the final quarter prior to the annual bookclosing.
- We have also assessed the provision for the risk of bad debts based on the entire age structure of the accounts receivables, according to the company's policy for provisions. We have also discussed matured receivables in excess of the determined materiality level on an individual receivable basis with Tobii to deem whether the provisions have been correctly reported, based on the assessed risk that payment will not be received.

The results of these activities have produced no significant observations as regards the audit.

in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Board of Directors shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.]Auditor's responsibility

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of

assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the

consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for my (our) opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Tobii AB (publ) and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which

the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on my (our) professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined The Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Stockholm, April 6, 2017

PricewaterhouseCoopers AB

Magnus Brändström
*Authorised Public Accountant
Auditor in Charge*

Questions to Tobii's Chairman of the Board

What was the Board's most important issue during the year?

"The single most important issue concerned the strategy related to Tobii's sub-segments and rate of investment. Large-scale investments in the areas of virtual reality and smartphones were not included in the financial plan prepared in conjunction with the 2015 listing on the stock exchange. However, interest in eye tracking within these areas has grown markedly since. Our assessment was that Tobii needed to pick up the pace in order to compete in these sub-segments for eye tracking, which prompted the decision to increase the rate of investment and reinforce our cash flow through a rights issue."

What considerations were taken in regard to increasing investments within Tobii Tech?

"The Board devoted a great deal of time to discussing the new assessment of the eye-tracking market. Development in VR and smartphones has advanced faster than Tobii had earlier calculated, but there are still major uncertainty factors here. Our conclusion was that the Company needed resources and an action plan to handle faster market development. Tobii would be taking a big risk otherwise."

Were there similar discussions about increasing the rate of investment in Tobii Dynavox and Tobii Pro?

"The two established business units are particularly important for the Company. They are profitable, cash-generating business units and they carry their own investments. In these areas, our product strategy was a prominent issue in 2016. To maintain a market-leading position, both Tobii Dynavox and Tobii Pro must have cutting-edge products and drive the development of new types of solutions and services. We decided to increase investments in product development and to make strategic investments in software. We also decided to expand Tobii Pro's service operations where we saw excellent growth during the year. Our assessment is that these investments can drive growth in both business units for a long time."

Why were the financial targets updated in conjunction with the rights issue?

"Since the entire strategic plan for Tobii Tech was updated, both budgets and time frames were affected. Given the early market development phase of eye tracking in VR and smartphones, it is more relevant to express an ambition in terms of future market positions than a specific financial target. The long-term targets for Tobii Dynavox and Tobii Pro are still the same."

Tobii's organization grew sharply in 2016. What types of questions were generated by this growth?

"With an internationally growing organization, we continued to work on creating good financial control instruments. This was particularly important within Tobii Dynavox where our



Kent Sander, Chairman of the Board in Tobii.

organization in the USA is larger than our organization in Sweden. Equal opportunity is another organizational issue that the Company has addressed. Tobii is far ahead in many instances, but it is a challenge to find women candidates for certain R&D roles. Long term, we are striving to put more women on the executive management team and in management positions."

What is the Board's view on Tobii's sustainability agenda?

"Sustainability is a critical and prioritized issue since it permeates everything we do. In 2016, Tobii initiated a more structured sustainability agenda and laid a good foundation for defining future targets and follow up. Tobii is a company undergoing strong growth in an industry that competes fiercely for the best talents. The responsibility as employer is therefore particularly relevant to the Company's continued success. Business ethics within the Company and its suppliers are decisive to Tobii's capability to be a technology provider to major consumer electronics companies. Consequently, compliance with the EICC Code of Conduct was a key step."

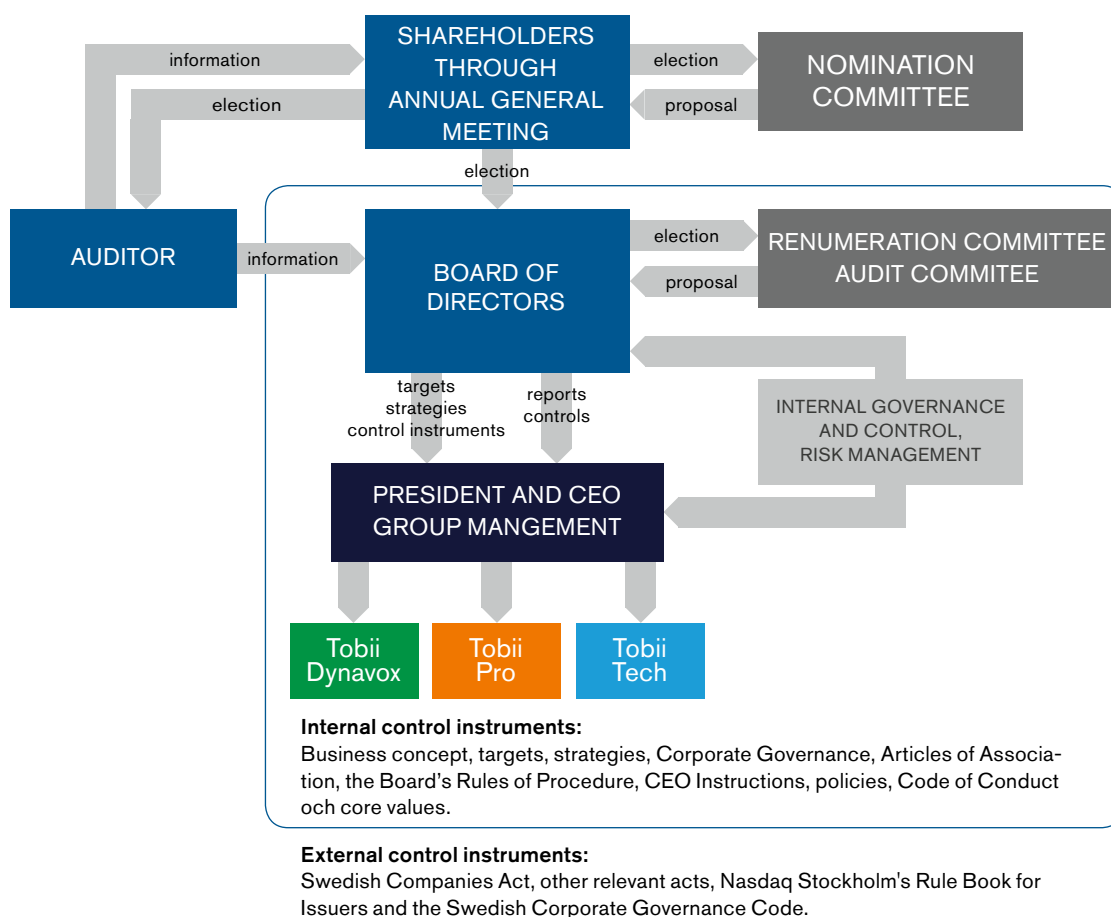
Corporate Governance Report

Tobii AB (publ) is a Swedish public limited liability company with its registered office in Danderyd, Sweden. The Company's shares are listed on Nasdaq Stockholm since April 24, 2015. Tobii's Corporate Governance Report, examined by the Group's auditors, is presented below. The report describes the division of responsibility between the Company's three decision-making bodies — the Annual General Meeting, the Board of Directors and the CEO — and how they act and interact in accordance with applicable laws, regulations and internal processes.

Principles for Tobii corporate governance

Governance of the Company and the Group is based on Tobii's Articles of Association and external regulations such as the Swedish Companies Act, Nasdaq Stockholm's Rule Book for Issuers and the Swedish Corporate Governance Code ("The Code"). In addition, Tobii applies internal regulations and policies. The responsibility for governance and control is divided among the shareholders at the general meeting of shareholders, the Board and the CEO. An overview of the Group's governance and control, including internal and external governance instruments, is presented in the illustration below.

Corporate governance structure



Compliance with the Swedish Corporate Governance Code

Since the first day of trading on Nasdaq Stockholm (April 24, 2015), Tobii has applied the Code and, as of November 1, 2015, Tobii applies the revised Code. The Code is applied in all Swedish companies with shares listed on a regulated market in Sweden. The Code is based on the comply or explain principle, which means that the Code itself allows room to deviate from the rules, under the condition that all

such deviations and chosen alternatives are explained and that the reasons for the deviations are detailed in the corporate governance report. Tobii reports no deviations from the Code in 2016.

Internal rules

To ensure compliance with the laws and rules that apply, and to fulfill Tobii's demands on its own operations, Tobii also

applies internal rules and policies that include:

- Tobii's own Articles of Association and the Board of Directors' Rules of Procedure.
- Tobii's Code of Conduct and Business Ethics and policy framework that covers all employees, regardless of position or stationing, as well as consultants and others who have been commissioned by the company.
- Tobii Group-wide governance document and manuals.

Authorized personnel can access Tobii's governance documents on the Company's intranet. All policies are reviewed every year and updated as needed.

Articles of Association

The current Articles of Association were adopted on March 9, 2015. The Articles of Association stipulate that the Company's business is to conduct research, development and sales of software and computer-related hardware and any other activities compatible therewith. The Articles of Association also define the rights of the shareholders, the number of Board members and auditors, that the Annual General Meeting is to be held once a year within six months after the end of the fiscal year, how notice of the Annual General Meeting is to be issued and that the registered office of the Company's Board is in Danderyd, Sweden. The current Articles of Association are available on Tobii's website.

Shareholders

For information regarding ownership structure and the largest owners, refer to page 28–29 in this Annual Report.

Voting rights

There is only one class of shares and all shares have the same number of votes – one vote per share.

General meeting of shareholders

Shareholders exercise their right to decide on Tobii's affairs at the General meeting of shareholders, which is the Company's highest decision-making body. The Annual General Meeting must be held in Danderyd or Stockholm within six months from the close of the fiscal year. General meetings of shareholders are to be convened by publication of the convening notice in the Swedish National Gazette (Sw. Post- och Inrikes Tidningar) and on the Company's website. At the time of notice, an announcement that the notice has been issued is to be published in Svenska Dagbladet. At the Annual General Meeting, decisions are made regarding the adoption of the Company's income statements and balance sheets, appropriation of the Company's earnings, granting discharge from liability for the Board of Directors and CEO, election of Board members, Chairman of the Board and auditors, adoption of remuneration to the Board and auditors, and other issues that are a matter for the meeting in accordance with the Swedish Companies Act, the Articles of Association or the Code. Extraordinary General Meetings are held when the Board deems it necessary in accordance with the Swedish Companies Act. The Articles

of Association contain no separate rules regarding the meeting's amendment of the Articles of Association.

Tobii's 2016 Annual General Meeting

At the 2016 Annual General Meeting held on May 11 in the presence of 82 shareholders, directly or through proxy, and the Company's auditor, it was decided that the Company's Board should comprise seven ordinary members, and no alternate board members. Kent Sander was re-elected Chairman of the Board and Nils Bernhard, John Elvesjö, Martin Gren and Åsa Hedin were re-elected members of the Board. Heli Arantola and Jan Wäreby were elected as new members of the Board.

In addition, the Annual General Meeting granted discharge from liability for the Board of Directors and the CEO, adopted the income statements and balance sheets in the annual report, and resolved in accordance with the Board's and the CEO's proposed appropriation of non-restricted equity. The Meeting also resolved to authorize the Board to decide, during the period up until the next Annual General Meeting, on the issue of new shares corresponding to an increase of a maximum 10 percent and to implement a new long-term incentive program for senior executives and other key individuals within the Tobii Group.

The Annual General Meeting resolved in accordance with the Nomination Committee's proposal for fees to the Board of Directors. For more information, see "Remuneration to the Board and Committees" below.

The Annual General Meeting resolved in accordance with the Board's proposed guidelines for remuneration to the CEO and other senior executives, see below under "Remuneration to the CEO and other senior executives".

The minutes from the Annual General Meeting are available on Tobii's website.

Extraordinary General Meeting on November 30, 2016, concerning the rights issue

On November 30, 2016, an Extraordinary General Meeting approved the resolution by the Board of Directors of November 5 and November 23 for the new issue of 8.8 million shares to be subscribed for with preferential rights of existing shareholders, proportionally 1:10. The new shares were subscribed for at a price of SEK 52 per share. The issue provided the Company with SEK 449 million after issue costs. The proceeds will be used to make investments in the range of SEK 150 million each in the areas of VR and smartphones over a three-year period between 2017 and 2019. Additionally, a stronger cash position is expected to provide the Company with greater flexibility and the capacity to quickly carry out potential acquisitions.

Tobii's 2017 Annual General Meeting

Tobii AB will hold its Annual General Meeting on May 9, 2017 in Stockholm, Sweden. The convening notice is available on Tobii's website.

Nomination Committee

The Nomination Committee's primary task is to submit proposals to the Annual General Meeting regarding the

composition of the Board of Directors, which is then resolved by the Annual General Meeting. The work of the Nomination Committee begins with reviewing the evaluation of the work of the Board that the Board has commissioned. The Committee then submits proposals in respect of Board member candidates and Chairman of the Board for the pending mandate period. Furthermore, the Nomination Committee submits proposals regarding the election of auditors and remuneration to the Board and auditors.

Composition of the Nomination Committee

It was resolved at the Extraordinary General Meeting held on March 9, 2015 that prior to every Annual General Meeting, the Nomination Committee is to comprise representatives from the three largest shareholders listed in the shareholders' share register maintained by Euroclear Sweden as of September 30 each year, together with the Chairman of the Board. In total, the Nomination Committee is to comprise four members. Should any of these shareholders opt to waive the right to appoint a representative, the right shall pass to the largest shareholder next in line, and so on. As long as the three founders Henrik Eskilsson, John Elvesjö and Mårten Skogö together own shares in the Company, directly or indirectly, that make them one of the three largest owners, they have the right to jointly nominate one of the three shareholder representatives in the Nomination Committee. The member representing the largest shareholder is to convene the first meeting of the Nomination Committee and be appointed Chairman of the Nomination Committee unless the Committee unanimously appoints someone else. However, the Chairman of the Board may not serve as Chairman of the Nomination Committee.

Ahead of the 2016 Annual General Meeting, the Nomination Committee was appointed in accordance with the above principles.

The Nomination Committee has had two recorded meetings in 2016. Tobii's Nomination Committee fulfills the requirement for independence.

The members of the Nomination Committee and which owners appointed them is presented in the table below.

Nomination Committee ahead of the 2017 Annual General Meeting

Member	Appointed by	Share of votes
Jan Andersson	Swedbank Robur	7.79 %
Mats Lindahl	Sixth AP Fund	4.56 %
Ingemar Skogö	Tobii's three founders	10.36 %
Kent Sander	Member in capacity of Chairman of the Board	Not applicable

Contact the Nomination Committee

Tobii's Nomination Committee can be contacted via email at audit.committee@tobii.com.

The Board of Directors

The Board of Directors is responsible for Tobii's organization and the management of the Company's affairs.

Composition of the Board of Directors

According to Tobii's Articles of Association, Board members elected by the Annual General Meeting are to comprise a minimum of three and a maximum of nine, with no alternate members. At present, the Company's Board of Directors comprises seven ordinary members. The Board members have vast experience in the industry and expertise in both technology and international business. For more information about the Board members, see page 88.

The Articles of Association contain no separate rules regarding the appointment or removal of Board members.

The composition of the Board fulfills the Code's stipulation concerning independent members. Independent assessments for each Board member are presented on page 85.

The Board's Rules of Procedure

The Board adopts Rules of Procedure for its work every year. The Rules are adopted in conjunction with the statutory Board meeting and are amended thereafter as needed. The Rules of Procedure describe the responsibilities and duties of the Board and its Committees, the internal division of duties and practices, and the division between the Board members and the CEO. The current Rules of Procedure were adopted on May 11, 2016.

Work of the Board

According to the Rules of Procedure, Tobii's Board is to convene a minimum of six times in addition to the statutory meeting. The Board of Directors held a total of 19 recorded meetings in 2016. Key issues during the year concerned strategy, market position, product development, significant risks and the rights issue.

Normally, the Company's CFO serves as secretary at the Board meetings.

Evaluation of the work of the Board

According to the Board's Rules of Procedure, the Chairman of the Board is to ensure that the work of the Board is annually evaluated through a systematic and structured process aimed at developing the Board's processes and efficiency. This evaluation was carried out in 2016 with the help of an external consultant using questionnaires, among other methods. The results were presented at the Board meeting in January 2017.

Composition of the Board of Directors, committees and meeting attendance

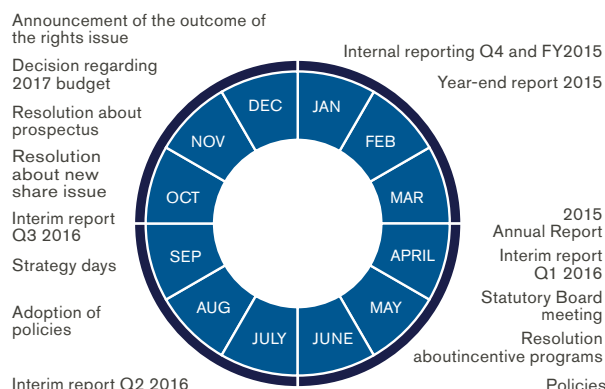
Meeting-elected members	Elected	Born	Independent		Board Meeting	Attendance	
			of the Company	of the largest shareholders		Audit Committee	Remuneration Committee
Kent Sander, ordf.	2014	1953	Yes	Yes	19/19	X	X
Heli Arantola	2016	1969	Yes	Yes	14/14		
Nils Bernhard	2004	1947	Yes	Yes	18/19	X	
John Elvesjö	2006	1977	No	No	17/19		
Martin Gren	2007	1962	Yes	Yes	19/19		X
Åsa Hedin	2015	1962	Yes	Yes	18/19	X	
Jan Wäreby	2016	1956	Yes	Yes	13/14		X

In 2016, Anders Ösund was a member of Tobii's Board until the Company's Annual General Meeting in May when he resigned of his own accord.

The Board's work year

The Board held 19 recorded meetings in 2016, of which one was the statutory Board meeting. The many meetings reflect an intensive business year that also included preparing the rights issues.

In 2016, the Board addressed the following issues:



- the impartiality and independence of the auditors
- whether auditors are providing other services besides audit services for the Company

Moreover, the Audit Committee is to assist in the preparation of proposals to the Annual General Meeting's election of auditors, regularly meet with Tobii's auditors and report to the Board of Directors. According to the Code, the Audit Committee is to comprise a minimum of three Board members, who are appointed annually by the Board. In 2016, the Committee was made up of Åsa Hedin, Chairman, and members Kent Sander and Nils Bernhard.

The Audit Committee has had 6 recorded meetings in 2016.

Remuneration Committee

The Remuneration Committee is tasked primarily with addressing issues concerning guidelines for remuneration, salaries, variable compensation, incentive programs, pension and other forms of remuneration to Group management.

In 2016, the Committee was made up of Kent Sander, Chairman, and members Martin Gren and Jan Wäreby. The Committee held 3 recorded meetings in 2016.

Remuneration to the members of the Board of Directors and Committees

Remuneration to the Board of Directors is decided at the Annual General Meeting. The 2016 Annual General Meeting resolved that Board fees would amount to SEK 1,725,500 to be allocated as SEK 395,000 for the Chairman of the Board and SEK 185,000 each for other Board members. The maximum fees for Committee work will amount to a total of SEK 220,500, allocated as SEK 141,500 for the Audit Committee and SEK 79,000 for the Remuneration Committee. Remuneration to the Board is presented in detail in Note 8.

Board Committees

The Board has established two committees: The Audit Committee and the Remuneration Committee. The Committees have no decision-making authority, but are tasked primarily with presenting proposals and conclusions to the Board.

Audit Committee

On behalf of the Board, the Audit Committee is to, without prejudice to the Board's responsibilities and tasks, monitor the following:

- the Company's financial reporting
- the effectiveness of the Company's internal controls
- internal auditing and risk management
- the audit of the annual accounts and consolidated financial statements

CEO and Group Management

The CEO is responsible for the day-to-day management of Tobii in accordance with the Board's guidelines and instructions. The current CEO's instructions were adopted by the Board on May 11, 2016. The CEO is tasked with compiling information and decision-making documents ahead of the Board meetings.

The CEO is assisted by Group Management made up of the presidents of the Company's three business units, namely Tobii Dynavox, Tobii Pro and Tobii Tech. Furthermore, the Vice President, CFO and CSO are members of Group Management. Since January 2017, Tobii's HR Director is a member of Group Management.

Group Management holds monthly meetings during which issues concerning operations are discussed. A more detailed presentation of the CEO and the executive management team is on page 89.

Remuneration to the CEO and senior executives

The Board has decided on the current remuneration levels and other employment conditions for the CEO and other senior executives. To the extent it is possible, agreements regarding retirement benefits are to be based on defined contributions and coincide with the levels, practices and collective agreements that apply in the country where the senior executive is employed. CEO Henrik Eskilsson, and other Group management members have an employee agreement with up to six month's mutual period of notice and the right to four-month severance pay under the condition the Company is the party giving notice. Other senior executives have employee agreements with up to six month's mutual period of notice, without severance pay, or the longer period of notice that follows according to law. The CEO and other senior executives are not entitled to any additional remuneration in conjunction with the termination of their employment. In 2016, total remuneration to the CEO and senior executives amounted to approximately SEK 18 million.

Remuneration to the CEO and other senior executives is presented in detail in Note 8.

Auditors

Tobii's auditors are responsible for reviewing the annual report, the consolidated statements, the Corporate Governance Report and accounting as well as the administration of the Board of Directors and the CEO. The auditors follow an audit plan and report their observations to the Audit Committee. The auditors participate in the Annual General Meeting to present the Auditors' Report, which describes the audit process and the observations made. Furthermore, the auditors normally participate in one Board meeting each year.

The Company's audit firm, PricewaterhouseCoopers AB, was re-elected at the 2016 Annual General Meeting through to the 2017 Annual General Meeting. Auditor in charge is Authorized Public Accountant Magnus Brändström.

Remuneration to auditors

The 2016 Annual General Meeting decided that the auditors fee should be paid on account. Remuneration to the auditors is presented in detail in Note 7.

Internal control and risk management regarding financial reporting

Internal control and risk management regarding financial reporting is a central component in Tobii's corporate governance. The process is intended to provide reasonable security in terms of reliability of the interim reports, year-end statements and annual reports, and that these statements are prepared in accordance with applicable laws, accounting standards and other regulations.

Since the Board's decision in November 2016, Tobii's risk management and internal governance and control is based on the Internal Control – Integrated Framework launched by the Committee of the Sponsoring Organizations of the Treadway Commission (COSO) in 2013. According to COSO, internal governance and control is a process that involves the following components: control environment, risk assessment, control activities, information and communication, and monitoring.

Control environment

Control environment is the foundation of the internal control and risk management within Tobii and comprises the values and the culture that the Board and management communicate and operate from, together with the organization structure, leadership, delegation of authority, decision-making structures and employee expertise. A number of internal steering documents, adopted by the Board, are associated with this.

The Board has the overall responsibility for internal control and reporting, and has appointed an Audit Committee tasked with and responsible for overseeing Tobii's financial reporting and monitoring the efficiency of this process. For more information, refer to section under the "Audit Committee" above.

Risk management

The significant risks that influence internal control in terms of financial reporting are identified and managed at Group level, business unit level and subsidiary level. In the Board, the Audit Committee is responsible for identifying and managing significant financial risks or risks for errors in the financial reports to ensure correct financial statements. Particular priority is given to identifying processes where the risk for material errors relatively speaking are higher due to the complexity of the process or in contexts involving substantial values.

Control activities

The risks identified regarding financial reporting are managed via the Company's control activities. Control activities are intended to prevent, uncover and correct misstatements and deviations. This is managed through manual controls in the form of reviews and inventories, as well as automatic controls through the IT system. Detailed financial analyses of

the results and follow-up against budget and forecasts complement the operations-specific controls and provide an overall confirmation of the reporting quality.

Information and communication

The Board has prepared an Information Policy for the dissemination of external information that will ensure that the market receives relevant, reliable, correct and pertinent information about the Company's development and financial position. The Board has also prepared an Insider Trading Policy aimed at safeguarding the integrity of the dissemination of information.

The Company's internal steering instruments in the form of policies, guidelines and manuals concerning internal and external communication are regularly updated and communicated internally via relevant channels, including internal meetings, email and the Company's intranet.

Monitoring

Risk assessment and implementation of the control activities are monitored regularly. This includes both formal and informal routines used by those responsible at each level. Procedures include monitoring results against budget and plans,

analyses and key ratios. The Board regularly receives reports on the Group's financial position and development. After each quarter, the Group's financial situation is addressed and Group management analyzes the financial reports in detail every month. The Audit Committee monitors the accounts at its meetings and receives reports from the auditors regarding their observations.

Events and activities 2016

In 2016, the EU's audit package comprising Regulation No 537/2014 and Directive 2014/56 was implemented in Swedish legislation. Implementation of the Audit Package entails more requirements and details for both auditors and the Company's Audit Committee. In 2016, Tobii amended its policies and procedures to the new laws.

Otherwise, Tobii continued throughout to constantly improve internal controls and governance in pace with growing operations and intensified requirements.

Auditor's Report on the Corporate Governance Report

To the Annual General Meeting of Tobii AB (publ), corp. id no. 556613-9654

Assignment and responsibility

The Board of Directors is responsible for the Corporate Governance Report for the year 2016 on pages 81-87 and that it has been prepared in accordance with the Annual Accounts Act.

Scope of the audit

The audit was conducted in accordance with FAR's auditing standard RevU16, "The auditor's examination of the Corporate Governance Statement". This means that our examination of the Corporate Governance Report is different and substantially less in scope than an audit conducted in

accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that our audit provides a reasonable basis for our opinion as given below.

Opinion

A Corporate Governance Report has been prepared. Information in accordance with Chapter 6 section 6 second paragraph items 2-6 of the Annual Accounts Act and Chapter 7 section 31 second paragraph of the same Act are consistent with the annual report and the consolidated statements and comply with the Annual Accounts Act.

Stockholm April 6, 2017

PricewaterhouseCoopers AB

Magnus Brändström
Authorized Public Accountant

Board of Directors



Kent Sander

Chairman of the Board

Elected: 2014

Born: 1953

Education: BSc in Business Administration

Main assignments and experience: More than 30 years in leading positions at international IT and telecom companies. Chairman of the Board of Mr Green & Co AB, OnePhone Holding AB and Triboron International AB. Formerly CEO of TruePosition, Executive VP Sales for Ericsson USA and Chairman of the Board for Transmode.

Shareholding in Tobii: 25,000 shares and 80,000 warrants.



Nils Bernhard

Elected: 2004

Born: 1947

Education: MSc in Electrical Engineering and MSc in Business and Economics

Main assignments and experience: CEO and Board member of Mångubben AB, Chairman of the Board of Pajeb Kvarts AB, Board member of Ortivus AB. Founder of Precise Biometrics AB and Danne-mora Mineral AB among other. More than 25 years of experience as board member, entrepreneur and private investor in many different industries and actively involved in seven companies' IPO:s. Long experience of senior positions in the shipbuilding sector and the SKF Group's steel operations.

Shareholding in Tobii: 2,200,000 shares directly and indirectly through companies and 28,000 warrants.



John Elvesjö

Elected: 2006

Born: 1977

Education: Studies in Engineering Physics.

Main assignments and experience: Vice President and co-founder of Tobii AB, CTO through 2015. Board member of Resolution Games Holding AB, The Incredible Machine of Sweden AB, HolidayPhone AB, Sticky Inc., Moor&Moor and Vinnova. Formerly board member of Xcerion AB (formerly MuteWatch AB), Timpen Capital AB and Sticky AB.

Shareholding in Tobii: 4,265,335 shares, 40,000 employee stock options and 140,000 warrants.



Dr Martin Gren

Elected: 2007

Born: 1962

Education: Studies in Electronics.

Main assignments and experience: Founder of Axis Communications. Honorary PhD in Entrepreneurship from Lund Technical University. Chairman of the Board of Axis Communications AB, Gren & Karlsson Firmware AB, Axis Technologies AB, Axis Peripherals Aktiebolag, Axis Network Aktiebolag and Aktiebolag Gren-specialisten. CEO and board member of Askero Sagoboks Förlag AB and Grenspecialisten Förvaltning AB. Member of the board of H. Lundén Holding AB, Axis AB, and Eikos AB.

Shareholding in Tobii: 205,700 shares and 28,000 warrants.



Åsa Hedin

Elected: 2015

Born: 1962

Education: MSc in Biophysics and Bioengineering, BSc in Physics.

Main assignments and experience: More than 30 years in leading positions in international med tech and tech companies. Industrial Advisor at the Department of Micro-technology and Nanoscience at Chalmers AB. Board member of Nolato AB, Fingerprint Cards AB, Cellavision AB, Immunovia AB and E. Öhman J:or Fonder AB. Formerly Chairman of the Board of Elekta NeuroMag Oy, Board member of Svenska rymdaktiebolaget and MedCap AB.

Shareholding in Tobii: 7,000 shares and 28,000 warrants.



Heli Arantola

Elected: 2016

Born: 1969

Education: PhD in Economics

Main assignments and experience: Senior Vice President Strategy and Renewal at the Fazer Group. Board member of S-Bank, member of the Innovation Committee of the Confederation of Finnish Industries and member of the Steering Group for Bio-Economy at the VTT Technical Research Center of Finland.

Shareholding in Tobii: Holds no shares or warrants in the Company.



Jan Wäreby

Elected: 2016

Born: 1956

Education: MSc in Electrical Engineering

Main assignments and experience: Chairman of the Board of Fingerprint Cards AB, RISE AB and Obelixus AB, Board member of Agapi Boating AB. Long experience of senior positions within the Ericsson Group, Senior VP of Sales at Ericsson, Senior VP of Multimedia Business Unit, and Executive Vice President and Head of Sales and Marketing at Sony Ericsson Mobile Communications.

Shareholding in Tobii: 15,400 shares.

Group Management



From left: Cecilia Eriksson, Tom Englund, Henrik Eskilsson, Mårten Skogö, John Elvesjö, Fredrik Ruben and Oscar Werner (encircled).

Henrik Eskilsson

President and CEO, co-founder of Tobii

Born: 1974

Employed: 2001

MSc in Industrial Engineering and Management, International Profile, Linköping University. Co-founder of Tobii AB. Founder of Trampolinspecialisten i Stockholm AB.

Shareholding in Tobii: 4,291,071 shares, 60,000 employee stock options and 240,000 warrants. Henrik Eskilsson also owns 2,835 shares through Henrik Eskilsson AB, and 22.5% of the Eskilsson Consulting AB, which in turn owns 1,565,511 shares in Tobii.

Cecilia Eriksson

Global HR Director

Born: 1983

Employed: 2011

BSc in Human Resources and Behavioural Science, Örebro University. Global HR Director since 2015. Formerly management consultant at PwC and has held numerous roles in the recruiting and staffing industry.

Shareholding in Tobii: 15,950 warrants.

John Elvesjö

Vice President and co-founder of Tobii

Born: 1977

Employed: 2004

Member of Tobii's Board since 2006. For more details, see Board of Directors on page 88.

Mårten Skogö

CSO and co-founder of Tobii

Born: 1977

Employed: 2001

Studies in Engineering Physics, Royal Swedish Institute of Technology. Co-founder of Tobii AB. Board member of Fortlax AB. Awarded the Polhem Prize in 2015 for eye tracking.

Shareholding in Tobii: 2,533,395 shares, 20,000 employee stock options and 72,500 warrants.

Esben Olesen

CFO (Esben Olesen stepped down in March 2017)

Born: 1965

Employed: 2011

MSc in Auditing and Business Administration, Copenhagen Business School. Authorized Public Accountant, Denmark. Long experience as financial director, CEO, M&A director and accountant for listed and non-listed companies.

Shareholding in Tobii: 41,900 shares, 60,000 employee stock options and 144,500 warrants.

Fredrik Ruben

President of the Tobii Dynavox business unit

Born: 1977

Employed: 2014

MSc in Industrial Engineering and Management, Linköping University. Studies at Nanyang Technological University, Singapore. Formerly CEO of 3L System Group (publ) and Vitec Mäklarsystem AB.

Shareholding in Tobii: 11,550 shares, 50,000 employee stock options and 221,000 warrants.

Tom Englund

President of the Tobii Pro business unit

Born: 1976

Employed: 2009

MSc in Industrial Engineering and Management, Linköping University. Studies at École Polytechnique Fédérale de Lausanne and HEC in Lausanne.

Shareholding in Tobii: 37,620 shares, 35,000 employee stock options and 157,000 warrants.

Oscar Werner

President of the Tobii Tech business unit

Born: 1974

Employed: 2010

MSc in Business and Economics, Stockholm School of Economics. Studies in Industrial Engineering and Management at the Royal Swedish Institute of Technology. President of the Tobii Dynavox business unit between 2010 and 2014. Formerly CEO of Getupdated, Chairman of the Board of MediaAnalys Trisodium AB, VP Sales & Marketing mBlox Inc.

Shareholding in Tobii: 20,000 shares, 210,000 employee stock options and 290,000 warrants.

Details about shareholdings are as per December 31, 2016 and include also indirectly owned shares and related parties' shareholdings.

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